

SUMNER GROUP MINING PLC
(“SGM”, the “Company” or, together with its subsidiaries, the “Group”)

PRELIMINARY ANNOUNCEMENT OF CONSOLIDATED UNAUDITED RESULTS
FOR THE YEAR ENDED 31 MARCH 2020

Sumner Group Mining plc announces its consolidated unaudited results for the year ended 31 March 2020.

Due to COVID-19 related delays in the preparation of the accounts of the Company’s subsidiaries in Peru, where the Government has imposed some of the world’s strictest lockdown measures, the consolidated annual accounts for the year ended 31 March 2020 have yet to be audited. This process is expected to commence shortly.

CHAIRMAN’S STATEMENT

Background

During the year under review, SGM undertook a review of strategy and sought to refocus on near term cash generation, rather than exploration assets which have continual requirements for capital, resulting in the dilution of shareholders’ interests.

The Directors determined that continuing to advance the Minaspampa and Rosario de Belen projects, which would involve significant exploration expenditure, the payment of outstanding deferred consideration of US\$42.2 million, future mine construction and pre-operating costs, was not in the interests of shareholders.

Settlement Agreement and Proposed Consortium

On 31 December 2019, the Group signed two sets of heads-of-agreement for:

- a. the return of ownership of the Minaspampa and Rosario de Belen mining concessions and assets to the original vendors (the “Vendors”) with the outstanding payment obligation of US\$42.2 million to be cancelled; and
- b. a new consortium with one of the Vendors an established Peruvian mining operator (the “Partner”), for the joint development of the Cushuro mining concession and for the completion of the Oro Pesa plant and commencement of commercial operations.

On 3 October 2020, the definitive settlement agreement relating to the return of the Minaspampa and Rosario de Belen mining concessions and assets to the Vendors was completed (the “Settlement Agreement”).

The Settlement Agreement also provided for the formation of a new 50:50 consortium to be finalised between SGM and the Partner, for the joint development of the Oro Pesa and Cushuro projects with the objective of commencing gold production as soon as possible (the “Consortium”). The agreement constituting the Consortium is currently in the stages of final negotiation.

In anticipation of the finalisation of the Consortium as set out in the Settlement Agreement, SGM is in the process of transferring to the Vendors ownership of the Oro Pesa project and 50% of Karmin Peru SAC (the Group company which holds the Cushuro concessions in Peru). The Directors expect that these transfers (together with the Settlement Agreement, the “Transaction”) will be executed shortly.

The Transaction has the effect of removing from the Group balance sheet:

- the Minasampa, Rosario de Belen and Oro Pesa mining concessions, together with the land, plant and machinery and other production non-current assets;
- 50% of the Group's holding in Karmin Peru SAC;
- the US\$42.2 million payment obligation; and
- US\$4.1 million of site restoration obligation provisions.

As announced on 6 October 2020, the combined impact of the Transaction is a reduction in Group net assets and a charge to the income statement of approximately US\$33.5 million. These are reflected in the preliminary unaudited results for the year ended 31 March 2020.

Aripuanã Project

On 8 October 2019 the Company acquired the rights and interests in the oxide gold located at the Aripuanã Project, which is located 25km from Aripuanã city in Mato Grosso state in north-west Brazil (the “Gold Rights”).

The Gold Rights relate to gold mineralization associated with the near surface oxidized portions of the massive sulphide deposits over the 658km² of the project. The Directors believe that the Aripuanã Project has significant exploration potential for near surface gold deposits.

Brazil has suffered significantly in the COVID-19 pandemic which has impacted on SGM’s ability to progress with Aripuanã.

As the country recovers, SGM will be seeking to advance the project.

Operating results (unaudited)

During the year ended 31 March 2020:

- Loss after tax was US\$35.8 million (15 months ended 31 March 2019: US\$6.1 million), which was largely a result of the US\$33.5 million write down due to the Settlement Agreement;
- Operating costs were \$2.4 million (15 months ended 31 March 2019: \$8.6 million), before a US\$1.6 million salary sacrifice by David Sumner;
- Net cash received from David Sumner and Sumner Group Holdings Limited (“SGH”) totaled US\$1.8 million (15 months ended 31 March 2019: US\$9.3 million);

At 31 March 2020:

- Net liabilities were US\$8.5 million (2019: net assets of US\$19.8 million); and
- Amounts owing to Sumner Group Holdings Limited (“SGH”) and David Sumner were US\$12.0 million (2019: US\$9.4 million).

Going Concern Considerations

The unaudited consolidated results have been prepared on a going concern basis.

The Company currently remains reliant on its major shareholder, SGH, and its majority shareholder, David Sumner, for working capital.

In preparing the unaudited consolidated results on a going concern basis, the Board has relied upon (i) the assurances given by David Sumner and SGH; (ii) the expectation of completion of the new Consortium; and (iii) continuing good faith negotiations and understanding of the Group’s creditors and employees.

David Sumner has reconfirmed to the Board that he, with the support of SGH, will continue to support the working capital requirements of the Company.

Material uncertainty related to funding arrangements and going concern

The auditor's report on the financial statements for the year ended 31 March 2019, which was dated 30 August 2019, made reference to a material uncertainty over the Company's ability to continue in operation as a going concern, although the opinion was not modified as a result of this matter. In the opinion of the Board, this condition continues at this time.

Proposed Withdrawal from the AQSE Growth Market

On 12 October 2020 the Company announced that it was convening a general meeting to be held on 10 November 2020 at which a resolution will be proposed to approve the withdrawal of the Company’s ordinary shares from the AQSE Growth Market (“Withdrawal”).

In deciding to propose Withdrawal, the Directors considered the following key factors:

- There are considerable costs, management time and legal and regulatory burdens associated with maintaining the admission of the Ordinary Shares to the AQSE Growth Market. These are, in the Directors’ opinion, disproportionate to the benefits to the Company; and
- Liquidity in the Ordinary Shares is extremely low, which reduces their attractiveness as an investment for all types of potential investor. Therefore, it would not be feasible for the Company to raise material funds through the market. As a result, the Company has been and, in the Directors’ opinion, will continue to be until material revenue generation, wholly reliant on the majority Shareholder for funding.

Provided that shareholders approve the resolution, the Company’s ordinary shares will be withdrawn from the AQSE Growth Market on 11 November 2020

Conclusion

The decision to propose withdrawal from the AQSE Growth Market was not taken lightly, but the Directors believe that the next phase of the Group's development should be away from the public markets.

Resolving the position with the Vendors was an important milestone in the rebuilding of the Group. The establishment of the Consortium, encompassing the development of Oro Pesa and Cushuro into cash generating assets at a time of historically strong gold prices, should now provide a platform for profitable growth.

The Group will seek to advance the Aripuanã project in Brazil and will review additional projects, as funding allows.

David Sumner
Chairman

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2020**

	31 March 2020 \$000	31 March 2019 \$000
Non-current assets		
Intangible assets	13,177	83,032
Tangible assets	7	6,175
	<u>13,184</u>	<u>89,207</u>
Current assets		
Trade and other receivables	51	787
Cash and cash equivalents	(1)	7
Amounts due from related parties	91	52
Corporation tax	-	14
	<u>141</u>	<u>860</u>
Current liabilities		
Trade and other payables	(5,743)	(5,419)
Amounts due to related parties	(1,424)	(2,803)
Deferred consideration	-	(42,295)
Short term debt	(1,519)	(1,344)
	<u>(8,686)</u>	<u>(51,861)</u>
Net current liabilities	<u>(8,404)</u>	<u>(51,001)</u>
Non-current liabilities		
Employee end of service benefits	-	(77)
Asset retirement provisions	(180)	(4,417)
Deferred consideration	(975)	(4,557)
Debt – related party	(12,026)	(9,364)
	<u>(13,181)</u>	<u>(18,415)</u>
Net assets (liabilities)	<u>(8,543)</u>	<u>19,791</u>
Equity attributable to owners		
Stated capital	45,016	37,596
Merger reserve	-	279
Accumulated loss	(53,560)	(18,084)
Total equity	<u>(8,543)</u>	<u>19,791</u>

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020 (AND 15 MONTHS ENDED 31 MARCH 2019)**

	12 month ended 31 March 2020 \$000	15 months ended 31 March 2019 \$000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
MinasPampas & Rosario settlement agreement	(34,624)	-
Director salary sacrifice	1,610	-
Operating costs	(2,394)	(8,637)
Operating loss	(35,408)	(9,768)
Finance income	1,899	7,857
Finance cost	(2,260)	(3,968)
Net finance income (cost)	(361)	3,889
Loss before taxation	(35,768)	(5,879)
Income tax	-	(245)
Loss after tax	(35,768)	(6,124)
Total comprehensive loss attributable to equity holders	(35,678)	(6,124)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Stated capital \$000	Shares to be issued \$000	Merger reserve \$000	Accumulated losses \$000	Total \$000
As at 1 January 2018	10,333	3,908	279	(11,960)	2,560
Loss for the 15 month period	-	-	-	(6,124)	(6,124)
Total comprehensive loss	-	-	-	(6,124)	(6,124)
Minaspampa and Rosario Acquisition	14,148	-	-	-	14,148
Shares issued on IPO	7,168	(3,908)	-	-	3,260
IPO fees	(109)	-	-	-	(109)
Karmin Acquisition	6,056	-	-	-	6,056
As at 31 March 2019	37,596	-	279	(18,084)	19,791
Loss for the year	-	-	-	(35,768)	(35,768)
Total comprehensive loss	-	-	-	(53,851)	(53,851)
Shares issued for acquisitions of Aripuana and Karmin	6,398	-	-	-	6,398
New shares issued	1,021	-	-	-	1,021
Liquidation of group company	-	-	(279)	292	13
As at 31 March 2020	45,015	-	-	(53,559)	(8,544)

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020 (AND 15 MONTHS ENDED 31 MARCH 2019)**

	12 months ended 31 March 2020 \$000	15 months ended 31 March 2019 \$000
Cash flows from operating activities		
Loss for the period before taxation	(35,768)	(5,879)
Adjustments for:		
Depreciation and amortization	58	52
Directors' remuneration	1,610	2,003
Fixed asset disposal	10	318
Deferred consideration fair value adjustment – Karmin	855	(7,857)
Deferred consideration fair value adjustment – Aripuana	(1,899)	-
Deferred consideration fair value adjustment – Minaspampas and Rosario	-	2,993
Interest expense – related party loans	910	679
Short term debt – finance charge	400	250
Provision for employees' end of service benefits	-	45
Provision for site restoration adjustment	15	15
Minaspampa & Rosario settlement agreement	34,624	-
Foreign exchange	(128)	-
Liquidation of subsidiary	14	-
Operating cash flow before working capital changes	700	(6,800)
Movement in trade and other receivables	7	(399)
Movement in trade and other payables	(2,264)	4,123
Movement in amounts due to related companies	(39)	(52)
Cash flow from operating activities	(1,596)	(3,128)
Less: interest paid	-	(250)
Net cash flow from operating activities	(1,596)	(3,378)
Investing activities		
Purchase of tangible assets	-	(253)
Purchase of Minaspampa and Rosario	(120)	(8,925)
Purchase of intangible assets	-	(2,370)
Net cash flow from investing activities	(120)	(11,548)
Financing activities		
Short term debt financing	-	2,500
Repayment of short-term debt	(225)	(1,156)
Debt financing – related party	1,861	9,305
Equity financing	72	500
Share issue costs	-	(109)
Net cash flow from financing activities	1,708	11,040
Net increase in cash and cash equivalents	(8)	(3,886)
Cash and cash equivalent - start of the year	7	3,893
Cash and cash equivalents - end of the year	(1)	7