FARAFINA GOLD GROUP

GROUP CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended December 31st, 2019 and December 31st 2018

(Expressed in American Dollars)

Approved by:

Chairman: Ilia Karas

Prepared by: Ousmane Tounkara

Audited by: Mohamed Diaby

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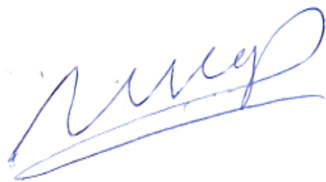
MANAGEMENTS RESPONSIBILITY FOR THE FINANCIAL STATEMENT

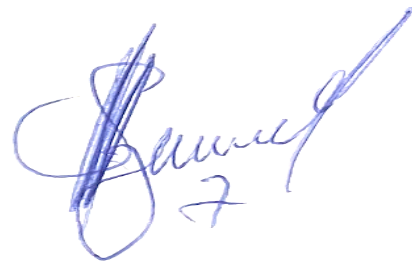
The management are responsible for preparing the managements' Report, the Risk Management Report, and the Financial Statements in accordance with applicable law and regulations. Company law requires the management to prepare Group Financial Statements for each financial year. The management are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") and have elected under company law to prepare the Company Financial Statements in accordance with IFRS. Under company law the management 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 the profit or loss of the Group for that period. In preparing the Group Financial Statements, the management are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and accounting estimates that are reasonable and prudent;
3. State whether they have been prepared in accordance with IFRS; and
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements comply with applicable law. 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 company's website.





Ilia Karas
Chairman

Ousmane Tounkara
Chief Executive Officer

Farafina Village, Kankan Region, Guinea

Independent auditor's report to the Shareholders of Farafina Gold Group Limited

Opinion

We have audited the consolidated financial statements of Farafina Gold Group SA and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as of December 31st, 2019 and December 31st 2018 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as of December 31st, 2019 and December 31st 2018, and its consolidated financial performance and its consolidated cash flows for the years that ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, 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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the Annual Report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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. The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Canadian generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

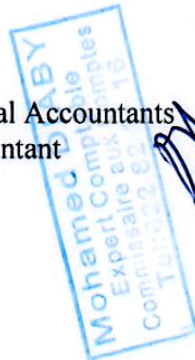
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. The engagement partner on the audit resulting in this independent auditor's report is a Chartered Professional Accountant officially registered in Guinea’s Board of Chartered Public Accountants.

Conakry, Guinea
Mohamed DIABY
Chartered Professional Accountants
Agreed Public Accountant



BALANCE SHEET

(Stated in American dollars)

	As of December 31, 2019	As of December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	19,402	52,879
Short-term financial instruments		6,818
Inventories	65,549	
Total Current Assets	**84,951**	**59,697**
Fixed Assets		
Property, plant & equipment	1,955,379	1,784,366
Capitalized enhancement of equipment	44,492	
–Less: accumulated depreciation	(364,967)	(169,390)
Net property, plant & equipment	1,634,904	1,614,976
Capitalized exploration, Feasibility and evaluation of Mineral resources	6,201,016	5,803,292
.-Depletion	(2,919)	
Total Fixed Assets	**7,833,000**	**7,418,268**
TOTAL ASSETS	**7,917,951**	**7,477,965**
LIABILITIES		
Current Liabilities		
Short term debt		126,225
overdraft	40,000	
Bank and Others	79,897	
Current Securities issued		121,000
Bonds USD (GNFGGSSB1USD1YR)	300,000	
Accrued Interest		
Interest on USD bonds (GNFGGSSB1USD1YR)	36,774	
Interest on AUX bonds (GNFGGSSB2XAU2YR)	75,600	
Deferred Income tax liabilities	1,623	

Short-term due for Management of company	180,000	
Total current liabilities	**713,894**	**247,225**
Long Term liabilities		
Accounts Payable (Guinea Geological Research)	2,209,500	2,179,500
Accrued Liabilities (bill of exchange)	1,050,802	1,050,802
Long term Securities issued		
Bonds AUX (GNFGGSSB2XAU2YR)	630,000	
Long Term Debt	167,900	167,900
Total long term liabilities	**4,058,202**	**3,398,202**
TOTAL LIABILITIES	**4,772,096**	**3,645,427**
SHAREHOLDERS EQUITY		
Issuance of common stock and additional Paid-In Capital	5,663,405	5,613,405
Retained Earnings	(2,517,550)	(1,780,867)
TOTAL SHAREHOLDERS EQUITY	**3,145,855**	**3,832,538**
TOTAL LIABILITIES AND EQUITY	**7,917,951**	**7,477,965**

Nature of operations and going concern (Note 1)

PROFIT AND LOSS STATEMENT

(Stated in American Dollars)

	Period ended As of December 31, 2019	Period ended As of December 31, 2018
REVENUE		
Metal Sale	32,467	
Extraction cost	(13,500)	
Inventory	65,549	
Depreciation and depletion	(2,919)	
Production tax (5%)	(1,623)	
Total Revenue	**79,973**	**0**
General Administrative and Operating Expenses	(448,937)	(225,058)
Legal and licensing fee		(29,527)
Professional fees	(147,645)	(96,698)
Total General administrative and Operating Expenses	**(596,582)**	**(351,283)**
Depreciation	(195,577)	(38,324)
Interest Expenses		
USD bonds	-36,774	
AU bond	-75,600	
Total Operating Income or Loss	**(824,559)**	**(389,607)**
Below-the-Line Items		
Foreign Currency Translation	1178	(968)
Net Income	**(823,381)**	**(390,575)**

STATEMENT OF CASH FLOW

(Stated in American Dollars)

	Period ended As of December 31, 2019	Period ended As of December 31, 2018
OPERATIVE ACTIVITIES		
General Operating and administrative expenses	(109,044)	(225,058)
Sale operation	32,467	
Professional fees	(147,645)	(96,698)
Contract	(31,286)	(290,566)
Legal, Licensing fees and taxes	(76,568)	(29,527)
Others	(10,172)	
Total administrative	**(342,248)**	**(641,849)**
Exploration	(144,645)	
Total exploration activities	**(144,645)**	
Net cash from operating activities	**(486,893)**	**(641,849)**
INVESTMENT ACTIVITIES		
Equipment and equipment enhancement	(171,013)	(100,000)
Total equipment	**(171,013)**	
Capitalized interest on mine construction and other Expenditures	(354,468)	
Geological service and feasibility study		(1,252,260)
Cash flows from investment activities	**(525,481)**	**(1,352,260)**
FINANCING ACTIVITIES		
Promissory Note		1,152,260
Overdraft	40,000	167,900
Bank and Others	79,897	6,656
Proceeds from issuance of common stock including additional paid-in capital	50,000	600,000
Proceeds from issuance of debt and notes	809,000	121,000
Cash flows from financing activities	**978,897**	**2,047,816**

Cash and cash equivalents at beginning of period	52,879	52,879
Cash and cash equivalents at the end of period	**19,402**	**106,586**
Total FX adjustments	**140**	**828**

NATURE OF OPERATIONS AND GOING CONCERN

These GROUP CONSOLIDATED FINANCIAL STATEMENTS have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Group will be able to realize its assets, discharge its liabilities and continue in operation for the following twelve months.

With its current plans for the year and the budgets associated with those plans, in order to continue funding its administrative and exploration expenditures from the date of these GROUP CONSOLIDATED FINANCIAL STATEMENTS, the Group will need to obtain additional cash and anticipates either financing or selling one or more of its assets. These material uncertainties may cast significant doubt upon the Group’s ability to continue as a going concern.

Most of the Group’s activities for exploration and evaluation assets are located in Guinea (non-developed country in West Africa Region) and, consequently, may be subject to a level of risk as other developed countries. Operations, the status of mineral property rights and the recoverability of investments in non-developed nations can be affected by changing economic, legal, regulatory and political situations.

These consolidated financial statements of the Group are presented in American Dollars.

1. STATEMENT OF COMPLIANCE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These GROUP CONSOLIDATED FINANCIAL STATEMENTS have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accounting policies are consistently applied to all periods presented, unless otherwise stated. Certain items within the statement of income have been reclassified in the current year. The prior periods have been restated to reflect the change in presentation.

These results include all the information required for the full annual financial statements and should be read as the consolidated financial statements of the Group for the year ended December 31st, 2019.

Basis of presentation

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. Measurement bases are more fully described in the accounting policies below. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis

based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's consolidated financial statements are consistent with those applied and disclosed below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed to variable returns and has the ability to affect those returns through power to direct the relevant activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Subsidiaries will be de-consolidated from the date that control ceases.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Company become party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so, designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVPL are measured at fair value with changes in fair value recognized in the consolidated statements of operations. Warrant investments are classified as FVPL.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the consolidated statements of earnings. The election is available on an investment-by-investment basis. Investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash, restricted cash, trade receivables and certain other assets are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the

liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities and finance leases are classified as and measured at amortized cost.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models. Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

A loss allowance for expected credit losses in recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance

for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset, then derecognition is appropriate. A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

Inventory

Material extracted from our mines is classified as either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Raw materials are comprised of both ore in stockpiles and ore on leach pads as processing is required to extract benefit from the ore. Ore is accumulated in stockpiles that are subsequently processed into gold and silver in a saleable form. The recovery of gold from certain oxide ores is achieved through the heap leaching process. Work-in-process represents gold and silver in the processing circuit that has not completed the production process and is not yet in a saleable form. Finished goods inventory represents gold and silver in saleable form. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items. Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Cost of inventories comprises direct labor, materials and contractor expenses, including non-capitalized stripping costs; depreciation on property, plant and equipment including capitalized stripping costs; and an allocation of general and administrative costs. As ore is removed for processing, costs are removed based on the average cost per ounce/pound in the stockpile. Provisions to reduce inventory to net realizable value are recorded to reflect changes in economic factors that impact inventory value and to reflect present intentions for the use of slow moving and obsolete supplies inventory. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Provisions recorded also reflect an estimate of the remaining costs of

completion to bring the inventory into its saleable form. Provisions are also recorded to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

Development properties (underground and open pit)

A property, either open pit or underground, is classified as a development property when a mine plan has been prepared and technical feasibility has been established, a permit has been obtained and a decision is made to commercially develop the property. Development expenditure is accumulated separately for each area of interest for which economically recoverable mineral reserves and resources have been identified. All expenditures incurred prior to the commencement of commercial levels of production from each development property are capitalized. In addition, capitalized costs are assessed for impairment when there is an indicator of impairment. Development properties are not amortized until they are reclassified as mine property assets following the achievement of commercial levels of production.

Mine properties

After a mine property has been brought into commercial production, costs of any additional mining, in-pit drilling and related work on that property are expensed as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production, including the stripping of waste material, are deferred and then amortized on a unit-of-production basis.

Deferred stripping costs

Stripping costs incurred in the production phase of a mining operation are accounted for as variable production costs and are included in the costs of inventory produced. Stripping activity that improves access to ore in a future period is accounted for as an addition to or enhancement of an existing asset. The Company recognizes stripping activity assets when it is probable that the future economic benefit associated with the stripping activity will flow to the Company; the component of the ore body for which access has been improved can be identified; and the costs relating to the stripping activity associated with that component can be measured reliably. Stripping activity assets are amortized on a unit of production basis in subsequent periods over the proven and probable reserves to which they relate.

Deferred revenue

The Company recognizes deferred revenue in the event it receives payments from customers in consideration for future commitments to deliver metals and before such sale meets the criteria for revenue recognition. The Company recognizes amounts in revenue as the metals are delivered to the customer.

Provisions

Provisions are recognized when the Company or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period.

Share capital and warrants

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of new shares or options are also shown in equity as a deduction.

Share-based compensation

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date. All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment,

if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has identified its reportable segments on the basis of their geographic location. As a result, the Company discloses information geographically based on the location of each of its operations.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Flow-through shares

A company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, disclosure of commitments

and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from these estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SUBSIDIARIES BALANCES

Company	Area	31/12/2019	31/12/2018
Farafina Resources Sarl (SPV)	Faralako South (Nzima)		
		Exploration licenses (REF: ARRETE NA2016/6293/MMG/SGG) EXPIRED	Exploration licenses (REF: ARRETE NA2016/6293/MMG/SGG)
Lions Head Resources SARL (SPV)	Kanguela East	Semi-Industrial mining license on part of the area Nzima (Ref: DECRET D/2018/270/PRG/SGG)	Semi-Industrial mining license on part of the area Nzima (Ref: DECRET D/2018/270/PRG/SGG)
		Exploration licenses (REF: ARRETE NA2016/4073/MMG/SGG) EXPIRED	Exploration licenses (REF: ARRETE NA2016/4073/MMG/SGG)
Kanguela Mining Company Sarl (SPV)	Kanguela West	Exploration licenses (REF: ARRETE NA2017/012/MMG/SGG)	Exploration licenses (REF: ARRETE NA2017/012/MMG/SGG)
Tiger Resources Sarl (SPV)	Faralako North	Exploration licenses (ARRETE NA2017/012/MMG/SGG)	Exploration licenses (REF: ARRETE NA2017/011/MMG/SGG)

As of 2018, FGG carries out all operational, financial and investment activity of the group, directly holdings all tangible and intangible assets except of licenses.

3. CASH AND CASH EQUIVALENT

Cash and cash equivalents comprise of cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The balance of cash and cash equivalent is as follows:

As of December 31st, 2019 the balance of cash and cash equivalent is as follows:	**31/12/2019**	**12/31/18**
Balance at the beginning of the period	59,697	506,958
Net increase in cash	(40,295)	(454,079)
Net increase in cash equivalent	65,549	6,818
Balance at the end of the period	**84,951**	**59,697**

4. CAPITALIZED EXPLORATION, FEASIBILITY AND EVALUATION OF MINERAL RESOURCES

Exploration, evaluation and predevelopment expenditure

The exploration, evaluation and predevelopment expenditure policy is to charge exploration and evaluation expenditures within an area of interest as expense until management conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable. In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible and has been subject to an impairment analysis, further expenditures are capitalized and classified as development properties.

Exploration, evaluation and predevelopment expenditure consist of:

- gathering exploration data through topographical and geotechnical studies;
- exploratory drilling, trenching and sampling;
- determining the volume and grade of the resource;
- test work on geology, metallurgy, mining, geotechnical and environmental; and
- conducting engineering, marketing and financial studies.

Exploration and evaluation assets acquired are initially recognized at fair value as exploration rights within tangible assets.

The differed capital expenditures are as follows:

CAPITALIZED EXPLORATION AND EVALUATION OF MINERAL RESOURCES As of December 31st, 2019, the Group had the following E and E:	31/12/2019	12/31/18
Balance at the beginning of the period	5,803,292	5,286,501
Net increase	397,724	516,791
Balance at the end of the period	**6,201,016**	**5,803,292**

During the fiscal period ended 31st December 2019, FGG capitalized exploration and evaluation of mineral resources expenditures in the amount of $ 397,724.

5. NET PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges. Major overhaul expenditures and the cost of replacement of a component of plant and

mobile equipment are capitalized and depreciated over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of mobile equipment are charged to the cost of production. Directly attributable costs, including capitalized borrowing costs, incurred for major capital projects and site preparation are capitalized until the asset is in a location and condition necessary for operation as intended by management. These costs include dismantling and site restoration costs to the extent these are recognized as a provision. Management annually reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment and also when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively. An item of property, plant and equipment is de-recognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between any proceeds received and the carrying amount of the asset) is included in the statements of income / (loss) and comprehensive income / (loss) in the period the asset is de-recognized.

The balance of assets consists of the following:

NET PROPERTY, PLANT & EQUIPMENT	**31/12/2019**	**12/31/18**
As of December 31st, 2019, the balance of assets is as follows:		
Balance at the beginning of the period	1,614,976	1,553,300
Additions	171,013	100,000
Capitalized Enhancement	44,492	
Accumulated depreciation	(195,577)	(38,324)
Balance at the end of the period	**1,634,904**	**1,614,976**

During the fiscal period ended 31st December 2019, FGG increased its PPE by a total amount around $215,500 by increase purchasing of equipment ($171,000) and capitalizing enhancement of equipment ($44,492).

6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

ACCOUNTS PAYABLES AND ACCRUED LIABILITIES	**31/12/2019**	**12/31/18**
At December 31st, 2019, the balances of Account payables, Accrued Liabilities are as follows:		
Balance at the beginning of the period	3,645,427	3,723,646
Increase	1,126,669	
Decrease		(78,219)
Balance at the end of the period	**4,772,096**	**3,645,427**

7. ISSUANCE OF COMMON STOCK (INCLUDING ADDITIONAL PAID IN CAPITAL)

As of December 31st, 2019,	31/12/2019	12/31/18
Balance at the beginning of the period	3,832,538	3,623,113
Converting of swappable option of USD Bonds	50,000	
Proceeds from issuance of common stock including additional paid-in capital		600,000
Retain earning	(736,683)	(390,575)
Balance at the end of the period	**3,145,855**	**3,832,538**

Illustrated above as paid-in capital was shares bought in private limited company as of 2016 and 2017 respectively, and issuance of common stock including additional paid-in capital account was created when FGG was created as a holding public company in 2018.

8. RETAINED EARNINGS

RETAINED EARNINGS As at December 31st, 2019, retain earning is:	31/12/2019	31/12/2018
Balance at the beginning of the year	(1,780,867)	(1,390,292)
Changes incurred during the reporting period	(823,381)	(390,575)
Balance at year end	**(2,604,248)**	**(1,780,867)**

9. SALE OF INVESTMENT SECURITIES AND OTHER INVESTMENT

Sale of investment securities and other investment As of December 31st, 2019,	31/12/2019	31/12/2018
Total Starting balance	121,000	
Bonds USD (GNFGGSSB1USD1YR)	179,000	121,000
Bonds AUX (GNFGGSSB2XAU2YR)	630,000	
Total	**930,000**	**121,000**

Bonds USD (GNFGGSSB1USD1YR) was introduced at the end of 2018 with an option to convert to share.

10. OPERATING EXPENSES

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

General administrative and operational expenses As of December 31st, 2019,	31/12/2019	31/12/2018
	(596,582)	(351,283)
Total	**(596,582)**	**(351,283)**

11. Sales and cost of sales

FGG Company's analysis of revenue from sale with customers attributed to the location of the products produced, is as follows:

As of December 31st, 2019,	31/12/2019	31/12/2018
Gold alloy	32,467	
Direct Mining Cost	(24,246)	
Total	**8,221**	**0**

Note above also that the direct cost of production was high ($1,000 per troy ounces) due to using experimental laboratory equipment for experimental production.

12. DISCOUNT ON SALES

Period	Gold in T-oz	Gold in kg	AVG/Price t-oz for the period	Discount for the period	Discount price/ t-Oz	Total sale in $
2019 (December)	22	680	1,555	4.50%	1,485	32,467

During the period ending 31st December, 2019, FGG started its experimental production that resulted in producing 22 troy ounces of gold that was sold at an average discount of 4.5% in local market.

13. DEPRECIATION AND DEPLETION

The carrying amounts of mine properties, plant and equipment are depreciated or depleted to their estimated residual value over the estimated economic life of the specific assets to which they relate, using the depreciation methods or depletion rates as indicated below. Estimates of residual values or useful lives and depreciation methods are reassessed annually and any change in estimate is taken into account in the determination of the remaining depreciation or depletion rate. Depreciation or depletion commences on the date the asset is available for its use as intended by management.

As of December 31st, 2019,	31/12/2019	31/12/2018
Exploration Machines and Equipment	**80,968**	**0**
Transport	**32,387**	**13,718**
Camp Infrastructure	**48,819**	**16,273**
Drainage Facility	**6,590**	**0**
Production line	**1,813**	**0**
Other	**25,000**	**8,333**
Total	**195,577**	**38,324**

Above depreciation table was prepared using IAS 16 Property, Plant and Equipment that outlines the accounting treatment for most types of property, plant and equipment and using a straight-line depreciation method taking into account salvage value.

14. RISK AND CAPITAL MANAGEMENT: FINANCIAL INSTRUMENTS

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they come due. The Group manages this risk by careful management of its working capital to ensure the Group's expenditures will not exceed available resources.

Commodity Risk

The Group's royalty revenues will be derived from a royalty interest and will be based on the extraction and sale of precious and base minerals and metals. Factors beyond the control of the Group may affect the marketability of metals discovered. Metal prices have historically fluctuated widely. Consequently, the economic viability of the Group's royalty interests cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices.

Currency Risk

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates in Guinea and other developed countries. The Group funds cash calls to its subsidiary companies outside of Guinea in U.S. dollars ("USD") and a portion of its expenditures are also incurred in local currencies (Guinean franc, "GNF").

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There is no significant non-cash investing and financing transactions during the year ended December 31st, 2019.

16. EVENT AFTER THE REPORTING DATE

Subsequent to December 31st, 2019.
No significant event has been noticed after the reporting date.