

**Registered number: 1570939**

**GEORGIAN MINING CORPORATION**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2017**

# GEORGIAN MINING CORPORATION

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# GEORGIAN MINING CORPORATION

## COMPANY INFORMATION

<b>Directors</b>	Neil O'Brien (Non-Executive Chairman) Michael Struthers (Chief Executive Officer) Gregory Kuenzel (Finance Director) Laurence Mutch (Non-Executive Director) Peter Damouni (Non-Executive Director)
<b>Registered Office</b>	Craigmuir Chambers PO Box 71 Road Town Tortola British Virgin Islands VG1110
<b>Company Number</b>	1570939
<b>Bankers</b>	HSBC Bank plc 70 Pall Mall London SW1Y 5EZ
<b>Nominated Adviser and Broker</b>	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
<b>Independent Auditor</b>	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
<b>Solicitors</b>	Hill Dickinson LLP 105 Jermyn Street St James's London SW1Y 6EE
<b>Solicitors (BVI)</b>	Harney Westwood & Riegels Craigmuir Chambers PO Box 71 Road Town, Tortola British Virgin Islands VG1110

# GEORGIAN MINING CORPORATION

## CHAIRMAN'S REPORT

### Key Achievements

The last twelve months have seen important key achievements for the Company that have greatly strengthened our foundations and which are critical to our continuing success in Georgia. These include technical success in the field; vesting of our 50% joint venture interest in JSC Georgian Copper & Gold ("Joint Venture" or "GCG"); building a stronger Board and Management Team; and concluding key new or revised agreements with our joint venture partner, Caucasian Mining Group ("Joint Venture Partner").

A major achievement in 2017 was the discovery of significant copper-gold sulphides resources at our most advanced project in Georgia, Kvemo Bolnisi East ("KBE"), with an extensive supergene enrichment zone, beneath the surface cap of gold oxides. There is clear evidence for significant upside potential for the sulphides resources and it is likely the sulphides will represent the majority of the project value. A key aim of the 2018 work programme is to further define this potential, and the next resource update at KBE will follow the 2018 infill drilling programme. The Gold Zone 3 ("GZ3") discovery west of KBE also substantially increases the footprint of gold mineralisation, and includes additional zinc sulphide-gold mineralisation beneath the cover.

In 2017 the Company completed 139 drillholes for a total of 13.4km of drilling, principally at Kvemo Bolnisi; undertook metallurgical testwork on KBE oxides and sulphides; along with a large volume of regional geochemical sampling and geophysical surveys in the wider licence area. Our re-evaluation of historical data and regional programmes has identified 14 prospects which will now undergo target testing in the wider 860 sq km licence area.

After a productive drilling campaign at KBE, we completed our vesting of \$6.0M into the Joint Venture in September 2017, with the result that all future expenditure is on a 50:50 basis between the partners. However, at that point our Joint Venture Partner requested certain revisions to the original Shareholders Agreement and there followed a lengthy and complex period of negotiations. These were successfully concluded in March 2018 with the announcement of three key achievements – a modified Shareholders Agreement; an agreed 2018 work programme; and a Memorandum of Understanding on Production (of gold oxides) from the leading asset, KBE.

The Joint Venture company holds a 30-year mining concession, whose tenure is valid until 13<sup>th</sup> October 2041. During this mining tenure there is a requirement to obtain "right-to-explore" permits through government approval of multi-year exploration work programmes and budgets. Following the agreement with our Joint Venture partner on revisions to the Shareholders Agreement and other milestones announced in March 2018 we re-engaged with our partner and the Georgian Mining Agency to conclude negotiations to extend the exploration permits for the various areas and, at the time of reporting, the final application has been agreed. The final stage, submission and approval of a Government Resolution, should now be finalised upon new Ministerial appointments following a Government re-organisation triggered by the resignation of the Prime Minister on 13<sup>th</sup> June 2018. Interim Cabinet appointments were made on 20<sup>th</sup> June and we remain confident that once the new Government has settled the Government Resolution will be approved and allow us to press ahead with our 2018 Work Programme. In alignment with our partner and the Mining Agency, we supported the decision of the Joint Venture company to curtail fieldwork whilst this approval process was ongoing, but we are actively looking at options to secure additional drilling capacity to recover any delays.

### Management

Commencing in late 2017 the Company has also made a number of key management changes, in recognition of the future skillsets required to deliver the best value to shareholders. Mike Struthers was appointed as COO in late December 2017, and subsequently appointed CEO on 28<sup>th</sup> March 2018. At the same time I also accepted the role of Non-Executive Chairman. Our prior careers with Lundin Mining and other recognised mining companies in the fields of exploration, new business development, mining and engineering, project development and management have added real depth to the Board and Management Team. The appointment of Simon Cleghorn as Technical Services Manager in Georgia commencing in June 2018 further strengthened the team's delivery ability and, given his long association with the Madneuli operations, added yet more depth to the relationships with our Joint Venture Partner.

The additions of Mike and Simon as well as the other Board changes during the period have created a very delivery-capable and focussed team, and we will continue to strengthen the Georgian team in key areas during 2018 and beyond.

### Financial Results

As an exploration and development group which has no revenue we are reporting a loss for the twelve months ended 31 December 2017 of £2,382,476 (2016: £5,645,734), which is in line with our budget.

The Group's cash position at the date of signing this report is £1.5 million.

### Outlook

The Company has a three-pronged strategy for value creation, to grow the Company and deliver shareholder returns:

1. To press ahead with the continued development of the **KBE Project** through the execution of the detailed work programme.

# GEORGIAN MINING CORPORATION

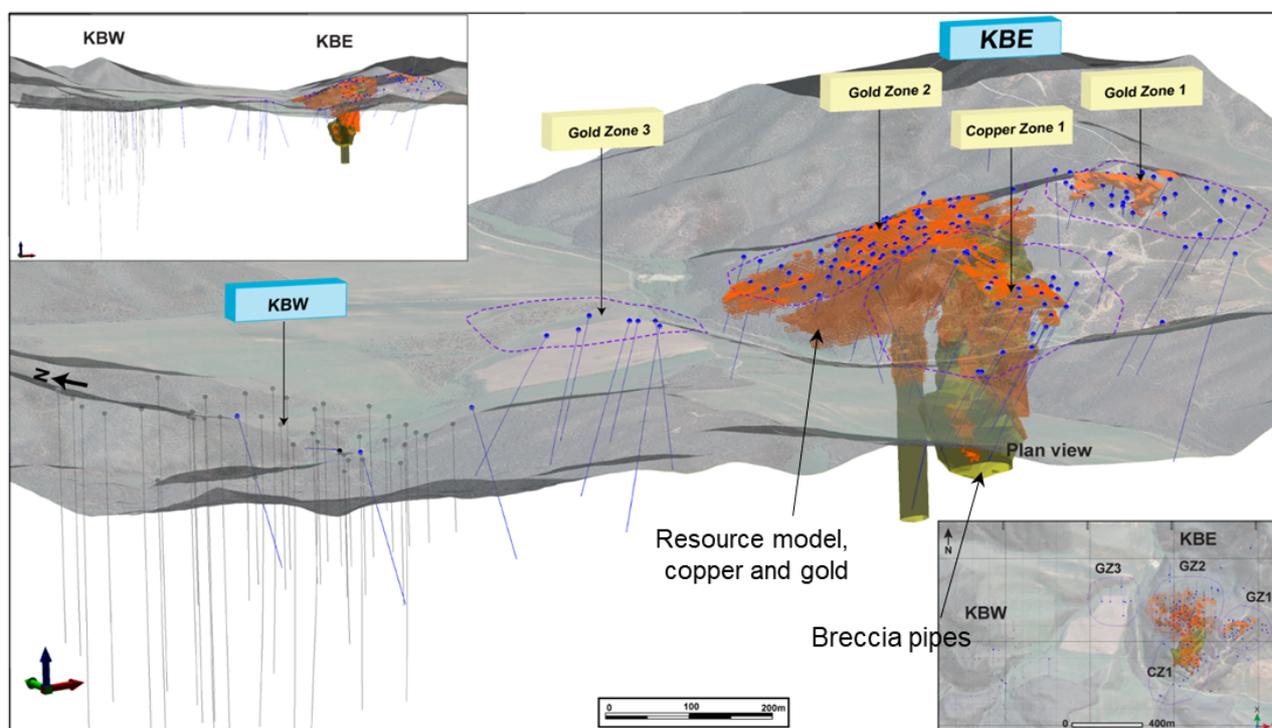
## CHAIRMAN'S REPORT

2. In parallel, to progress further **target testing and resource development** work on the other priority prospects within the licence area. There are over a dozen known targets with significant resource potential, and we have an excellent opportunity for developing a pipeline of gold-copper projects all within reach of established processing facilities.
3. **Acquiring New Assets:** To expand the portfolio we will continue to examine other opportunities in Georgia and within the Tethyan Belt as and when they arise.

A logical work programme has been defined to advance the KBE project, including new considerations of how the design of the operation must account for the future sulphides operation (pit limits, access, locations of facilities etc). This will be further refined as the scale of the sulphides operation is better defined. A key deliverable remains the Mining and Production Agreement with our partner's sister production company, RMG Gold, and this will be finalised prior to the end of the Feasibility Study, dependent upon the results of the metallurgical testwork.

Another key element in this work programme will be the advancement of environmental studies for the project, concluding baseline studies and in concert with the Feasibility Study incorporating environmental considerations into the designs of facilities at the site, to engineer-out or minimise any potential impacts.

Our recognition of the reserves potential in the wider Kvemo Bolnisi area is fundamental to effective planning of this future operation, with the new GZ3 discovery and the potential at KB West to consider.

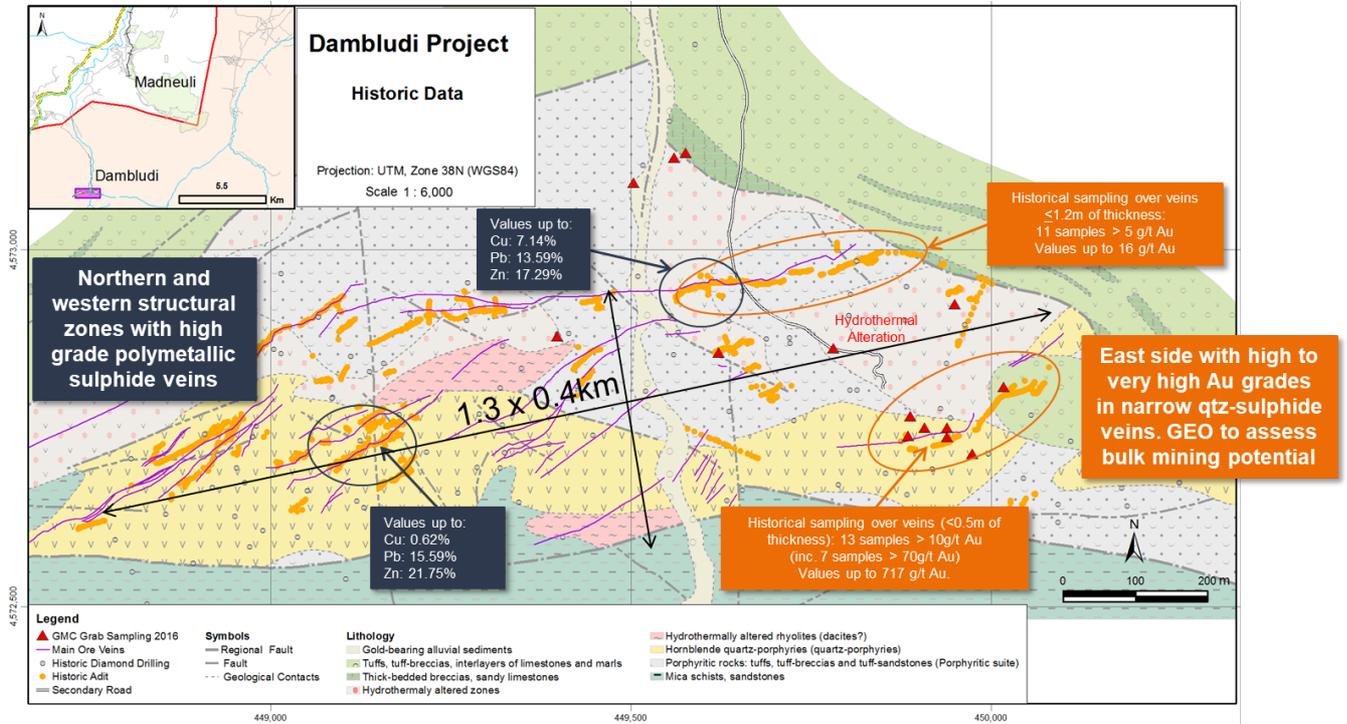


2018 will also see the Company advancing target testing and the early phases of resource development at the other key projects at Dambludi and Tseli Sopeli. This will allow the Company to validate revised geological models, prepare new resource models, and do preliminary work to illustrate the potential for a logical pipeline of development projects.

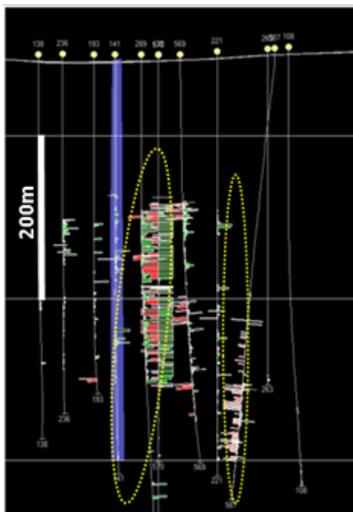
Dambludi is a zone of high-grade “bonanza” epithermal quartz-sulphide-gold veining occupying an area of at least 1.3 x 0.5km in plan, and has the potential for rapid project development, being all close to surface.

We are particularly excited about the opportunity presented by Tseli Sopeli. Data review and the very limited historical core available has delineated zones of high-grade epithermal gold mineralisation at depth, to the west of the small area of gold oxide mineralisation. The veining represents the gold-rich end-member of the same low-sulphidation epithermal model. Our work in 2018 will test this new target which has significant upside due to incorrect drill orientations used previously (vertical drilling of sub-vertical veins). A key implication of GCG's new epithermal interpretation is the recognition that, despite the large amount of historic drilling in this target area and the ineffective vertical orientation of the holes, this drilling was also too shallow to test for the highest grade “bonanza gold” zones that characterize this type of low-sulphidation epithermal gold system.

Plan View of Dambludi Project Area



Tsitel Sopeli – Examples of Low-Sulphidation Epithermal Sub-Vertical Quartz-Gold-Sulphide Veins



# GEORGIAN MINING CORPORATION

## CHAIRMAN'S REPORT

The Company has also recently received a number of approaches from financial and strategic investors, and in parallel GEO is reviewing opportunities presented within the Tethyan Belt, focused on regions close to its existing licence portfolio. As a result, GEO appointed Hannam & Partners in June 2018 as its financial advisers with a focus on these strategic opportunities and M&A.

On a broader front, the Company continues to develop business relationships within Georgia, and we are putting more efforts into building Georgian Mining's presence in country in 2018. Our Executive staff are spending a significant proportion of their time in country, and relationships in Government and the wider business community continue to expand. We remain confident that Georgia is a great address for developing a vibrant mining industry, and we want Georgian Mining to be a significant player.

We are also putting additional structure and investment into our Corporate Social Responsibility goals and programmes in 2018. Our reputation as a good corporate citizen within the communities in which we operate is a fundamental value for us, and we are already working effectively with local councils and community groups to provide support and contribute in different ways. I look forward to reporting significant progress and success in this area in the future.

I would like to thank our Shareholders for their support as well as the Board and Advisors for all their hard work and commitment during what has been a transformational year. We are excited by the opportunity for Georgian Mining to play a key role in developing the highly prospective mineral potential of Georgia to the benefit of our Shareholders and the country. I look forward to providing regular updates on our progress as we meet our objectives over the next 12 months.

Neil O'Brien  
Non-Executive Chairman  
28 June 2018

# GEORGIAN MINING CORPORATION

## DIRECTOR'S REPORT

The Directors present their Report, together with the Group Financial Statements and Independent Auditor's Report, for the year ended 31 December 2017.

### Principal Activities and Business Review

The principal activity of the Group is to implement its mineral exploration strategy to advance projects towards defining a sufficient in-situ mineral resource to support a detailed feasibility study towards mine development and production.

A detailed review of the business of the Group during the year and an indication of likely future developments may be found in the Chairman's Report on pages 3 and 6.

Principal risks and uncertainties are discussed on pages 8 and 9.

### Results and Dividends

The loss of the Group for the year ended 31 December 2017 before taxation amounts to £2,382,476 (31 December 2016: loss of £5,645,734).

The Directors do not recommend the payment of a dividend for the year (31 December 2016: £nil).

### Directors & Directors' Interests

The Directors who served during the year ended 31 December 2017 had the following beneficial interests in the shares of the Company at year end and as at the date of this Report:

Director	31 December 2017		31 December 2016	
	Ordinary Shares	Options	Ordinary Shares	Options
Michael Hutchinson <sup>1</sup>	-	nil	361,280	nil
Gregory Kuenzel	347,467	2,500,000	247,467	1,000,000
Roderick McIlree <sup>1</sup>	-	nil	723,764	nil
Martyn Churchouse	2,600,000	nil	2,600,000	nil
Peter Damouni	187,500	2,000,000	187,500	1,000,000
Neil O'Brien	1,400,000	800,000	1,400,000	300,000
Laurence Mutch <sup>4</sup>	-	1,150,000	-	-
Anthony Frizelle <sup>2</sup>	-	-	-	-
Michael Struthers <sup>3</sup>	-	-	-	-

<sup>1</sup> Resigned 1 March 2017

<sup>2</sup> Appointed 2 March 2017 & Resigned 7 July 2017

<sup>3</sup> Appointed 15 January 2018

<sup>4</sup> Appointed on 1 March 2017

Further details on options can be found in Note 14 to the Financial Statements.

### Key Performance Indicators ("KPIs")

The Board monitors the activities and performance of the Group on a regular basis. The Board uses financial indicators based on budget versus actual to assess the performance of the Group. The indicators set out below will continue to be used by the Board to assess performance over the period to 31 December 2018.

The three main KPIs for the Group are as follows. These allow the Board to monitor costs and plan future exploration and development activities:

	2017	2016
Cash and cash equivalents	£2,569,997	£1,659,314
Administrative expenses as a percentage of total assets	14.06%	15.9%
Exploration costs capitalised	£2,189,076	£1,500,746

This is the fifth complete year of corporate and exploration activity.

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## DIRECTOR'S REPORT

### Corporate Responsibility

#### *Environmental*

Georgian Mining undertakes its exploration activities in a manner that minimises or eliminates negative environmental impacts and maximises positive impacts of an environmental nature. At present, Georgian Mining is a mineral explorer and developer, not a mining company. Hence, the environmental impact associated with its activities is minimal. To ensure proper environmental stewardship on its projects, Georgian Mining conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved.

#### *Health and safety*

Georgian Mining operates a comprehensive health and safety programme to ensure the wellness and security of its employees. The control and eventual elimination of all work related hazards requires a dedicated team effort involving the active participation of all employees. A comprehensive health and safety programme is the primary means for delivering best practices in health and safety management. This programme is regularly updated to incorporate employee suggestions, lessons learned from past incidents and new guidelines related to new projects with the aim of identifying areas for further improvement of health and safety management. This results in continuous improvement of the health and safety programme. Employee involvement is recognised as fundamental in recognising and reporting unsafe conditions and avoiding events that may result in injuries and accidents.

The Group has established and published robust corporate health, safety, environmental and community relations policies, and at the operations level have put into place clear safe operating procedures covering a variety of the groups activities. The active participation of all staff in the development, implementation and further development of these procedures is actively encouraged.

### Principal Risks and Uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The principal business risks affecting the Group are set out below.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

#### *Environmental risk*

In relation to the Group's existing projects the environmental impact to date is limited to activities associated with exploration. The ultimate development of any project into a mining operation will inevitably impact considerably on the local landscape and communities. These projects sit in an area of considerable natural beauty and therefore there is likely to be opposition to mining by some parties. This may impact on the cost and/or Group's ability to sell or move these projects into production.

While the Group believes that its operations and future projects are currently, and will be, in substantial compliance with all relevant material environmental and health and safety laws and regulations, including relevant international standards, there can be no assurance that new laws and regulations, or amendments to, or stringent enforcement of, existing laws and regulations will not be introduced.

Nevertheless, the Group will continue to vigorously apply international standards to the design and execution of any and all of its activities, including engagement and consultation with local communities, and non-governmental and Governmental organisations to ensure any impacts of current and future activities are minimised and appropriately managed. The Group has established a comprehensive suite of health, safety, environmental and community policies which will underpin all future activities.

#### *Exploration and mining risks*

Whilst the Directors endeavour to apply what they consider to be the latest technology to assess potential projects, the business of exploration for and identification of minerals and metals, in particular gold, is speculative and involves a high degree of risk. The mineral and metal deposits of any projects acquired by the Group may not contain economically recoverable volumes of minerals, base metals, precious metals or hydrocarbons of sufficient quality or quantity. Even if there are economically recoverable deposits, delays in the construction and commissioning of mining projects or other technical difficulties may make the deposits difficult to exploit.

The exploration and development of any project may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Group. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, acts of God and government regulations or delays.

Exploration is also subject to general industrial operating risks, such as equipment failure, explosions, fires and industrial accidents, which may result in potential delays or liabilities, loss of life, injury, environmental damage, damage to or destruction

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## DIRECTOR'S REPORT

of property and regulatory investigations. The Group may also be liable for the mining activities of previous miners and previous exploration works. Although the Group intends, itself or through its operators, to maintain insurance in accordance with industry practice, no assurance can be given that the Group or the operator of an exploration project will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims. The Group may elect not to become insured because of high premium costs or may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

### ***Reserve and resource estimates***

The Group's reported reserves and resources are only estimates. No assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral and metal reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral and metal reserve and resource estimates may require revision (either up or down) based on actual production experience.

Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or can be brought into profitable production. Furthermore, a decline in the market price for natural resources that the Group may discover or invest in could render reserves containing relatively lower grades of these resources uneconomic to recover.

In the preparations of resources and reserves the Group uses recognised international estimation methods and reporting standards, such as the Australian JORC Code (2012), or that of the Canadian Institute of Mining standard (CIM, 2010).

### ***Volatility of gold, copper and other commodity prices***

Historically, commodity prices (including in particular the price of gold and copper) have fluctuated and are affected by numerous factors beyond the Group's control, including global demand and supply, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices, over the long term, may adversely impact the returns of the Group's exploration projects.

A significant reduction in global demand for gold, leading to a fall in gold or copper prices, could lead to a significant fall in the cash flow of the Group and/or a delay in exploration and production or even abandonment of a project should it prove uneconomical to develop, which may have a material adverse impact on the operating results and financial condition of the Group.

### ***Financing***

The successful exploration or exploitation of natural resources on any project will require significant capital investment. The only sources of financing currently available to the Group are through the issue of additional equity capital in the Company or through bringing in partners to fund exploration and development costs. The Group's ability to raise further funds will depend on the success of their investment strategy and acquired operations. The Group may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion.

### ***Political, economic and regulatory regime***

The licences and operations of the Group are in jurisdictions outside the United Kingdom and accordingly there will be a number of risks which the Group will be unable to control. Whilst the Group will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Group's activities will be adversely affected by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences and changes to the laws governing mineral exploration and operations.

The Group's activities will be dependent upon the grant of appropriate licences, concessions, leases, permits, and regulatory consents that may be withdrawn or made subject to limitations. There can be no assurance that they will be granted or renewed or if so, on what terms. There is also the possibility that the terms of any licence may be changed other than as represented or expected.

Georgia, the current focus of the Group's activity, offers a stable political framework and actively supports foreign investment. The country has a well-developed exploration and mining code and proactive support for foreign companies. Through a programme of proactive engagement with Government at all levels the Group is able to partially mitigate these risks by establishing professional working relationships.

### ***Dependence on key personnel***

The Group is dependent upon its executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on its ability to recruit and retain high quality and

# GEORGIAN MINING CORPORATION

## DIRECTOR'S REPORT

experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on future business and financial conditions.

Nevertheless, through programmes of incentivising staff, appropriate succession planning, and good management these risks can be largely mitigated.

### ***Dependence on JV Partner***

The Group's short term production plans are based on utilising its JV Partner's existing plant and other infrastructure. The ability of the Group to move into production in the short term is dependent on being granted access to this infrastructure and entering into a production and processing agreement with the JV Partner.

### **Financial Risk Management**

The Group's operations expose it to a variety of financial risks that include the effect of changes in foreign currency exchange rates, funding risk, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments to manage foreign currency risk and, as such, no hedge accounting is applied.

Details of the Group's financial risk management policies are set out in Note 3 to the Financial Statements.

### **Internal Controls**

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the current activity and proposed future development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

### **Going Concern**

The Directors have a reasonable expectation that the Group has and will have future access to adequate resources to continue in operational existence for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusion thereon are included in the statement on going concern in Note 2.4 of the Financial Statements.

### **Directors' and Officers' Indemnity Insurance**

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors and Officers. These were made during the period and remain in force at the date of this report.

### **Provision of Information to Auditor**

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Auditor**

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved by the Board on 28 June 2018 and signed on its behalf.

**Michael Struthers**  
Chief Executive Officer

## **GEORGIAN MINING CORPORATION**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group's Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company 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 Group. They are also responsible for safeguarding the assets of the 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, [www.georgianmining.com](http://www.georgianmining.com). The Group is compliant with AIM Rule 26 regarding the Group's website.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

# GEORGIAN MINING CORPORATION

## CORPORATE GOVERNANCE REPORT

The Board of Directors currently comprises two Executive and three Non-Executive Directors, one of whom is the Chairman. The Directors have responsibility for the overall corporate governance of the Group and recognise the need for the highest standards of behaviour and accountability. The Directors are committed to the principles underlying best practice in corporate governance and, whilst they do not comply with the principles of the UK Corporate Governance Code as they are not required to do so, they have considered and implemented several of the requirements as they consider appropriate for a group of its size and nature. The Board has a wide range of experience directly related to the Group and its activities and its structure ensures that no one individual or group dominates the decision making process.

### **Board Meetings**

The Board meets regularly throughout the year and is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance.

### **Board Committees**

The Group has established an Audit Committee, a Remuneration Committee and an AIM Compliance Committee. In light of the size of the Board, the Directors do not consider it necessary to establish a Nomination Committee. However, this will be kept under review.

#### ***Audit Committee***

The Audit Committee, comprising Laurence Mutch (Chairman), Neil O'Brien and Peter Damouni, reviews the Group's annual and interim financial statements before submission to the Board for approval. The Committee also reviews regular reports from management and external auditors on accounting and internal control matters. Where appropriate, the Committee monitors the progress of action taken in relation to such matters. The Committee also recommends the appointment, and reviews the fees, of the external auditor. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor.

#### ***Remuneration Committee***

The Remuneration Committee, comprising Peter Damouni (Chairman), Neil O'Brien and Laurence Mutch, is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share, and the application of performance standards which may apply to any such grant, paying due regard to the interests of shareholders as a whole and the performance of the Group.

#### ***AIM Compliance Committee***

The AIM Compliance Committee has the primary responsibility for ensuring compliance with the AIM Rules for Companies concerning the disclosure of information, in particular Rules 11, 17, 18 and 19. The compliance committee works closely with the Board to ensure that the Company's Nominated Adviser is provided with any information it reasonably requests or requires in order for it to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers. Members of the Compliance Committee are Peter Damouni and Laurence Mutch.

### **Internal Controls**

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

### **Risk Management**

The Board considers risk assessment to be important in achieving its strategic objectives. Risk mitigations, project milestones and timelines are regularly reviewed.

### **Securities Trading**

The Group has adopted a share dealing code for dealings in shares by Directors and senior employees which is appropriate for an AIM-listed company. The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and take all reasonable steps to ensure compliance by the Group's applicable employees.

### **Relations with Shareholders**

The Board is committed to providing effective communication with the Shareholders of the Company. Significant developments are disseminated through Stock Exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

# GEORGIAN MINING CORPORATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEORGIAN MINING CORPORATION

### Opinion

We have audited the Financial Statements of Georgian Mining Corporation (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statements of Cash Flows and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard 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 relating to going concern

We draw attention to Note 2.4 in the financial statements, which indicates that the Group has finalised the negotiations with the Georgian authorities with regards to the ongoing good standing of the exploration licences held within the 30 year Mining Licence. The final stage is the submission and approval of a Government Resolution which formally approves the application. Whilst the Directors have indicated their confidence in getting the resolution approved, if it is not approved, it will have a serious impact on the Group's ability to raise future funds, which they will require in the medium term. It may also restrict the ability of the Group to undertake further exploration activity in Georgia and may result in an impairment to the carrying value of the Georgian exploration asset currently valued at £10,472,718. As stated in Note 2.4, these events or conditions, along with the other matters as set forth in Note 8, indicate that a material uncertainty exists that may cast significant doubt on the carrying value of the Georgian asset and the Group's ability to continue as a going concern.

### Our application of materiality

Group materiality 2017	Group materiality 2016	Basis for materiality
£230k	£230k	2% of net assets

Our calculation of materiality has remained in line with the materiality applied in 2016. We consider net assets to be the most significant determinant of the Group's financial position and performance used by shareholders.

Whilst materiality for the Financial Statements as a whole was £230k, each significant component of the Group was audited to a level of materiality of £100k. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

### An overview of the scope of our audit

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

Of the 6 reporting components of the Group, a full scope audit was performed on the complete financial information of 3 components and, for the other components, a limited scope review was performed because they were not material to the Group.

Of the 6 reporting components of the group, one is located in Georgia and audited by a component auditor operating under our instruction and the audit of the remaining components were principally performed in London, conducted by PKF Littlejohn

# GEORGIAN MINING CORPORATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEORGIAN MINING CORPORATION

LLP using a team with specific experience of auditing mining exploration entities and publicly listed entities. The Engagement Partner interacted regularly with the component audit team during all stages of the audit and was responsible for the scope and direction of the audit process. This, in conjunction with additional procedures performed, gave us appropriate evidence for our opinion on the Group financial statements.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the scope of our audit responded to the key audit matter
<p><b>Carrying value of intangible assets</b> The Group holds exploration and evaluation assets of £10.47m which relate to an exploration projects in Georgia which are at an early stage of development.</p> <p>There is a risk that the exploration and evaluation assets are impaired.</p>	<p>We have obtained and reviewed the Directors impairment review of intangible assets which considered the areas listed as indicators of impairment under IFRS 6. Our work included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining the exploration licenses and ensuring they remain valid;</li> <li>• Performing substantive testing on certain components capitalised additions;</li> <li>• Reviewing the responses of component auditors to our instructions and reviewing their working papers;</li> <li>• Reviewing key external reports for indicators of impairment;</li> <li>• Considering the Group's future plans for the exploration projects to ensure further activity and expenditure thereto was planned; and</li> <li>• Considering whether there were any indicators that the carrying amount of capitalised expenditure was not recoverable.</li> </ul> <p>During our review of the 30-year mining licence (which is still valid), and from discussions with management, it was noted that within this overall licence exists a requirement for separate staged approvals for continued exploration at named deposits and within the wider licence area. A number of the exploration periods within the Group's licence area have now expired and the Group, along with its JV partner, Caucasian Mining Group, have concluded a process of negotiating extensions to these exploration periods with the Mining Agency, within the Ministry of Economics and Sustainable Development in Georgia. The recent unexpected resignation of the Prime Minister of Georgia and the cabinet on 13<sup>th</sup> of June 2018 has resulted in a further delay to the process. As at the date of this report, the final stage of approval by Government Resolution has not been obtained and the Company has suspended exploration activity as agreed with the Georgian Mining Agency. Further details are disclosed in Note 8.</p> <p>The Directors have confirmed to us that their confidence in getting the approved extensions is high and that they will receive formal approval from the Government. As a result, we have concluded that no adjustment should be made to the carrying value of the carried forward exploration and evaluation costs.</p> <p>Whilst we are satisfied from our audit work that the value of the exploration asset in the consolidated statement of financial position is supportable, the carrying value of the Georgian exploration asset is dependent on the approval by Government Resolution which has not been obtained at the date of this audit report.</p>

# GEORGIAN MINING CORPORATION

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GEORGIAN MINING CORPORATION

	These conditions, including the possibility that the approved extension is not obtained, indicate the existence of a material uncertainty which may cast significant doubt on the carrying value of the exploration asset. This, in turn, will also have a serious impact on the Group's ability to raise future funds and may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not show any adjustment that would be required should the exploration asset need to be impaired, or, if the Group was unable to continue as a going concern following the impairment.
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### 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. 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 conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of directors

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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 our engagement letter dated 18 April 2018. 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.

**Zahir Khaki (Engagement Partner)**  
**For and on behalf of PKF Littlejohn LLP**  
**Registered Auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD

28 June 2018

**GEORGIAN MINING CORPORATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2017**

	Note	Group	
		2017 £	2016 £
<b>Non-Current Assets</b>			
Property, plant and equipment	7	162,535	131,968
Intangible assets	8	10,472,718	8,612,883
		<b>10,635,253</b>	8,744,851
<b>Current Assets</b>			
Trade and other receivables	9	381,555	416,206
Cash and cash equivalents	10	2,569,997	1,659,314
		<b>2,951,552</b>	2,075,520
<b>Total Assets</b>		<b>13,586,805</b>	10,820,371
<b>Current Liabilities</b>			
Trade and other payables	11	413,080	306,118
<b>Total Liabilities</b>		<b>413,080</b>	306,118
<b>Net Assets</b>		<b>13,173,725</b>	10,514,253
<b>Equity attributable to owners of the Parent</b>			
Share capital	12	-	-
Share premium	12	38,880,612	33,653,273
Reverse acquisition reserve		(18,845,147)	(18,845,147)
Other reserves	13	384,099	838,470
Retained losses		(11,033,204)	(8,772,601)
<b>Total equity attributable to owners of the Parent</b>		<b>9,386,360</b>	6,873,995
<b>Non-controlling interest</b>		<b>3,787,365</b>	3,640,258
<b>Total Equity</b>		<b>13,173,725</b>	10,514,253

The Financial Statements were approved and authorised for issue by the Board of Directors on 28 June 2018 and were signed on its behalf by:

Gregory Kuenzel  
 Finance Director

The Notes on pages 20 to 39 form part of these Financial Statements.

**GEORGIAN MINING CORPORATION**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

	Note	Group	
		Year ended 31 December 2017 £	Year ended 31 December 2016 £
<b>Continuing Operations</b>			
Revenue		-	3,758
Cost of sales		-	-
<b>Gross profit</b>		-	3,758
Administration expenses	6	(1,909,711)	(1,716,301)
Other gains / (losses)	15	(472,870)	4,022
<b>Operating Loss</b>		<b>(2,382,581)</b>	(1,708,521)
Impairment of intangible assets	8	-	(3,937,375)
Finance income	18	105	162
<b>Loss before Taxation</b>		<b>(2,382,476)</b>	(5,645,734)
Income tax	19	-	-
<b>Loss for the year</b>		<b>(2,382,476)</b>	(5,645,734)
<b>Loss attributable to:</b>			
- owners of the Parent		(2,260,603)	(5,498,126)
- non-controlling interests		(121,873)	(147,608)
<b>Loss for the year</b>		<b>(2,382,476)</b>	(5,645,734)
<b>Other Comprehensive Income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Exchange differences on translating foreign operations		(345,659)	763,910
<b>Total Comprehensive Income</b>		<b>(2,728,135)</b>	(4,881,824)
<b>Attributable to:</b>			
- owners of the Parent		(2,875,242)	(4,475,791)
- non-controlling interests		147,107	(406,033)
<b>Total Comprehensive Income</b>		<b>(2,728,135)</b>	(4,881,824)
<b>Earnings per share (pence) from continuing operations</b>			
<b>attributable to owners of the Parent – Basic &amp; Diluted</b>	20	<b>(2.232)</b>	(9.895)

The Notes on pages 20 to 39 form part of these Financial Statements.

**GEORGIAN MINING CORPORATION**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the year ended 31 December 2017**

	Attributable to Equity Shareholders					Non-controlling interest	Total equity
	Share premium	Reverse acquisition reserve	Other reserves	Retained losses	Total		
	£	£	£	£	£		
<b>As at 1 January 2016</b>	<b>29,090,348</b>	<b>(18,845,147)</b>	<b>(442,370)</b>	<b>(3,274,475)</b>	<b>6,528,356</b>	<b>4,046,291</b>	<b>10,574,647</b>
Loss for the year	-	-	-	(5,498,126)	(5,498,126)	(147,608)	(5,645,734)
<b>Other comprehensive income</b>							
Exchange differences on translating foreign operations	-	-	1,022,335	-	1,022,335	(258,425)	763,910
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,022,335</b>	<b>(5,498,126)</b>	<b>(4,475,791)</b>	<b>(406,033)</b>	<b>(4,881,824)</b>
<b>Transactions with owners</b>							
Issue of ordinary shares	4,750,400	-	-	-	4,750,400	-	4,750,400
Issue costs	(187,475)	-	-	-	(187,475)	-	(187,475)
Share Option charge	-	-	258,505	-	258,505	-	258,505
<b>Total transactions with owners</b>	<b>4,562,925</b>	<b>-</b>	<b>258,505</b>	<b>-</b>	<b>4,821,430</b>	<b>-</b>	<b>4,821,430</b>
<b>As at 31 December 2016</b>	<b>33,653,273</b>	<b>(18,845,147)</b>	<b>838,470</b>	<b>(8,772,601)</b>	<b>6,873,995</b>	<b>3,640,258</b>	<b>10,514,253</b>
<b>As at 1 January 2017</b>	<b>33,653,273</b>	<b>(18,845,147)</b>	<b>838,470</b>	<b>(8,772,601)</b>	<b>6,873,995</b>	<b>3,640,258</b>	<b>10,514,253</b>
Loss for the year	-	-	-	(2,260,603)	(2,260,603)	(121,873)	(2,382,476)
<b>Other comprehensive income</b>							
Exchange differences on translating foreign operations	-	-	(614,639)	-	(614,639)	268,980	(345,659)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(614,639)</b>	<b>(2,260,603)</b>	<b>(2,875,242)</b>	<b>147,107</b>	<b>(2,728,135)</b>
<b>Transactions with owners</b>							
Issue of ordinary shares	5,463,941	-	-	-	5,463,941	-	5,463,941
Issue costs	(236,602)	-	-	-	(236,602)	-	(236,602)
Share Option charge	-	-	160,268	-	160,268	-	160,268
<b>Total transactions with owners</b>	<b>5,227,339</b>	<b>-</b>	<b>160,268</b>	<b>-</b>	<b>5,387,607</b>	<b>-</b>	<b>5,387,607</b>
<b>As at 31 December 2017</b>	<b>38,880,612</b>	<b>(18,845,147)</b>	<b>384,099</b>	<b>(11,033,204)</b>	<b>9,386,360</b>	<b>3,787,365</b>	<b>13,173,725</b>

The Notes on pages 20 to 39 form part of these Financial Statements.

# GEORGIAN MINING CORPORATION

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	Group	
		2017 £	2016 £
<b>Cash flows from operating activities</b>			
Loss before taxation		(2,382,476)	(5,645,734)
Adjustments for:			
Finance Income		-	(166)
Share option expenses		160,268	258,505
Share based payments		57,061	50,400
Depreciation		35,593	21,092
Impairment of intangible asset		-	3,937,375
Decrease/ (increase) in trade and other receivables		34,650	(361,710)
Increase in trade and other payables		106,960	138,176
Foreign exchange		(12,176)	113,666
<b>Net cash used in operating activities</b>		<b>(2,000,120)</b>	<b>(1,488,396)</b>
<b>Cash flows from investing activities</b>			
Interest received		-	166
Purchase of property, plant & equipment		(70,400)	(145,906)
Purchase of Intangible assets		(2,189,076)	(1,500,746)
<b>Net cash used in investing activities</b>		<b>(2,259,476)</b>	<b>(1,646,486)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		5,406,881	4,700,000
Cost of share issue		(236,602)	(187,475)
<b>Net cash generated from financing activities</b>		<b>5,170,279</b>	<b>4,512,525</b>
<b>Net increase in cash and cash equivalents</b>		<b>910,683</b>	<b>1,377,643</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,659,314</b>	<b>281,671</b>
<b>Cash and cash equivalents at end of year</b>	10	<b>2,569,997</b>	<b>1,659,314</b>

### Major non-cash transactions

On 23 May 2017 the Company issued and allotted 356,695 new ordinary pre-consolidation shares with no par value at a price of 0.16p each as consideration for consultants fees.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### ACCOUNTING POLICIES

#### 1. General Information

The principal activity of Georgian Mining Corporation (“the Company”) and its subsidiaries (together “the Group”) is to implement its mineral exploration strategy to advance projects towards defining a sufficient in-situ mineral resource to support a detailed feasibility study towards mine development and production.

The Company’s shares are traded on AIM, a market operated by the London Stock Exchange. The Company is incorporated in the British Virgin Islands and domiciled in the United Kingdom.

The address of its registered office is Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI.

#### 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### 2.1 Basis of Preparation of Financial Statements

The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union applicable to companies under IFRS. The Group Financial Statements have been prepared under the historical cost convention.

The Financial Statements are presented in UK Pounds Sterling rounded to the nearest pound.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

##### 2.2 Changes in accounting policy and disclosures

- i) New and amended standards adopted by the Group

The following standards were adopted by the Group during the year:

<u>Standard</u>	<u>Impact on initial application</u>	<u>Effective date</u>
IAS 7	Statement of Cash Flow amendments	1 January 2017

There has been no material impact on the financial statements as a result of new standards.

- ii) *New standards, amendments and interpretations in issue but not yet effective or not yet endorsed and not early adopted*

Standards, amendments and interpretations that are not yet effective and have not been early adopted are as follows:

<u>Standard</u>	<u>Impact on initial application</u>	<u>Effective date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 2 (Amendments)	Share-based payments – classification and measurement	1 January 2018
Annual Improvements	2014-2016 Cycle	1 January 2018
IFRIC Interpretation 22	Foreign currency transactions and advanced consideration	1 January 2018
IFRIC 23	Uncertainty over Income tax treatments	*1 January 2018
IFRS 9 (Amendments)	Prepayment features with negative compensation	*1 January 2019
IAS 28 (Amendments)	Long term interests in associates and joint ventures	*1 January 2019

\* Subject to EU endorsement

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Group is evaluating the impact of the new and amended standards above.

The operating leases currently held will be subject to IFRS 16 changes as all lease (subject to certain criteria) will be deemed finance leases. The impact of this will be monitored by management. All other standards are not expected to have a material impact on the Group's results or shareholders' funds.

### 2.3 Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of Georgian Mining Corporation and the financial statements of all of its subsidiary undertakings made up to 31 December 2017.

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. Where an entity does not have returns, the Group's power over the investee is assessed as to whether control is held. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Below is a summary of subsidiaries of the Group:

Name of subsidiary	Place of business	Parent company	Registered capital	Share capital held	Principal activities
Kibe Investments No.2 Limited	British Virgin Islands	Georgian Mining Corporation	Ordinary shares US\$12	100%	Dormant
Noricum Gold AT GmbH	Austria	Kibe Investments No.2 Limited	Ordinary shares €35,000	100%	Exploration
GMC Investments Limited	British Virgin Islands	Georgian Mining Corporation	Ordinary shares US\$1	100%	Dormant
JSC Georgian Copper & Gold	Georgia	GMC Investments Limited	Ordinary shares US\$12,000,000	50%	Exploration
European Mining Services Limited	United Kingdom	Georgian Mining Corporation	Ordinary shares £1	100%	Mining Services

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. JSC Georgian Copper and Gold is considered as being controlled by the Company because two of the three directors are appointed by the Company and GMC Investments Limited had operational and management control of the entity as at year end.

### 2.4 Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Report from page 3. In addition, Note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and details of its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating steady revenue streams, an operating loss has been reported and an operating loss is expected in the 12 months subsequent to 31 December 2017, the Directors believe that the Group has sufficient funds to meet its immediate working capital requirements and undertake its targeted operating activities over the next 12 months from the date of approval of these Financial Statements. No budgets and forecasts have been drawn up covering the period after this period as in accordance with the Work Programme approved by the JV partners on 15 March 2018, the next work programme will be determined after the completion of the current agreed 6 month work programme. Whilst the negotiations to extend the exploration licence are ongoing, the Group have ceased exploration work in Georgia and have reduced expenditure to preserve cash in the short term. The Directors remain confident that this licence extension will be granted in due course.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

The Group has financial resources which, the Directors believe, will be sufficient to fund the Group's committed expenditure both operationally and on specific exploration projects, which will recommence when the licence extension is confirmed, for the next 12 months. However, in order to complete other exploration work, including additional exploration and development subsequent to the current approved 6-month work programme underway in Georgia as well as additional work over the life of existing projects and as additional projects are identified and also to meet minimum spend requirements for existing projects after 12 months from the date of approval of these Financial Statements, additional funding will be required. The amount of funding cannot be reliably estimated at the point of approval of these Financial Statements and the Group will be required to raise additional funds either via an issue of equity or through the issuance of debt. The Directors are confident that funds will be forthcoming if and when they are required. In addition, the Group will be able to significantly reduce its working capital requirements and will not authorise expenditure on exploration if funds are not sufficient.

The Directors have, in the light of all the above circumstances, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Group Financial Statements.

### 2.5 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Segment results, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### 2.6 Foreign Currencies

#### *(a) Functional and presentation currency*

Items included in the Financial Statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company is Sterling, the functional currency of the BVI subsidiaries is US Dollars, the functional currency of the Austrian subsidiary is Euros and the functional currency of the Georgian subsidiary is Lari. The Financial Statements are presented in Pounds Sterling, rounded to the nearest pound, which is the Company's functional and the Group's presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

#### *(c) Group companies*

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income where material.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2.7 Intangible Assets

#### *Exploration and evaluation assets*

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. 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. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment annually or 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 in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the Income Statement.

### 2.8 Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

Computer equipment – 20 to 50% straight line

Field equipment - 20 to 50% straight line

Vehicles – 20% straight line

All assets are subject to annual impairment reviews. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

The asset's residual value and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Other net gains / (losses)' in the income statement.

### 2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets that suffered impairment (except goodwill) are reviewed for possible reversal of the impairment at each reporting date.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2.10 Financial Assets

#### Classification

The Group has classified all of its financial assets as loans and receivables including cash and cash equivalents. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

#### Recognition and measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

#### Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

### 2.11 Cash and Cash Equivalents

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

### 2.12 Taxation

Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

There has been no tax credit or expense for the period relating to current or deferred tax.

### 2.13 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.14 Reverse acquisition reserve

The reverse acquisition reserve arose on the acquisition of Kibe Investments No. 2 Limited in 2010. There has been no movement in the reserve since that date.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2.15 Share Based Payments

The Group operates a number of equity-settled share-based schemes, under which the entity receives services from employees or third party suppliers as consideration for equity instruments (shares, options and warrants) of the Group. The Group may also issue warrants to share subscribers as part of a share placing. The fair value of the equity-settled share based payments is recognised as an expense in the income statement or charged to equity depending on the nature of the service provided or instrument issued. The total amount to be expensed or charged in the case of options is determined by reference to the fair value of the options or warrants granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

In the case of shares and warrants the amount charged to the share premium account is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable the shares are valued by reference to the market price and the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of options or warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement or equity as appropriate, with a corresponding adjustment to an other reserve in equity.

When the warrants or options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants or options are exercised.

### 2.16 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

### 2.17 Operating Leases

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the period of the respective leases.

### 2.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied in the course of ordinary business, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the Group's activities described below.

Revenue is recognised in respect of amounts recharged to project strategic partners in accordance with their contractual terms. Revenue is also generated from management and consulting services to third parties.

### 2.19 Finance Income

Finance income consists of bank interest on cash and cash equivalents which is recognised using the effective interest rate method.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 2.20 Trade and Other Receivables

Trade and other receivables are amounts due from third parties in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not they are presented as non-current assets.

## 3. Financial Risk Management

### 3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks being market risk (including, interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### **Market Risk**

##### *(a) Foreign currency risks*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and Georgian Lari against the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group negotiates all material contracts for activities in relation to its subsidiary in USD. The Directors will continue to assess the effect of movements in exchange rates on the Group's financial operations and initiate suitable risk management measures where necessary.

##### *(b) Price risk*

The Group is not exposed to commodity price risk as a result of its operations, which are still in the exploration phase. Other than insignificant consulting revenue, the only revenue relates to intra group revenue in respect of recharges which are eliminated on consolidation. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

The Group has no exposure to equity securities price risk, as it has no listed equity investments.

##### *(c) Interest rate risk*

As the Group has no borrowings, it is not exposed to interest rate risk on financial liabilities. The Group's interest rate risk arises from its cash held on short-term deposit, which is not significant.

#### **Credit Risk**

Credit risk arises from cash and cash equivalents as well as outstanding receivables. Management does not expect any losses from non-performance of these receivables.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

#### **Liquidity Risk**

In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

### 3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group has no debt at 31 December 2017 and defines capital based on the total equity of the Company being £13,173,725. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 4. Critical Accounting Estimates and Judgements

The preparation of the Group Financial Statements in conformity with IFRSs requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

#### 4. Critical Accounting Estimates and Judgements (continued)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

##### *Impairment of exploration and evaluation costs*

Exploration and evaluation costs have a carrying value at 31 December 2017 of £10,472,718 (2016: £8,612,883): refer to Note 8 for more information. The Group has a right to renew exploration licences and the asset is only depreciated once extraction of the resource commences. Management tests annually whether exploration projects have future economic value in accordance with the accounting policy stated in Note 2.7. Each exploration project is subject to an annual review by either a consultant or senior company geologist to determine if the exploration results returned during the year warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration the expected costs of extraction, long term metal prices, anticipated resource volumes and supply and demand outlook. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside, a decision will be made to discontinue exploration.

Refer to Note 8 and the Chairman's Statement for further disclosure related to the title and good standing of the exploration rights held by Georgian Copper & Gold.

The Directors have reviewed the estimated value of each project prepared by management and have concluded that no impairment is required and provided against the exploration assets.

##### *Share based payment transactions*

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and to suppliers for various services received.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 14.

##### *Control of Georgian Copper and Gold*

Judgement is required to determine whether the Group has control over its subsidiaries. Georgian Copper and Gold is 50% owned but management are of the opinion that they control of the entity and have consolidated this entity. As at 31 December 2017, the Company is considered to control Georgian Copper and Gold as a result of the fact that:

- 2 out of 3 board seats are held by Directors of Georgian Mining Corporation; and
- GMC Investments Limited has operational and management control of the entity and has ability to approve expenditure.

On 15 March 2018, the Company entered into a Deed of Variation with its joint venture partner in Georgian Copper & Gold ("GCG") in relation to the ongoing operations of the operating company, future work programmes and budgets. As a result, both shareholders now have equal representation on the board of GCG and therefore, it is anticipated that for the financial year ended 31 December 2018, this entity will no longer be deemed to be under the control of the Company and will no longer be consolidated.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 5. Segmental Information

The Group operates in three geographical areas, the UK, Georgia and Austria. The Parent Company operates in one geographical area, the UK. Activities in the UK are mainly administrative in nature whilst activities in Austria and Georgia relate to exploration and evaluation work. The reports used by the chief operating decision maker are based on these geographical segments.

The Group generated revenue of £nil during the year ended 31 December 2017 (2015: £3,758).

2017	Georgia £	Austria £	UK £	Total £
Revenue	-	-	-	-
Administrative expenses	(271,422)	(45,101)	(1,593,188)	(1,909,711)
Other gains/(losses)	(312,742)	-	(160,128)	(472,870)
Loss from operations per reportable segment	(584,164)	(45,101)	(1,753,316)	(2,382,581)
Additions to non-current assets	2,023,197	-	236,386	2,259,476
Reportable segment assets	10,488,140	11,740	3,086,925	13,586,805
Reportable segment liabilities	35,792	9,225	368,063	413,080

Segment assets and liabilities are allocated based on geographical location.

2016	Georgia £	Austria £	UK £	Total £
Revenue	-	1,606	2,152	3,758
Administrative expenses	(233,904)	(40,338)	(1,183,554)	(1,457,796)
Foreign exchange	61,313	-	(315,796)	(254,483)
Loss from operations per reportable segment	(172,591)	(38,732)	(1,497,198)	(1,708,521)
Additions to non-current assets	1,500,746	-	-	1,500,746
Impairment to non-current assets	-	(3,937,375)	-	(3,937,375)
Reportable segment assets	8,805,070	11,630	2,003,671	10,820,371
Reportable segment liabilities	156,576	10,787	138,755	306,118

A reconciliation of adjusted loss from operations per reportable segment to loss before tax is provided as follows:

	2017 £	2016 £
Loss from operation per reportable segment	(2,382,581)	(1,708,521)
- Finance income	105	162
- Impairment	-	(3,937,375)
Loss for the year before taxation	(2,382,476)	(5,645,734)

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 6. Expenses by Nature

	2017 £	2016 £
Directors' fees	142,750	107,252
Employee salaries	139,135	158,000
Fees payable to the Company's auditors for the audit of the Parent Company and group financial statements	42,325	22,550
Fees payable to the Company's auditors for tax and other services	-	17,646
Professional, legal and consulting fees	531,744	337,388
Accounting related services	37,369	60,458
Insurance	31,734	41,139
Office and administrative expenses	82,027	163,405
Depreciation	35,593	21,092
Travel and subsistence	184,528	109,476
AIM related costs including investor relations	236,662	225,841
Share option expense	160,268	258,505
Operations related costs	213,096	95,950
Other expenses	72,480	97,600
<b>Total administrative expenses</b>	<b>1,909,711</b>	<b>1,716,301</b>

### 7. Property, Plant and Equipment

	Motor Vehicles £	Field equipment £	Computer equipment £	Total £
<b>Cost</b>				
As at 1 January 2016	-	5,410	7,257	12,667
Additions	46,942	60,843	38,121	145,906
As at 31 December 2016	46,942	66,253	45,378	158,573
Additions	14,763	47,461	8,176	70,400
Exchange Differences	(3,035)	-	(1,656)	(4,691)
As at 31 December 2017	58,670	113,714	51,898	224,282
<b>Depreciation</b>				
As at 1 January 2016	-	-	5,513	5,513
Charge for the year	4,798	11,032	5,262	21,092
As at 31 December 2016	4,798	11,032	10,775	26,605
Charge for the year	9,086	17,913	8,594	35,593
Exchange Differences	(310)	-	(141)	(451)
As at 31 December 2017	13,574	28,945	19,228	61,747
<b>Net book value as at 31 December 2016</b>	<b>42,144</b>	<b>55,221</b>	<b>34,603</b>	<b>131,968</b>
<b>Net book value as at 31 December 2017</b>	<b>45,096</b>	<b>84,769</b>	<b>32,670</b>	<b>162,535</b>

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 8. Intangible Assets

	2017	2016
	£	£
<b>Exploration &amp; Evaluation Assets at Cost and Net Book Value</b>		
Balance as at 1 January	<b>8,612,883</b>	10,399,265
Additions	<b>2,189,076</b>	1,500,746
Impairment	-	(3,937,375)
Foreign currency differences	<b>(329,241)</b>	650,247
As at 31 December	<b>10,472,718</b>	8,612,883

As part of the acquisition of GMC Investments Limited, the Group entered into a Shareholder Agreement with Caucasian Mining Group Limited ("CMG"), the partner in JSC Georgian Copper and Gold. The details of the agreement were such that CMG would transfer the exploration and mining licenses for the Georgian sites into Georgian Copper and Gold, which were considered to have a fair value of US\$6m, while the Group would commit to paying the expenditure requirements on the operations over a two year period from the date of the licence transfer date of December 2015, which is also US\$6m. As a result, the Group has recognised the fair value of the licenses of US\$6m, which translate to £4.2m, as an exploration and evaluation asset.

Exploration projects Georgia are at an early stage of development and as at 31 December 2017, although a JORC (Joint Ore Reserves Committee) compliant resource estimate is available at Kverno Bolnisi East, much of the licence area is still subject to further early stage exploration. The Directors therefore undertook an assessment of the following areas and circumstances which could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal.
- No further exploration or evaluation is planned or budgeted for.
- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

The current 30-year mining licence for the extraction of minerals (expiring 13 October 2041) held by JSC Georgian Copper and Gold is valid and in good standing. However, within this overall licence exists a requirement for separate staged approvals for continued exploration at named deposits and within the wider licence area. These mechanisms exist to encourage licence holders to advance their exploration activities and ultimately to register Reserves with the State. After a body of exploration work has been completed a company can either apply to extend the exploration period, register Reserves with the State, or return the area in question to the State. Exploration periods are typically in the range of 2-4 years, depending in part on the scale of the prospects.

A number of the exploration periods within the Group's licence area have now expired and the Group, along with its JV partner Caucasian Mining Group, have concluded a process of negotiating extensions to these exploration periods with the Mining Agency, within the Ministry of Economics and Sustainable Development in Georgia.

The final stage is the submission and approval of a Government Resolution which formally approves the application. However, as agreed with the Mining Agency, the Group has temporarily suspended fieldwork until the Resolution is approved. Unfortunately, the recent unexpected resignation of the Prime Minister on 13th of June as well as the entire cabinet, has delayed this process. The Directors believe that these approved extensions will receive formal approval from the Government and as a result, no adjustment has been made to the carrying value of the carried forward exploration and evaluation costs. If these licences are not extended, the ability of the Group to continue exploration and as such the carrying value of the investment will be uncertain and likely an impairment required.

As a result, no impairment charge is required at 31 December 2017 in relation to the exploration activities in Georgia.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 9. Trade and Other Receivables

	2017	2016
	£	£
VAT receivable	<b>180,376</b>	54,196
Prepayments	<b>57,287</b>	16,575
Other receivables	<b>143,892</b>	345,435
	<b>381,555</b>	416,206

Trade and other receivables are all due within one year. The fair value of all receivables is the same as their carrying values stated above. These assets, excluding prepayments, are the only form of financial asset within the Group, together with cash and cash equivalents.

Other receivables relate to amounts owing from the issue of shares.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2017	2016
	£	£
UK Pounds	<b>227,855</b>	399,619
Euros	<b>1,820</b>	3,580
Georgian Lari	<b>151,880</b>	13,007
	<b>381,555</b>	416,206

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

### 10. Cash and Cash Equivalents

	2017	2016
	£	£
Cash at bank and in hand	<b>2,569,997</b>	1,659,314

All of the Group's cash at bank is held with institutions with an AA credit rating.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 11. Trade and Other Payables

	2017 £	2016 £
Trade payables	278,457	253,006
Other payables	9,040	7,385
Accrued expenses	125,583	45,727
	<b>413,080</b>	<b>306,118</b>

### 12. Share Capital and Share Premium

On 15 December 2010 the shareholders approved the removal of the Company's authorised share capital and so there is no limit on the number of shares the Company is authorised to issue. On that date the shareholders also approved the removal of the nominal value of the shares, as permitted under local company legislation. As such all amounts raised are considered to be share premium.

#### Issued share capital

Group	Number of shares	Ordinary shares £	Share premium £	Total £
<b>At 1 January 2016</b>	<b>2,693,771,064</b>	-	<b>29,090,348</b>	<b>29,090,348</b>
Issue of new shares – 21 January 2016 <sup>(1)</sup>	1,250,000,000	-	942,500	942,500
Issue of new shares – 21 January 2016	63,000,000	-	50,400	50,400
Issue of new shares – 1 July 2016 <sup>(2)</sup>	785,714,286	-	1,036,025	1,036,025
5 October 2016 - Consolidation of shares, 100 shares consolidated to 1 share	(4,744,560,498)	-	-	-
Issue of new shares – 16 December 2016 <sup>(3)</sup>	32,500,000	-	2,534,000	2,534,000
<b>At 31 December 2016</b>	<b>80,424,853</b>	-	<b>33,653,273</b>	<b>33,653,273</b>
Issue of new shares – 23 May 2017 <sup>(4)</sup>	34,149,638	-	5,227,339	5,227,339
<b>At 31 December 2017</b>	<b>114,574,491</b>	-	<b>38,880,612</b>	<b>38,880,612</b>

(1) Includes issue costs of £57,500

(2) Includes issue costs of £63,975

(3) Includes issue costs of £66,000

(4) Includes issue costs of £236,602

On 23 May 2017 the Company raised gross proceeds of £5,463,942 via the issue and allotment of 34,149,638 new ordinary shares with no par value at a price of 0.16p each.

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 13. Other reserves

	2017 £	2016 £
Foreign currency translation reserve	<b>(34,673)</b>	579,965
Share option Reserve	<b>418,772</b>	258,505
	<b>384,009</b>	838,470

Foreign currency translation reserve – the foreign currency translation reserve represents the effect of changes in exchange rates arising from translating the financial statements of subsidiary undertakings into the Company's presentation currency.

Share option reserve – the share option reserve represents the fair value of share options and warrants in issue. The amounts included are recycled to share premium on exercise or recycled to retained earnings on expiry.

### 14. Share Based Payments

Warrants and options outstanding at 31 December 2017 have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price in £ per share	Shares	
			2017	2016
28 January 2016	21 January 2018	0.1300	<b>182,500</b>	182,500
1 July 2016	1 July 2018	0.1800	<b>55,866</b>	55,866
20 July 2016	20 July 2021	0.1400	<b>5,000,000</b>	5,000,000
15 November 2016	16 November 2018	0.1000	<b>170,000</b>	170,000
30 January 2017	3 March 2022	0.1200	<b>1,900,000</b>	-
22 June 2017	21 July 2022	0.1825	<b>3,300,000</b>	-
			<b>10,608,366</b>	5,408,366

The fair value of the warrants and options was determined using the Black Scholes valuation model. The parameters used are detailed below:

	2016 Warrants	2016 Warrants	2016 Warrants
Granted on:	01/07/2016	20/07/2016	15/11/2016
Life (years)	2 years	5 years	2 years
Share price on grant date	16p	16p	8p
Risk free rate	0.09%	0.5%	0.09%
Expected volatility	25.21%	23.29%	21.53%
Expected dividend yield	-	-	-
Exercise price	18p	14p	10p
Marketability discount	20%	20%	20%
Total fair value (£)	68,987	188,690	660

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	2016 Warrants	2017 Warrants	2017 Warrants
Granted on:	28/01/2016	30/01/2017	22/06/2017
Life (years)	2 years	5.2 years	5 years
Share price on grant date	9p	8.8p	17.7p
Risk free rate	0.09%	0.57%	0.57%
Expected volatility	16.75%	27.06%	34.43%
Expected dividend yield	-	-	-
Exercise price	13p	12p	18.25p
Marketability discount	20%	20%	20%
Total fair value (£)	168	20,225	140,043

The risk free rate of return is based on zero yield government bonds for a term consistent with the warrant and option life. The movement of options and warrants granted over the year to 31 December 2017 is shown below:

	2017		2016	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
As at 1 January	5,408,366	0.14	800,000	0.4
Granted	5,200,000	0.16	5,408,366	0.14
Expired	-	-	(800,000)	0.4
Outstanding as at 31 December	10,608,366	0.15	5,408,366	0.14
Exercisable at 31 December	10,608,366	0.15	5,408,366	0.14

Range of exercise prices (£)	2017			2016				
	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)	Weighted average exercise price (£)	Number of shares	Weighted average remaining life expected (years)	Weighted average remaining life contracted (years)
0.1 - 0.2	0.15	10,608,366	3.923	3.923	0.14	5,408,366	4.395	4.395

No options or warrants were exercised during the period. The total fair value charged to the statement of comprehensive income for the year ended 31 December 2017 and included in administrative expenses was £160,268 (2016: £ 258,505).

### 15. Other (losses)/gains - Net

	Group	
	2017 £	2016 £
Net foreign exchange gains / (losses)	(451,125)	4,213
Other gains/losses	(21,745)	(191)
	<b>(472,870)</b>	<b>4,022</b>

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 16. Employees

	Group	
	2017 £	2016 £
<b>Staff costs (excluding Directors)</b>		
Salaries and wages	139,136	126,429
Social security costs	41,091	31,571
Pensions	924	-
	<b>181,151</b>	<b>158,000</b>

The average monthly number of employees during the year was 23 (2016: 10).

### 17. Directors' Remuneration

	For the year ended 31 December 2017			
	Short term benefits £	Post Employment benefits £	Share based payment £	Total £
<b>Executive Directors</b>				
Gregory Kuenzel	70,000	314	63,656	133,970
Martyn Churchouse	125,000	386	-	125,386
<b>Non-executive Directors</b>				
Michael Hutchinson	4,166	-	-	4,166
Roderick McIlree	8,333	24	-	8,357
Neil O'Brien	21,250	-	21,219	42,469
Peter Damouni	20,000	141	42,437	62,578
Laurence Mutch	20,000	91	20,190	40,281
Tony Frizelle	9,000	-	10,645	19,645
	<b>277,749</b>	<b>956</b>	<b>158,147</b>	<b>436,852</b>

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

For the year ended 31 December 2016

	Short term benefits £	Post Employment benefits £	Share based payment £	Total £
<b>Executive Directors</b>				
Gregory Kuenzel	30,000	-	37,738	<b>67,738</b>
Jeremy Whybrow	37,846	-	-	<b>37,846</b>
Martyn Churchouse	100,000	-	-	<b>100,000</b>
<b>Non-executive Directors</b>				
Michael Hutchinson	25,000	-	-	<b>25,000</b>
Marcus Edwards-Jones	12,000	-	7,548	<b>19,548</b>
Roderick McIlree	28,000	-	-	<b>28,000</b>
Neil O'Brien	8,000	-	11,321	<b>19,321</b>
Peter Damouni	6,462	-	37,738	<b>44,200</b>
	<b>247,308</b>	-	<b>94,345</b>	<b>341,653</b>

Of the above director fees, £135,000 (2016: £140,056) has been capitalised in accordance with IAS 38 as exploration and evaluation related costs and are shown as an intangible addition in the year.

### 18. Finance Income

	Group	
	2017 £	2016 £
Finance income – bank interest	<b>105</b>	162

### 19. Taxation

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

	Group	
	2017 £	2016 £
Loss before tax	<b>(2,382,476)</b>	(5,645,734)
Tax at the weighted average rate of 19.78% (2016: 20%)	<b>(471,254)</b>	(1,157,375)
Expenditure not deductible for tax purposes	<b>23,141</b>	364,249
Net tax effect of losses carried forward on which no deferred tax asset is recognised	<b>448,112</b>	793,126
Income tax for the year	-	-

# GEORGIAN MINING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

No charge to taxation arises due to the losses incurred.

The weighted average applicable tax rate of 19.78% (2016: 20.50%) used is a combination of the 19% standard rate of corporation tax in the UK, 25% Austrian corporation tax, 0% Georgian corporation tax (15% charged on distributions but as no distributions made 0%) and 0% BVI corporation tax.

The Group has accumulated tax losses of approximately £3,404,112 (2016: £2,956,000) available to carry forward against future taxable profits. A deferred tax asset has not been recognised because of uncertainty over future taxable profits against which the losses may be utilised.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the standard rate to reduce the rate to 17% from 1 April 2020.

### 20. Earnings per Share

The calculation of the total basic loss per share of 2.232 pence (2016: loss 9.895 pence) is based on the loss attributable to equity owners of the group of £2,260,603 (2016: £5,498,126) and on the weighted average number of ordinary shares of 101,288,979 (2016: 55,565,501) in issue during the period.

In accordance with IAS 33, basic and diluted earnings per share are identical as the effect of the exercise of share options or warrants would be to decrease the loss per share.

### 21. Commitments

#### (a) Work programme commitment

On 15 March 2018 the Group agreed a 6-month work programme with its JV partner, Caucasian Mining Group, related to the ongoing exploration and development of the licence areas in Georgia. Georgian Mining Corporation has committed to contributing \$1 million (being 50% of the 6-month budget) to fund this work programme

#### (b) Royalty agreements

As part of the contractual arrangement with Kibe No.1 Investments Limited the Group has agreed to pay a royalty on revenue from gold sales arising from gold mines developed by Noricum Gold AT GmbH and covered by licenses acquired by Kibe No.1 Investments Limited. Under the terms of the Royalty Agreement between Kibe No.1 Investments Limited and Noricum Gold AT GmbH, the Group shall pay royalties, based on total ounces of gold sold, equal to US\$1 for every US\$250 of the sale price per ounce.

#### (c) Operating lease commitments

The Group leased office premises under a non-cancellable operating lease agreement. The previous lease fixed term expired during the year. The lease was renewed in October 2017 for a fixed term of 1 year. The lease expenditure charged to the income statement during the year is included in Note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	2017 £	2016 £
Not later than one year	60,000	27,000
Later than one year but not later than five years	35,000	-
Total lease commitment	95,000	27,000

## **GEORGIAN MINING CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

#### **22. Related Party Transactions**

##### **Recharges between Georgian Mining Corporation and European Mining Services Limited**

During the year Georgian Mining Corporation recharged administrative costs with a total value of £161,654 (2016: £334,235) to European Mining Services Limited for services rendered to European Mining Services Limited.

##### **Services provided by European Mining Services Limited to JSC Georgian Copper & Gold**

During the year European Mining Services Limited provided geological, technical and other professional services with a total value of £1,040,963 (2016: £696,929) to JSC Georgian Copper & Gold.

##### **Loan from Georgian Mining Corporation to Kibe No.2 Investments Limited**

As at 31 December 2017 there were amounts receivable of £3,826 (2016: £2,557) from Kibe No.2 Investments Limited. No interest was charged on the loans.

##### **Loan from Georgian Mining Corporation to GMC Investments Limited**

As at 31 December 2017 there were amounts receivable of £4,697,066 (2016: £1,862,618) from GMC Investments Limited. No interest was charged on the loans.

##### **Loan from Georgian Mining Corporation to European Mining Services Limited**

As at 31 December 2017 there were amounts receivable of £323,152 (2016: £423,152) from European Mining Services Limited.

All intra-group transactions are eliminated on consolidation.

##### **Other Transactions**

Fairholme Consulting Services Ltd, a company in which Gregory Kuenzel is a Director and beneficial owner, was paid a fee of £46,667 (2016: £69,998) for management and corporate consulting services to the Group. No balance was outstanding at the year-end.

Silvergate Capital Partners, a company in which Peter Damouni is a Director and beneficial owner, was paid a fee of £33,333 (2016: £32,500) for management and corporate consulting services to the Group. A balance of £8,524 was outstanding at the year-end.

Laurie Mutch & Associates Ltd, a company in which Laurie Mutch is a Director and beneficial owner, was paid a fee of £20,500 (2016: nil) for management and corporate consulting services to the Group. £18,200 was outstanding at the year-end.

Greenland Gas and Oil Limited, a company in which Greg Kuenzel, Roderick McIlree and Michael Hutchinson are Directors and shareholders, was paid a fee £18,600 (2016: 18,600) for geological information systems consulting services to the Group. No balance was outstanding at the year-end.

McGill LLP, a partnership in which Revaz Beridze (General Director of JSC Georgian Copper & Gold) is a partner, was paid a fee £81,093 (2016: £76,913) for legal services provided to JSC Georgian Copper & Gold. £7,966 was outstanding at the year end.

Revaz Beridze (General Director of JSC Georgian Copper & Gold), was paid a fee of £77,649 (2016: nil) for corporate consulting services to the Group. No balance was outstanding at the year-end.

#### **23. Ultimate Controlling Party**

The Directors believe there to be no ultimate controlling party.

## **GEORGIAN MINING CORPORATION**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

#### **24. Events after the Reporting Date**

On 15 March 2018, Georgian Mining Corporation entered into a Deed of Variation with its JV partner Caucasian Mining Group (“CMG”) in relation to the Shareholders Agreement governing the operations of Georgian Copper & Gold (“GCG”). One of these changes was a revision to the structure of the Board of GCG with both shareholders now having the right to appoint two directors to the board. As a result, it is unlikely that the investment in GCG will meet the criteria for control from that date and will therefore no longer be consolidated as a subsidiary undertaking of the Group.

The JV partners also agreed a 2018 Work Programme and Budget. The focus will continue to be on the further development of KBE GZ2 gold oxides, initially with an in-fill drilling programme for resource definition and, in parallel, further testwork and environmental and feasibility studies to achieve the target of a starter mining operation at GZ2. The Work Programme also includes further testing and expansion of the JORC compliant copper-gold resources beneath the oxides at GZ2 and Copper Zone 1, which contribute significant value to the future operation.

GCG also entered into a Memorandum of Understanding (“MoU”) with Rich Metals Group (“RMG”). The MoU sets forth the current understanding and a framework for the detailed terms and conditions to be agreed relating to a Mining and Processing Agreement (‘MPA’). The MoU and the MPA relate to KBE and both the gold oxides and copper-sulphides. RMG is the owner and operator of the processing plants at the Madneuli and Sakdrisi mines.

On 27 June 2018 the Company announced to the market details related to the extension of exploration rights within the existing mining licence. Further information can be found in the Chairman’s Statement as well as Note 8 to these Financial Statements.