

GoldStone Resources Limited
Annual Report and Consolidated Financial Statements
for the year ended
31 December 2020

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general information

director details:

E Priestley
W Trew
A List
R Wilkins
O Fenn

chief executive officer
non-executive chairman
non-executive director
independent non-executive director
independent non-executive director

company secretary:

Financial Consultants (Jersey) Limited
2nd Floor, International House, 41 The Parade, St. Helier, Jersey, JE2 3QQ

registered office:

2nd Floor, International House, 41 The Parade, St. Helier, Jersey, JE2 3QQ

company number:

71490

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:

SP Angel Corporate Finance LLP
35 Maddox Street, London, W1S 2PP

crest source adviser and UK transfer agent:

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

chairman's and chief executive officer's report

The chairman and chief executive officer present their report for Goldstone Resources Limited ("Goldstone" or the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2020.

The Board has continued with its focus on fulfilling the Group's objective of becoming a gold producer, with production expected to commence in Q3 2021, despite the setbacks that COVID-19 put on the development of the Group's Homase Mine, which is set within its Akrokeri-Homase Gold Project ("AKHM") in Ghana. The Group maintained momentum and it is with considerable optimism therefore, that the Board look forward to the remainder of 2021 and what it believes these coming months will deliver as the Group nears the production of gold.

The Board would like to take this opportunity to thank the shareholders for their continued support. The Board will continue to update investors as to the Group's progress towards achieving its objectives at both the Homase Mine and Akrokeri. The operational update of the Group for the period ending 31 December 2020 is set out below.

operational update

The financial year ended 31 December 2020 proved to be a period of exceptional progress for the Group, in particular, the award of the Mining Lease for the Homase Mine held by its 100% Ghanaian subsidiary GoldStone Akrokeri Limited.

Though the COVID 19 pandemic has caused delays, the Group has, post period end, secured its Environmental Permit, Water Permit and Operating Permit, enabling mining to commence in May 2021.

Work at the Group's other mine, the Akrokeri Mine continues, most notably, with the identification of further historical exploration results that strengthen the Board's decision to re-open the mine.

The Group's financial position was further strengthened during the year by the successful debt financing of US\$4.3 million comprising a US\$3.0 million Gold Loan and US\$1.3 million Corporate Bonds. A further US\$900,000 was raised in December 2020 on the exercise of warrants. The Group's cash deposits stood at US\$701,384 at 31 December 2020 compared to US\$90,128 at 31 December 2019. These funds have been used to further develop the Homase Mine to production.

Homase Mine update

The Homase Mine, set within its AKHM project in Ghana, consists of five open pits, targeting the oxide resource to a vertical depth of 30 metres, as detailed in the Definitive Economic Plan, dated June 2019, ("DEP"). This includes the historic Homase Main Pit, see Figure 1, which produced 52,500 oz gold at an average grade of 2.5g/t Au in 2002/03 by AngloGold Ashanti.

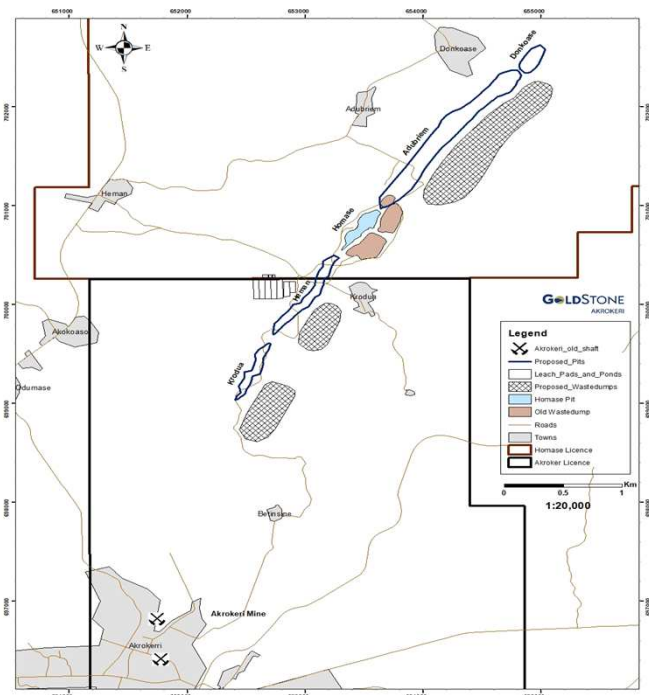


Figure 1: Location of the Homase Mine and Akrokeri Mine

During 2020 a 10 year Mining Lease (“the Lease”) incorporating land for plant and process operation was issued by the Ministry of Lands and Natural Resources (“MLNR”). This covers the southern parts of the site. Whilst the Lease initially only relates to the southern pits, the DEP has been approved by the relevant authorities in Ghana in its entirety and the Lease can therefore be renewed and/or extended to include additional pits along the Homase Trend as the Group’s production plans advance.

When the Group received the formal approval from the MLNR for the transfer of the Homase prospecting licence from Cherry Hill Mining Limited, a joint venture partner of the Group, to GoldStone Akrokeri Limited (“GAL”), the Company’s wholly owned Ghanaian subsidiary, the Ghanaian Minerals Commission encouraged the Group to expand its mining lease area. The Group submitted an application to expand the area to include the northern pits along the Homase Trend, and was informed by the MLNR that the application was approved on 3 December 2020 with the recommendation for the grant of the expanded Lease and this is now awaiting the ratification by the relevant Ghanaian Ministerial bodies.

The Group has been investing in the plant and equipment, the land and crop compensation, and the identification of contractors to undertake the mining, so that on receipt of the relevant permits, the Group would be able to immediately commence mining operations at the Homase Mine, utilising contract mining.

In parallel with these activities the Group also completed a resource expansion programme to further define and extend the mineable resource down-dip at Homase South to a vertical depth of approximately 80 metres, and further metallurgical testwork was carried out. The positive results were announced on 12 November 2020, and increased the minable resource of the southern pits, by 86,900 ounces of gold at depth, representing a 257% increase on the previous estimate of 33,800 ounces of gold, within the existing JORC define resource, see Table 1.

chairman's and chief executive officer's report

Table 1: Homase South Pit – Mineable resource variation with a cut-off 0.5g/t

	Grade (Average)	June 2019 (ounces of gold)	October 2020 (ounces of gold)
Oxides	1.2g/t	33,800	49,200
Fresh ore	1.3g/t	-	71,500

Note: The mineable resource is a non-JORC compliant resource

Following the increase in mineable resource and the optimisation review, the Group is in the process of updating the DEP and will update the market in during the course of the next few months.

post period end

The Group was awarded its Environmental Permit, Water Permit and Operating Permits. The Group commenced mining operations in May 2021, following the pre-stripping and clearing of the Homase Mine site. The daily mining rate and the growth in the primary and secondary run-of-mine stockpiles are performing at the targeted levels in the following schedule.

Table 2: 2021 Planned Mining Schedule

	Units	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Pit to Stockpile	kt	79.4	75.8	96.8	90.3	88.5	89.4	91.2	89.4
Gold Grade	Au g/t	1.8	1.6	1.5	1.4	1.2	1.1	0.9	1.1
Total Mined Material	kt	301.7	333.6	348.5	340.1	341.7	141.5	339.9	339.9
Strip Ratio		2.8	3.4	2.6	2.8	2.6	0.5	2.3	2.7

As announced on 13 May 2021, the planned gold production for the first eight months from commencement of mining now exceeds the Group's original guidance of 14,400 ounces per annum, stated in the DEP, to produce some 25,000 ounces of gold, at a total cash cost, pre-tax, of under US\$600 per ounce for the thirty metre pit. These figures indicate the cash cost per ounce will lie within the lower quartile of industry cost standards.

Accordingly, the Group expects to increase the planned production rate to around 50,000 ounces of gold per annum, which would represent an increase of more than 300% from the original production schedule.

The first two cells of the heap leach pad, which will comprise a total of seven cells, have been commissioned, enabling stacking, which commenced at an initial rate of 100 tonnes per hour and has been ramped up to a target of 200 tonnes per hour / c.2,500 tonnes per day. The Group has commissioned the necessary dry plant for the Heap Leach operation and is awaiting the final inspection by the Minerals Commission before gold processing can commence. Mining and stacking remain on schedule with 160kt of ore having been mined and stockpiled and 40Kt stacked on the heap leach pad to date.

chairman's and chief executive officer's report

The Group is continuing to review the options available for extracting saleable gold from the loaded carbon it is producing, including toll treatment or expanding its own processing facility to include an elution plant and gold room.

Akrokeri Mine update

During the period, the Group continued reassessing the former mine workings and former artisanal mine workings, building the database with historical exploration work and consolidating historical geological reports that reference not just the Akrokeri Mine but also the several other historical exploration targets in the vicinity of the Akrokeri Mine.

The Group intends to commence a drilling programme, subject to funding, to start to define a resource associated with the Akrokeri mineralisation with the intention of bringing the Akrokeri Mine back into production.

corporate and financial

Losses for the 12 months to 31 December 2020 were US\$610k (2019: Loss of US\$655k). The financial statements at year end show the Group's balance sheet, with net assets standing at US\$10,845k against net assets of US\$6,892k at the end of the previous year. This consists predominately of exploration costs for AKHM of US\$14,340k (2019: US\$8,256k).

As the Group has moved into the production phase post year end, amortisation of the exploration asset will be applied going forward.

Cash and cash equivalents as at 31 December 2020 were US\$701k (2019: US\$90k), which included the proceeds from the exercise of warrants in December by Asian Investment Management Services Ltd ("AIMS") to subscribe for a total of 30,000,000 new Ordinary Shares of 1 penny each in the capital of the Company being issued at the exercise price of 3 pence per share, for a total subscription price of £900,000 (US\$1,125,250).

In conjunction with this, the Board agreed to defer payment of the interest due on 31 December 2020 pursuant to the gold loan with AIMS announced on 22 June 2020 (the "Gold Loan") to 31 March 2021 in order to preserve cash within the Company. Accordingly, the interest due on the outstanding balance of the Gold Loan will accrue at a rate of 17 per cent., as opposed to 14 per cent., for the period from 31 December 2020 to 31 March 2021. AIMS agreed by way of a deed of variation to the Gold Loan agreement that the deferment of such interest payment will not trigger an event of default under the agreement.

Subsequent to this, in March 2021, the Company agreed a further deferment of the AIMS gold loan interest payment to 30 June 2021. In consideration of the deferment, 2,000,000 new Ordinary Shares were issued to AIMS. Also, in March 2021 AIMS exercised 40,000,000 warrants for new Ordinary Shares of 1 penny each in the capital of the Company at a price of 3 pence per share. The warrant exercise provided £1,200,000, (C.US\$1,680,000) of additional funding to the Company. On 17 March 2021 the Company agreed to extend the initial term for 20 of its unsecured bonds of US\$50,000 each in issue to 15 June 2021.

In June 2021, Paracale Gold Ltd ("Paracale") exercised, in aggregate, warrants to subscribe for 32,352,377 new Ordinary Shares of 1 penny each in the capital of the Company, comprising, 20,352,377 new Ordinary Shares at a price of 1.2 pence per Ordinary Share (the "Warrant Conversion

chairman's and chief executive officer's report

Exercise") and 12,000,000 new Ordinary Shares at a price of 3 pence per Ordinary Share (the "Cash Warrant Exercise"). The Warrant Conversion Exercise was set against the related US\$1,224,000 loan provided to the Company by Paracale on 28 December 2018, which accrues interest at a daily compound rate of 6%. Accordingly, the amount due in respect of the Warrant Conversion Exercise of £244,229 (c.US\$344,362) was satisfied by reducing the total amount of principal and interest outstanding under the loan to USD\$1,036,558. The Cash Warrant Exercise was satisfied in cash and provided £360,000, (C.US\$507,598) of additional funding to the Company.

Following this, AIMS exercised, in aggregate, a further 50,000,000 warrants to subscribe for new Ordinary Shares of 1 penny each in the capital of the Company at a price of 3 pence per Ordinary Share, which provided £1,500,000 (C.US\$2,114,991) of additional funding to the Company. Also in June 2021 a bond holder exercised 4,000,000 warrants to subscribe for new Ordinary Shares of 1 penny each in the capital of the Company at a price of 3 pence per Ordinary Share, which provided £120,000 (C.US\$169,199) of additional funding to the Company.

former director's claim

Following the claim against the Company, brought by a former director (initially announced on 13 October 2016), it was further announced in December 2018 that the South African Labour Court had ruled in favour of the former director and awarded him damages of US\$140k plus interest and legal costs. In January 2021, The Company agreed to issue 1,800,000 new Ordinary Shares of 1p each in the Company to the former director, which have a value of £163,800 (approximately US\$222,768) at the closing middle market price of the Company's Ordinary Shares on 15 January 2021, which, in addition to US\$22,500 already paid in cash, represented a full and final settlement of the damages awarded to him by the South African courts. The Company has been indemnified against any future claims by the former director of the Company.

working capital management and funding

Following the exercise of warrants, post the period end as detailed above, the Company now has sufficient funds to move towards its goal of achieving gold production and is in discussions with its shareholders which advanced the gold loan interest repayment that falls due on 30 June 2021. The Company prepares regular management accounts and financial forecasts to monitor and manage working capital and funding requirements going forward. The accounts and forecasts are regularly reviewed and challenged by the Board.

In order to assist with working capital management, the directors agreed not to draw all their fees in accordance with their service contracts and as such these fees have been accrued in the financial statements. The Board is in discussions on how these fees will be settled in due course. See note 19 to the financial statement for further details.

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 2020, the Group had cash of US\$701,384k (2019 US\$90,128). As noted above, the Company has successfully raised US\$4.5million, gross, post the period end to fund the commencement of initial production at the Homase Mine. The Board is confident that it will

chairman's and chief executive officer's report

commence gold production in 2021. Should there be a material delay in the delivery of gold production, over and above the Board's current expectations, the Company may need to secure further funding to meet its contractual obligations, in particular the secured Gold Loan that matures on the 30 September 2021, as they fall due.

The Board is confident that, based on, *inter alia*, its cashflow forecasts and the continued financial support of its shareholders, they are satisfied that the Group has adequate resources to move towards gold production and continue in business for the foreseeable future, having regard to the factors set out in more detail in Note 2b to the financial statements.

The Group continues to evaluate the exploration required along the Homase Trend and at the historic Akrokeri Mine. It is currently the Board's intention that such exploration is funded from future production cashflow from the AKHM project. In the event that this is not feasible, or the Group wishes to accelerate these exploration programmes, then the Company may need to raise further funding. Although the Board is confident that it will be able to raise further funding if and when required, there is always a risk that this may not be possible.

b. development and mining

Development and mining for natural resources is speculative and involves significant risk. The Group is awaiting the final inspection of the Minerals Commission to commence gold production. The delay represents a risk that might delay the commencement of gold production.

Once production commences, planned production may not be achieved as a result of unforeseen operational problems, machinery malfunctions or other disruptions. Operating costs and profits for commercial production therefore remain subject to variation, such as gold prices or not achieving the expected recovery rates.

The Board are evaluating each stage of the development and mining of the Group's project, site by site, in order to mitigate as far as possible these risks inherent in production. Use of modern technology and electronic tools assist in reducing risk in this area. Good employee relations are also key in reducing the exposure to labour disputes. The Group 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. 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 Ghana. The Ghanaian Government continues to be supportive towards the mining sector, including the improved policing of small-scale mining operations, thus ensuring controlled management of neighbouring areas.

In addition, the Group 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. These country risks are further addressed in notes 2(d)(i) and 3(k) to the financial statements.

d. social, safety and environmental

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

The Group takes its responsibilities in these areas seriously and monitors its performance across these areas on a regular basis. As the Homase Mine continues towards production, the Group is strengthening its relationships with the communities living within the concession areas and close to the projects. The immediate focus for each of the villages within the Licences, has been sanitation and drinking water, and improving the school facilities, maintaining the buildings and providing school uniforms. The Group continues to build on the community relationships to assist the smallholder farmers and ensuring a "community first" approach when recruiting. These schemes benefit both the communities and the investors in which the Group will be operating.

e. coronavirus impact

The Coronavirus pandemic still has had a significant impact on the operations of many businesses both in Ghana and globally. The Group has experienced delays to operations during the year, but has followed government requirements and health guidelines while focusing on protecting the well-being of the employees and local communities and within its supply chain. The Group is committed to a safe working environment and has implemented monitoring and preventative measures to mitigate the impact of COVID-19 on its workforce and stakeholders to develop a COVID safe environment that adheres to health and Government advice and restrictions.



Emma Priestley
chief executive officer
27 June 2021

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 2020.

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 2020, the Company has an issued share capital of 281,785,967 ordinary shares of 1 pence each (December 2019: 250,050,253 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 at the Group’s Akrokeri-Homase Gold Project (“AKHM”) in Ghana. The directors are currently active in seeking to commence production at the Homase Mine and to continue to explore the prospects within the AKHM. A review of the Group’s performance and indications of likely future development is included in the chief executive officer’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 includes consideration of financial forecasts based on expected production.

Accordingly, the directors believe that the Group has sufficient funds to progress to the production of gold from the Homase Mine. The Group also continues to evaluate the exploration required along the Homase Trend and at the historic Akrokeri Mine. It is currently the Board’s intention that such exploration is funded from future production cashflow from the Homase Mine. In the event that this is not feasible, or the Group wishes to accelerate these exploration programmes, then the Company may need to raise further funding. The directors believe that such funds are likely to come from further equity issues, specifically in relation to the exercise of warrants held by existing shareholders.

The sensitivities around the timing of the commencement of gold production and the availability of future funding have been incorporated into the financial forecasts produced by the Board in assessing going concern. However, the directors are confident that gold production will be attained shortly and funding will be available, if and when required. 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 2020 (year ended 31 December 2019: US\$ nil).

events after the reporting period

See note 22 and the chairman’s and chief executive officer’s reports on pages 3-9.

directors' report

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.

The directors' shareholdings are as follows:

Director	Number of shares held directly as at 31 December 2020 and 27 June 2021	Percentage shareholdings as at 31 December 2020	Percentage shareholdings as at 27 June 2021
Emma Priestley	2,711,546	0.96%	0.66%
Bill Trew**	4,000,000	1.42%	0.97%
Angela List***	-	-	-
Total	6,711,546	2.38%	1.63%

** Mr Trew is a director and shareholder of Paracale Gold Limited, which held 70,352,377 ordinary shares in GoldStone as at 31 December 2020, representing 24.97% and currently holds 102,704,754 ordinary shares which represents 24.93%. Together with his direct interest Bill Trew and Paracale Gold Limited shareholdings' represented 26.39% as at December 2020 and currently represents 25.90%.

*** Mrs List is a director of BCM Investment Limited, which has an interest in 50,000,000 ordinary shares representing 12.14% of the Company's current issued share capital. (17.74% 31 December 2020)

No director held any share options at the year-end (2019: Nil).

major shareholdings

As at 27 June 2021, the Company had been notified of the following interests in the Company's ordinary share capital:

Name	Number of shares	% shareholding
Asian Investment Management Services Ltd	122,000,000	29.62%
Paracale Gold Limited	102,704,754	24.93%
BCM Investments Limited	50,000,000	12.14%
Fiske Nominees Limited	13,699,300	3.3%

corporate governance

The Board 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 Corporate Governance Code for Small and Mid-Size Quoted Companies.

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 Orrie Fenn. The Remuneration Committee comprises Richard Wilkins, as Chair, Bill Trew, Orrie Fenn 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. It should be noted that GoldStone's temporary suspension from trading on AIM followed an administrative error in 2019 that led to the Company's Jersey registration being dissolved. The Company was restored to the Jersey Registrar of Companies on 11 June 2020, by the Royal Court of Jersey, with the dissolution of the Company having been voided, which has the effect of the dissolution effectively never taken place. This enabled the resumption of trading in the Company's shares on AIM. Clearly this was highly irregular, however the Board has been rigorous in its implementation of necessary protocols to ensure the same or similar issues do not happen again.

The objectivity and independence of the external auditors was safeguarded by reviewing the auditor's 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 annual accounts and the interim accounts. The Committee reviewed with the independent auditor its judgements as to the acceptability of the Company's accounting policies.

Since the year end, the Audit and Compliance Committee has met further with the auditor to consider the 2020 financial statements. In particular, the Committee discussed areas of judgement and the significant audit risks. The Audit and Compliance Committee also monitors the auditor firm's independence from the Company's management and has now been tasked with monitoring the Company's compliance pertaining to its Jersey registration and filing obligations.

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 14-16.

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.

directors' report

The Board maintains responsibility for 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 18 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 2021

corporate governance report

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 three of the directors are shareholders (direct and indirectly) 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 those of the shareholders.

The Quoted Company Alliance (“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 Group 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 Gold 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. The Group is assisted in its work by internationally recognised mineral consultants where appropriate.

principle 2 – understanding shareholder needs and expectations

As noted above, three 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 Group 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 subsidiary make every effort to ensure that all stakeholders are communicated with effectively, that contractual terms are compiled 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 Group 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, 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 Board meets regularly by telephone conference call and in person once a year, where possible. 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 Orrie Fenn 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 one of the Company’s strategic shareholders, 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, five conference call, Board meetings were held. The attendance of the directors was as follows:

number of Board meetings in 2020	number of Board meetings each director attended				
	E Priestley	B Trew	O Fenn	A List	R Wilkins
11	11	7	11	4	11

The commitment required from the non-executive directors is 4 days per calendar month, on average and Emma Priestley is full time.

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. Dr Orrie Fenn holds a doctorate in engineering.

corporate governance report

principle 6 – appropriate skills and experience of the directors (continued)

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. In accordance with each professional discipline that the director holds, each complies with CPD (Continued Professional Development) for that profession.

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 Group's strategy, the Board will closely monitor the need for formal performance evaluation, in light of Principle 7 of the QCA Code, as the Group 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 Group. 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, which includes Jersey and UK regulatory obligations. 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 2021

statement of directors' responsibilities

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 2020 in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (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 or loss of the Group for that period. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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.

Signed on behalf of the Board of directors



Emma Priestley
director
27 June 2021

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF GOLDSTONE RESOURCES LIMITED**Opinion**

We have audited the financial statements of GoldStone Resources Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2020, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International 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 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (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 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.

Material uncertainty related to going concern

We draw your attention to note 2b of the financial statements, which highlights that the ability of the Group and Company to continue to operate as a going concern is partially dependant on the financial support of shareholders which, at the date of these financial statements, is not legally committed. As stated in note 2b, these events or conditions, along with the other matters set forth in note 2b, indicate that a material uncertainty exists that may cast doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included the review of financial forecasts and models, which had been sensitised for differing scenarios, and discussions with the Board.

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

independent auditor's report

Our approach to the audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the Group structure and the accounting processes and controls in place.

The Group financial statements are a consolidation of two components; the Company and its main subsidiary GoldStone Akrokeri Limited ("GAL"). GAL was considered to be a significant component and a full scope audit of the financial information has been performed. For the Company, we performed audit procedures on specific accounts within that component that we considered had the potential for greatest impact on the financial statements, either because of the size of these accounts or their risk profile.

Audits of the components were performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

We conducted the audit of all components, as set out above, of the business and no component auditors were used during the audit process. Local auditors are engaged for local financial statement filing purposes.

Key audit matters	<ul style="list-style-type: none"> • Carrying value and appropriate capitalisation of intangible assets.
Audit scope	<ul style="list-style-type: none"> • We have performed a full scope audit of GoldStone Akrokeri Limited, the component which holds the exploration and evaluation assets. • No component auditors or firms were involved in reporting for the purposes of the consolidated opinion.
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of US\$170,000 (2018: US\$160,000) based on 2% of gross assets.

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, including those which had the greatest effect on; the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter - carrying value and appropriate capitalisation of intangible assets

The Group's carrying value of intangible assets as at 31 December 2020 was US\$14.3million, which comprises of exploration and evaluation costs on the Akrokeri-Homase Gold Project ("AKHM"). There is the risk that these assets have been incorrectly capitalised in accordance with IFRS 6 and that there are indicators of impairment as at 31 December 2020.

How our scope addressed this matter

We performed the following procedures to address the risk:

- Confirmed that the Group has title to the applicable licences;

independent auditor's report

- Reviewed and performed substantive testing of capitalised cost including consideration of appropriateness for capitalisation under IFRS 6;
- Assessed the AKHM project during the year and post year end to confirm progress; and
- Considered the requirements for an impairment review to be undertaken based in accordance with IFRS 6.

Key observations:

Based on our procedures, we consider that costs have been appropriately capitalised, and we concur with the directors' conclusion that there are no indicators of impairment.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statements line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group materiality 2020	Group materiality 2019	Basis for materiality
US\$352,000	US\$170,000	2% of gross assets

Our calculation of materiality increased from the prior year, due to the increase in the Group's gross assets. We consider gross assets to be the most significant determinant of the Group's financial position and performance used by the shareholders, with the key financial balances being intangible exploration and evaluation assets and cash and cash equivalents. The going concern of the Group is dependent on its ability to fund operations going forward, as well as on the valuation of its assets, which represent the underlying value of the Group.

Whilst Group materiality was set at US\$352,000, materiality for significant components was set at US\$223,000 and performance materiality was set at 50% of materiality. We applied the concept of materiality at both planning and performing the audit, and in evaluating the effect of misstatements.

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\$17,600 (2019: US\$8,500).

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the Group 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Group financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

independent auditor's report

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page x, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Discussions with and enquiries of management and those charged with governance were held with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the Group and Company.

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements including financial reporting standards, the AIM Rules for Companies, company law, tax and pensions legislation, and distributable profits legislation.

independent auditor's report

- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements, including holding the relevant mining lease and the environmental and operational permits in Ghana required to exploit the land.

Audit procedures undertaken in response to the potential risk relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the Group and Company complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation claims; inspection of certificates of registration and licences; inspection of relevant legal correspondence; review of board minutes; testing the appropriateness of entries in the nominal ledger, including journal entries which may be indicative of fraud; and the performance of analytical review procedures to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the Group and Company's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities is available 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 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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jean Ellis, B.A., F.C.A., C.T.A. (Senior Statutory Auditor)
For and on behalf of DSG
27 June 2021

Castle Chambers
43 Castle Street
Liverpool, L2 9TL

consolidated statement of financial position

as at 31 December 2020

<i>in united states dollars</i>	note	31 December 2020	31 December 2019
Assets			
non-current assets			
property, plant and equipment	8	491,208	24,314
intangible assets – exploration and evaluation	9	14,339,772	8,256,380
total non-current assets		14,830,980	8,280,694
current assets			
trade and other receivables	11	2,145,576	162,864
cash and cash equivalents	12	701,384	90,128
total current assets		2,846,960	252,992
total assets		17,677,940	8,533,686
Equity			
share capital – ordinary shares	13	3,913,963	3,484,580
share capital – deferred shares	13	6,077,013	6,077,013
share premium	13	28,080,853	27,222,084
foreign exchange reserve	13	(82,149)	(52,061)
capital contribution reserve	13	555,110	555,110
share options reserve	13, 15	3,535,197	229,688
accumulated deficit	13	(31,234,911)	(30,624,816)
total equity		10,845,076	6,891,598
Liabilities			
non-current liabilities			
Borrowings	16	1,300,000	1,168,997
non-current liabilities		1,300,000	1,168,997
current liabilities			
trade and other payables	17	1,001,998	473,091
Borrowings	16	4,530,866	-
current liabilities		5,532,864	473,091
total liabilities		6,832,864	1,642,088
total equity and liabilities		17,677,940	8,533,686

The accounting policies and notes on pages 27 to 46 form part of these consolidated financial statements. The consolidated financial statements were approved by the Board of directors on 27 June 2021.

Signed on behalf of the Board of directors.



Emma Priestley
chief executive officer

consolidated statement of comprehensive income

for the year ended 31 December 2020

<i>in united states dollars</i>	note	year ended 31 December 2020	year ended 31 December 2019
<i>continuing operations</i>			
administrative expenses		(577,153)	(542,559)
operating loss	6	(577,153)	(542,559)
<i>finance costs</i>			
finance costs	7	(32,942)	(112,221)
loss before and after tax from continuing operations		(610,095)	(654,780)
<i>items that may be reclassified subsequently to profit and loss:</i>			
foreign exchange translation movement		(30,088)	(52,061)
total comprehensive loss for the year		(640,183)	(706,841)
<i>loss per share from operations</i>			
basic and diluted losses per share attributable to the equity holders of the company during the year (expressed in cents per share)	14	(0.002)	(0.003)

The accounting policies and notes on pages 27 to 46 form part of these consolidated financial statements.

consolidated statement of changes in equity

for the year ended 31 December 2020

<i>in united states dollars</i>	note	share capital ordinary shares	share capital deferred shares	share premium	foreign exchange reserve	capital contribution reserve	share options reserve	accumulated deficit	total equity
balance as at 31 December 2018		3,480,430	6,077,013	27,219,262	-	555,110	229,688	(29,970,036)	7,591,467
total loss for the year		-	-	-	-	-	-	(654,780)	(654,780)
translation movement		-	-	-	(52,061)	-	-	-	(52,061)
total comprehensive loss for the year		-	-	-	(52,061)	-	-	(654,780)	(706,841)
issue of ordinary shares		4,150	-	2,822	-	-	-	-	6,972
balance as at 31 December 2019		3,484,580	6,077,013	27,222,084	(52,061)	555,110	229,688	(30,624,816)	6,891,598
Total loss for the year		-	-	-	-	-	-	(610,095)	(610,095)
translation movement		-	-	-	(30,088)	-	-	-	(30,088)
total comprehensive loss for the year		-	-	-	(30,088)	-	-	(610,095)	(640,183)
warrants granted in period	15	-	-	-	-	-	3,305,509	-	3,305,509
warrants exercised in period	15	405,084	-	810,168	-	-	-	-	1,215,252
share issue	13	24,299	-	48,601	-	-	-	-	72,900
Balance as at 31 December 2020		3,913,963	6,077,013	28,080,853	(82,149)	555,110	3,535,197	(31,234,911)	10,845,076

The accounting policies and notes on pages 27 to 46 form part of these consolidated financial statements.

consolidated statement of cash flows

for the year ended 31 December 2020

<i>in united states dollars</i>	note	year ended 31 December 2020	year ended 31 December 2019
cash flow from operating activities			
operating loss for the year		(577,153)	(542,559)
adjusted for:			
- depreciation	8	14,617	11,140
- non cash settlement of director fees	19	-	6,972
- foreign exchange differences		(30,088)	(52,061)
- provisions		25,737	-
changes in working capital:			
- (decrease)/increase in trade and other receivables		-	-
- increase in trade and other payables		329,937	15,827
net cash used in operating activities		(236,950)	(560,681)
cash flow from investing activities			
capitalisation of exploration costs	9	(4,185,534)	(486,659)
acquisition of property, plant and equipment	8	(481,511)	-
net cash used in investing activities		(4,667,045)	(486,659)
cash flow from financing activities			
proceeds from loan	16	3,000,000	800,000
proceeds from bond issue	16	1,300,000	-
proceeds from share issue	13	1,215,251	-
net cash generated from financing activities		5,515,251	800,000
net decrease in cash and cash equivalents		611,256	(247,340)
cash and cash equivalents at beginning of the year	12	90,128	337,468
cash and cash equivalents at end of the year	12	701,384	90,128

The accounting policies and notes on pages 27 to 46 form part of these consolidated financial statements.

notes to the consolidated financial statements

1. reporting entity

The consolidated financial statements for the year ended 31 December 2020 (the “financial statements”) comprise GoldStone Resources Limited (the “Company”) and its subsidiaries, set out in note 20, (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 2nd Floor, International House, 41 The Parade, St. Helier, Jersey, JE2 3QQ. 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, including International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretations Committee. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value. The accounting policies adopted are set out below.

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 revenues as the Group moves towards gold production, existing cash resources and available facilities.

The Group had available cash of US\$701k as at 31 December 2020. In March 2020, the Company announced a fundraising of up to US\$4.3 million, gross, to support GoldStone commencing production at the Akrokeri-Homase Gold Project (“AKHM”). The funding included 26, 14% unsecured bond notes (“Bonds”) of US\$50,000 each to be issued to certain new and existing investors along with 52 million warrants over the Ordinary Share capital of the Company to be issued to the Bond subscribers. In addition, US\$3.0 million was secured by way of a 14% secured gold loan of up to 2,000 troy ounces from Asian Investment Management Services Ltd (“AIMS”) (the “Gold Loan”). In addition, AIMS was issued 120 million warrants over the Ordinary Share capital of the Company.

As at 31 December 2020, all the Bonds have been issued raising funds of US\$1.3 million before expenses. In addition, the Gold Loan had been fully drawn down and received. The Board is confident that it will commence gold production in Q3 2021 supported by the further funding supplied by the exercise of warrants in respect of the Gold Loan and the Bonds (see note 22).

Should there be a material delay in the final inspection for the commencement of gold production over and above the Board’s current expectations, the Company may need to secure further funds to meet its contractual obligations, in particular the secured Gold Loan that matures on the 30 September 2021, as they fall due.

notes to the consolidated financial statements

2. basis of preparation (continued)

(b) going concern (continued)

At the date of this report the ability of the Group and Company to meet its short-term financial commitments is dependant on the timing of the commencement of the gold production and the ongoing financial support of the shareholders. Having made appropriate enquiries of the shareholders, the directors are confident that the ongoing financial support will be forthcoming, albeit at the date of approval of these financial statements, this is not legally committed.

The Board is therefore confident that with the continued support of the shareholders, the Group and Company can meet all its contractual obligations as they fall due for the foreseeable future. Therefore, the Board believes it is appropriate to adopt the going concern assumption.

(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.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the statement of comprehensive income for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising if any, are classified as other comprehensive income and are transferred to the Group's translation reserve.

When the settlement of monetary items receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in foreign operations and are recognised in other comprehensive income, and presented in the exchange reserve in equity.

notes to the consolidated financial statements

2. basis of preparation (continued)

(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 and evaluation expenditure

The value of the Group's exploration and evaluation 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.

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.

(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 is based on the Group's trading performance and the risk-free rate is determined using a 3-year UK government bond. The directors have reviewed the underlying inputs and are happy that these appear reasonable.

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 financial statements of its subsidiary undertakings made up to 31 December 2020.

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

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.

Once commercially viable reserves are established and development is sanctioned, exploration and evaluation assets are transferred to development assets and once commercial production commences amortisation will be applied.

(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

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 cost

Finance costs are recognised in the profit and loss period in which they are incurred.

(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.

notes to the consolidated financial statements

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 Cedi's and Sterling. 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. adoption of new and revised standards

(a) new and amended standards

The amendments and interpretations listed below apply for the first time from 1 January 2020. None of the standards have an impact on the Group financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, and IFRS 7)
- Extension of the Temporary Exemptions from Applying IFRS 9 (Amendments to IFRS 4)

(b) new standards in issue but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective are disclosed below.

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective (dates stated below for accounting periods beginning on or after such date).

- | | |
|--|----------------|
| • Covid-19 Related Rent Concessions
(Amendment to IFRS 16) | 1 June 2020 |
| • Interest Rate Benchmark Reform Phase 2
(Amendments to IFRS 9, IAS 3, IFRS 7, IFRS 4, and IFRS 16) | 1 January 2021 |
| • Covid-19 Related Rent Concessions beyond 30 June 2021
(Amendments to IFRS 16) | 1 April 2021 |
| • Onerous Contracts – Cost of Fulfilling a Contract
(Amendments to IAS 37) | 1 January 2022 |
| • Annual Improvements to IFRS Standards 2018-2020 | 1 January 2022 |
| • Property, Plant and Equipment: Proceeds before intended use
(Amendments to IAS 16) | 1 January 2022 |
| • Reference to the Conceptual Framework
(Amendments to IFRS 3) | 1 January 2022 |
| • IFRS 17 Insurance Contracts | 1 January 2023 |
| • Classification of liabilities as current or non-current
(Amendments to IAS 1) | 1 January 2023 |
| • Disclosure of Accounting Policy
(Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 |
| • Definition of Accounting Estimate
(Amendment to IAS 8) | 1 January 2023 |

Where relevant, the Group evaluates the effect of new Standards, amendments to published Standards and Interpretations issued but not effective, on the presentation of the financial statements. The directors have assessed there to be no material impact on the financial statements.

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 Evaluation: the exploration operating segment is presented as an aggregation of the Homase and Akrokeri licences (Ghana). 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 2020

<i>in united states dollars</i>	exploration	corporate	total per consolidated income statement/financial position
reportable segment expenditure	-	(610,095)	(610,095)
reportable segment (loss)	-	(610,095)	(610,095)
reportable segment assets	14,359,654	3,318,286	17,677,940
reportable segment liabilities	(504,905)	(6,327,959)	(6,832,864)

Included within exploration assets are intangible assets of US\$14,339,772, which are held in Ghana.

information about reportable segments for the year ended 31 December 2019

<i>in united states dollars</i>	exploration	corporate	total per consolidated income statement/financial position
reportable segment expenditure	-	(654,780)	(654,780)
reportable segment (loss)	-	(654,780)	(654,780)
reportable segment assets	8,321,000	212,686	8,533,686
reportable segment liabilities	(32,314)	(1,609,774)	(1,642,088)

Included within exploration assets is property, plant and equipment of US\$24,314 and intangible assets of US\$8,256,380, which are held in Ghana.

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 2020	year ended 31 December 2019
auditor's remuneration in respect of audit of the financial statements		
- current auditor	26,200	26,200
depreciation	14,617	11,140
foreign exchange difference	172,832	1,969

7. finance cost

<i>in united states dollars</i>	year ended 31 December 2020	year ended 31 December 2019
interest charged on borrowings	13,209	44,997
finance charges on borrowings	19,733	67,224
total	32,942	112,221

8. property, plant and equipment

<i>in united states dollars</i>	31 December 2020			31 December 2019		
	cost	accumulated depreciation	carrying value	cost	accumulated depreciation	carrying value
gold samples	4,570	-	4,570	4,570	-	4,570
computer equipment	73,368	(67,303)	6,065	67,696	(64,509)	3,187
office equipment	111,672	(108,567)	3,105	109,202	(108,047)	1,155
field/geological equipment	101,168	(62,953)	38,215	66,667	(60,795)	5,872
motor vehicles	477,444	(38,191)	439,253	38,576	(29,046)	9,530
total	768,222	(277,014)	491,208	286,711	(262,397)	24,314

reconciliation of property, plant and equipment – 31 December 2020

<i>in united states dollars</i>	carrying value opening balance	additions	depreciation	carrying value ending balance
gold samples	4,570	-	-	4,570
computer equipment	3,187	5,672	2,794	6,065
office equipment	1,155	2,470	520	3,105
field/geological equipment	5,872	34,501	2,158	3,714
motor vehicles	9,530	438,868	9,145	473,754
total	24,314	481,511	14,617	491,208

notes to the consolidated financial statements

8. property, plant and equipment (continued)

reconciliation of property, plant and equipment –31 December 2019

<i>in united states dollars</i>	carrying value opening balance	additions	depreciation	carrying value ending balance
gold samples	4,570	-	-	4,570
computer equipment	6,496	-	(3,309)	3,187
office equipment	1,732	-	(577)	1,155
field/geological equipment	8,482	-	(2,610)	5,872
motor vehicles	14,174	-	(4,644)	9,530
total	35,454	-	(11,140)	24,314

9. intangible assets – exploration and evaluation

The Group's intangible assets comprise wholly of exploration and evaluation assets in respect of AKHM in Ghana.

<i>in united states dollars</i>	31 December
balance as at 31 December 2018	7,769,721
Additions	486,659
balance as at 31 December 2019	8,256,380
Additions	6,083,392
balance as at 31 December 2020	14,339,772

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

10. taxation

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.

11. trade and other receivables

<i>in united states dollars</i>	31 December 2020	31 December 2019
other receivables	2,145,576	162,864
Total	2,145,576	162,864

Other receivables include US\$1,852,791 (2019: US\$162,484) in respect of the fair value of share warrants issued in the current and prior period.

notes to the consolidated financial statements

12. 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>	31 December 2020	31 December 2019
sterling	620,961	6
US dollars	72,939	81,969
ghana cedis	7,484	8,153
Total	701,384	90,128

13. capital and reserves

(a) share capital

	31 December 2020	31 December 2019
ordinary shares		
called up, allotted and fully paid		
281,785,967 ordinary shares of 1 pence each (2019: 250,050,253)	£2,817,859	£2,500,503
converted to united states dollars at date of issue	\$3,913,963	\$3,484,580
deferred shares		
called up, allotted and fully paid		
in issue at 1 January	£3,730,772	£3,730,772
in issue at 31 December – fully paid 414,530,304 (December 2019: 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
Authorised		
1,000,000,000 (December 2019: 1,000,000,000) authorised ordinary 1 pence shares	£10,000,000	£10,000,000

During the year the Company issued the following 1 pence fully paid shares:

		Number of Shares	Nominal Value	Share premium
1 January 2020	Opening balance	250,050,253	\$3,484,581	\$27,222,084
10 July 2020	Shares at 4.2p share	1,735,714	£17,357	£55,543
	Converted to United States Dollars at date of issue	-	\$24,299	\$48,601
18 December 2020	Shares at 3.0p share	30,000,000	£300,000	£600,000
	Converted to United States Dollars at date of issue	-	\$405,083	\$810,168
31 December 2020	Closing balance	281,785,967	3,913,963	28,080,853

notes to the consolidated financial statements

13. capital and reserves (continued)

(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.

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

(d) dividends

No dividends were proposed or declared during the period under review (2019: Nil).

(e) 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) foreign exchange reserve

Cumulative gains and losses on translating the net assets of overseas operations to the presentation currency.

(iv) capital contribution reserve

Capital contribution reserve consists of deferred shares classified as equity.

(v) share options reserve

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

(vi) accumulated deficit

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

notes to the consolidated financial statements

14. earnings per share

The calculation of basic and diluted earnings per share at 31 December 2020 was based on the losses attributable to ordinary shareholders of US\$610,095 (2019: US\$654,780), and an average number of ordinary shares in issue of 252,004,667 (2019: 249,849,584).

<i>in united states dollars</i>	31 December 2020	31 December 2019
loss attributable to shareholders	(610,095)	(654,780)
weighted average number of ordinary shares	252,004,667	249,849,584
basic and diluted earnings per share	(0.002)	(0.003)

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

<i>in number of shares</i>	31 December 2020	31 December 2019
Warrants	182,352,377	40,352,377

15. share based payment arrangements

At 31 December 2020, 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 relating 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 2020 (2019: same).

(b) reconciliation of outstanding share options

There are no options outstanding at 31 December 2020 (2019: same).

notes to the consolidated financial statements

15. share based payment arrangements (continued)

(c) warrants

On 19 March 2020 the Company granted warrants of 52,000,000, with an exercise price of 3 pence, exercisable at any time during the period to 22 June 2022 in consideration of the issue of corporate bonds see note 16 for further details.

The Company granted warrants of 120,000,000 with an exercise price of 3 pence on 22 June 2020, exercisable at any time during the period to 22 June 2022, in consideration of a gold loan see note 16 for further details

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

reconciliation of outstanding warrants the number and weighted average exercise prices

	number of warrants 31 December 2020	weighted average exercise price 31 December 2020	number of warrants 31 December 2019	weighted average exercise price 31 December 2019
outstanding as at 1 January	40,352,377	1.2p	40,352,377	1.2p
granted during the year	172,000,000	3.0p	-	-
exercised during the year	(30,000,000)	3.0p	-	-
outstanding at 31 December	182,352,377	2.6p	40,352,377	1.2p
exercisable at 31 December	182,352,377	2.6p	40,352,377	1.2p

The warrants outstanding at 31 December 2020 have a weighted exercise price of 2.6p (2019: 1.2p) and a weighted average life of 1.5 years (2019: 2.4 years).

(d) measurement of fair value

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

	warrants 19 March 2020	warrants 22 June 2020	warrants 27 December 2018
share price at grant	2.10p	4.20p	1.20p
warrant exercise price	3.00p	3.00p	1.20p
expected life of warrants from exercise date	2.3 years	2.0 years	3.4 years
expected volatility	63.74%	65.71%	51.6%
expected dividend yield	0.00%	0.00%	0.00%
risk free rate	0.27%	(0.05)%	0.74%
fair value per warrant	0.56p	1.96p	0.67p
US\$:GBP exchange rate used	1.27258	1.24785	1.2469

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

Total fair value recognised in the share options and warrants reserve in respect of warrants issued in the year was US\$3,305,509 (2019: nil).

notes to the consolidated financial statements

15. share based payment arrangements (continued)

(e) expense recognised in statement of comprehensive income

The fair value of the warrants issued on 27 December 2018 has been reflected within trade and other receivables and is being released and initially capitalised as part of the exploration asset, over the period of the loan facility; see note 11 and 16 for further details. The amount capitalised during the year was US\$67,400 (2019: US\$67,224).

The fair value of the warrants issued on 19 March 2020 has been reflected within trade and other receivables and is being released and initially capitalised as part of the exploration asset over the period of the bond facility, see note 11 and 16 for further details. The amount capitalised during the year was US\$295,000.

The fair value of the warrants issued on 22 June 2020 has been reflected within trade and other receivables and is being released and initially capitalised as part of the exploration asset over the period of the gold loan facility, see note 11 and 16 for further details. The amount capitalised during the year was US\$1,252,328.

16. borrowings

<i>in united states dollars</i>	31 December 2020	31 December 2019
shareholder loan	1,346,642	-
gold loan	3,184,224	-
current borrowing	4,530,866	-
shareholder loan	-	1,168,997
bonds	1,300,000	-
non-current borrowing	1,300,000	1,168,997
Total	5,830,866	1,168,997

Shareholder loan

The Company entered into a loan agreement with Paracale Gold Limited ("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. A total of US\$1,124k had been drawn as at 31 December 2020. The loan will be repaid in full on or before 2 June 2022.

In consideration of entering into the loan agreement, Paracale, were issued with 40,352,377 warrants to subscribe for such number of 1p ordinary shares at an exercise price of 1.2p per share, at any time during the period through to 2 June 2022. See note 15 for further details.

Gold loan

The Company entered into a loan agreement with Asian Investment Management Services Limited ("AIMS") in June 2020, for a gold loan of up to 2,000 troy ounces of gold at a price of US\$1,500 per troy ounce, equating to a value of US\$3.0 million before expenses. The loan was fully drawn by 31 December 2020.

The gold loan accrues interest at 14.0% per annum, compounded daily against the loan's outstanding balance, until it is repaid. The gold loan will be repaid in full on or before 19 September 2021.

In consideration of entering into the loan agreement AIMS were issued with 120,000,000 warrants to subscribe for such number of Ordinary Shares at an exercise of 3.0 pence per share (the "Exercise Price"), at any time during the period through to 22 June 2022. This resulted in an increase in the share option reserve and other

notes to the consolidated financial statements

receivables of US\$2.9 million in the period. In December 2020, AIMS had exercised 30,000,000, of their warrants. (see note 15)

Bonds

In March 2020 the Company issued twenty-six unsecured bond notes of US\$50,000 each to certain existing and new investors, raising, in aggregate, US\$1.3 million before expenses. Paracale Gold and BCM, the Company's major shareholders, each subscribed for six bonds with a value of, in aggregate, US\$0.3 million respectively.

In conclusion of entering into the Bonds, a total of 52,000,000 warrants were issued to subscribe for such number of Ordinary Shares at the Exercise Price, at any time during the period through to 22 June 2022 (see note 15). This led to an increase in the share option reserve and other receivables of US\$371K in the period.

17. trade and other payables

<i>in united states dollars</i>	31 December 2020	31 December 2019
trade payables	570,391	49,928
other payables	242,289	218,436
accruals	189,318	204,727
Total	1,001,998	473,091

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.

18. financial instruments

(a) financial risk management

The Group's principal financial instruments comprise of cash, receivables and payables including the various loans and bonds. 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 maximum credit risk exposure relating to financial assets is represented by their carrying value as at the consolidated statement of financial position date. The Group's exposure to significant concentration on credit risk on trade and other receivables is considered low.

18. 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.

notes to the consolidated financial statements

(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 2020	reporting date spot rate 2020	average rate 2019	reporting date spot rate 2019
Sterling to US dollars	1.284	1.380	1.276	1.312
South African Rand to US dollars	0.061	0.070	0.069	0.071
Ghana Cedis to US dollars	0.176	0.170	0.185	0.175

A strengthening (weakening) of GBP, ZAR or GHS against all other currencies at 31 December 2020 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.

18. financial instruments (continued)

(d) market risk (continued)

notes to the consolidated financial statements

<i>in united states dollars</i>	equity strengthening 2020	equity weakening 2020	equity strengthening 2019	equity weakening 2019
sterling 13% (2019: 13%)	-	-	-	-
south african rand 20% (2019: 20%)	-	-	-	-
ghana cedis 10% (2019: 10%)	192,036	(192,036)	39,343	(39,343)
Total	192,036	(192,036)	39,343	(39,343)

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. At the end of the prior year the Group entered into a loan arrangement with Paracale as detailed in note 16. 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.

19. 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 2020	31 December 2019
Director's remuneration: executive – E Priestley	68,750	87,890
Director's remuneration (accrued): executive – E Priestley (*)	51,250	32,500
Director's remuneration: non-executive – R Lloyd	-	700
Director's remuneration (shares); non-executive - R Lloyd	-	6,972
Director's remuneration: non-executive – R Wilkins	12,000	5,650
Director's remuneration (accrued): non-executive – R Wilkins (*)	-	6,500
Director's remuneration: non-executive – W Trew	5,000	13,537
Director's remuneration: (accrued): non-executive – W Trew	7,000	-
Director's remuneration: non-executive – A List	12,000	7,263
Director's remuneration (accrued): non-executive – A List (*)	-	6,500
Director's remuneration: non-executive – O Fenn	1,500	-
Director's remuneration (accrued): non-executive – O Fenn (*)	10,500	2,000
total	168,000	169,512

(*) Represents the value of accrued fees for the period 31 December 2019 to 31 December 2020 for each director.

The total amount payable to the highest paid director in respect of emoluments was US\$120,000 (2019: US\$120,390). No directors exercised any share options during the year (2019: nil).

19. related parties (continued)

Bill Trew's remuneration is paid to Oxus Mining Limited, a company in which he is a director.

notes to the consolidated financial statements

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 2018, the Company entered into a loan agreement for an amount up to US\$1,224k with Paracale, the Company's major shareholder and a company in which Bill Trew, the Company's chairman, is interested. At year end the balance was US\$1,346k (2019: US\$1,169k), being funds drawn down as at 31 December 2020 included interest accrued to date of US\$177k- see note 7 and 16 for further details.

On 16 March 2020 the Company entered into a bond agreement with Paracale and BCM, for 6, 14% bonds of US\$50K each. In addition 12,000,000 warrants over 1.0p Ordinary Shares of the Company were awarded to both parties at 3.0p each. Bill Trew is a director and shareholder of Paracale and A List is a director of BCM.

During the year, MAED (UK) Limited ("MAED") began undertaking the update of the Definitive Economic Plan ("DEP") report which was originally prepared in 2019 by them. This was an agreed review under the original engagement between MAED and the Company. MAED is a related party, as it is wholly owned by the Company's non-executive chairman Bill Trew.

20. 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 2020	ownership interest 2019
GoldStone Akrokeri Limited	Ghana	Development and exploration of gold and associated elements	100%	100%
GoldStone Homase Limited	Ghana	Dormant	100% (*)	90% (*)
GoldStone Resources Limited Gabon S.A.R.L.	Gabon	Dormant	100%	100%

(*) Held indirectly via GoldStone Akrokeri Limited

Under Article 105(11) 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.

21. ultimate controlling party

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

22. subsequent events

notes to the consolidated financial statements

On 18 January 2021, the Company announced that it had reached agreement with a former director of the Company, for the full and final settlement of damages awarded by the South African Labour Court in December 2018.

The Company agreed to issue 1,800,000 new Ordinary Shares of 1pence each in the Company to the former director in respect of the claim. The shares issued had a value of £163,800 (US\$227,768) which in addition to an amount of US\$22,500 already paid to the former director, represented full and final settlement of the claim.

On 12 February 2021, the Company announced that the Ghanaian Environmental Protection Agency had granted the Environmental Permit for the Group's Homase South Pit within the AKHM Project. The Environmental Permit has allowed the Group to proceed towards the production phase of the Project.

On 19 February 2021, the Company announced it had been awarded the necessary permits for the Group's Homase South Pit within the AKHM Project to progress the production phase of the Project.

On 1 March 2021, the Company agreed with Asian Investment Management Services Limited ("AIMS") to a further deferral of the gold loan interest payment, previously deferred to 31 March 2021, to 30 June 2021. AIMS exercised 40,000,000 of warrants over new Ordinary Shares of 1penny in the capital of the Company at a price of 3pence per Ordinary Share and in consideration the Company issued 2,000,000 Ordinary Shares to AIMS.

On 17 March 2021, the Company agreed to extend the initial term for 20 of its unsecured bonds of US\$50,000 each in issue to 15 June 2021.

On 13 May 2021, the Company announced that mining and ore stacking at the Homase Mine within the AKHM Project had commenced.

On 1 June 2021, the Company announced that Paracale Gold Limited ("Paracale") had exercised 32,352,377 warrants to subscribe for new Ordinary Shares of 1penny each in the Company comprising 20,352,377 new Ordinary Shares at a price of 1.2pence per Ordinary Share and 12,000,000 new Ordinary Shares at a price of 3pence per Ordinary Share, made £244,229 (US\$344,362) of the funds raised was used to settle part of the loan to the Company from Paracale in December 2018. The remaining £360,000 (US\$507,598) of the funds raised provided additional funding to the Company.

On 2 June 2021, AIMS exercised warrants to subscribe for 50,000,000 new Ordinary Shares of 1penny each in the capital of the Company at a price of 3pence per Ordinary Share, providing £1,500,000 (US\$2,114,911) of additional funding to the Company.

On 8 June 2021, the Company announced an exercise of 4,000,000 warrants by a bond holder to subscribe for new Ordinary Shares of 1penny each in the capital of the Company at a price of 3pence per Ordinary Share, providing an additional £120,000 (US\$169,119) of additional funding to the Company.