VI Mining

Second Interim Results

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VI Mining Plc
(the "Company" or "VI Mining"; NEX: VIM)

Change of Accounting Reference Date and
Second Interim Results for the twelve-month period ended 31 December 2018

VI Mining Plc, an emerging gold and silver company with assets in Peru, announces that it is changing its accounting reference date from 31 December to 31 March, to align the Company's accounting reference date with that of the ultimate parent company, Sumner Group Holdings Limited.

Accordingly, the Company will release its audited final results for the 15 month period ending 31 March 2019 by 31 August 2019. Thereafter the Company will each year release unaudited interim results for the 6 month period ending 30 September by 31 December and audited final results for the 12 months ending 31 March by 31 August.

As a consequence, VI Mining Plc, reports its second interim results for the twelve-month period ended 31 December 2018.

CEO Update

The period under review has been challenging for the Company. Details of the recent period are summarized below. Your board is confident that we will be able to work through our recent challenges and that your Company will emerge in a strong position to advance its strategic objectives.

VI Mining currently has the following mining and tolling assets in Peru:

Mining - Minaspampa and Rosario (acquired together in February 2018) and Cushuro (acquired in January 2019)

Tolling - Oro Pesa (acquired in August 2016).

Minaspampa and Rosario Projects

On 2 February 2018, VI Mining entered into an agreement to acquire the Minaspampa and Rosario projects (both located in the La Libertad region in the northwest of Peru) for an aggregate cash consideration of $51.3 million and equity consideration of 2,000,000 ordinary shares of the Company.

The Minaspampa project is comprised of 3,500 Hectares, had the necessary mine infrastructure and processing plant built and had the majority of the requisite permits and licenses in place. Operations were suspended by the vendors in December 2017.

The Rosario project is comprised of a former working silver and gold open pit, heap leach operation with a Merrill Crowe plant. This concession totals 13,000 hectares. The project was temporarily suspended in December 2013 after five years of operation and has been in care and maintenance since.

Acquisition payments

In the period ended 31 December 2018 a total of $8.9 million has been paid in cash to the vendors. A total of $42.4 million remains unpaid at this time.

The Company and the vendors of Minaspampa and Rosario have been renegotiating the structure and timing of the remaining consideration payments for those projects. These discussions, which are proceeding very positively remain ongoing and we are confident of a satisfactory outcome.

Drilling campaign at Minaspampa and Rosario

The Company has had the right to conduct drilling and exploration work on Minaspampa and Rosario and commenced its drilling campaign in August 2018. The initial plan was to drill 15,000 metres across both locations. By 16 October 2018, the Company had completed 1,150 metres of drilling at Rosario using a combination of Diamond Head and Reverse Circulation drilling, and then stopped all drilling activities due to funding constraints and delays, which then clashed with the rainy season as previously reported and as outlined further below.

Following finalization of negotiations with the vendors and post refinancing, the intention is to restart the drilling program.

Karmin Acquisition

On 27 July 2018 the Company announced the intention to acquire Karmin Peru S.A.C, a wholly owned subsidiary of Karmin Exploration Inc. Karmin Peru owns a 100% interest in the Cushuro Gold Project located immediately adjacent to Minaspampa.

The Cushuro Project consists of five mining concession: Gaby 2, Gaby 3, Gaby 8, Pandereta 007 and Corona 3113 mineral concessions. The Gaby 2, Gaby 3 and Gaby 8 concessions comprise three contiguous claims totaling 2,477 hectares

The Cushuro Project has not operated in the past two years and no costs have been incurred during this period.

The purchase price of $27.5 million was satisfied by the issue of 5,753,138 ordinary shares of VI Mining to the vendor, with a "look-back" adjustment to the consideration on the second anniversary of completion, based upon the initial purchase price and volume weighted average price ("VWAP") of £2.50 per VI Mining share.

The transaction completed on 28 January 2019 and the VWAP was adjusted from £2.50 per share to £1.75 per share (recognizing the reduction in the Company's share price since the original acquisition date).

Subject to refinancing as outlined further below, the Company plans to commence drilling and exploration at Cushuro later in 2019.

Tolling

Oro Pesa

The Company has a processing (tolling) plant at Oro Pesa, in the Arequipa region of Peru, which was purchased in August 2016 for an aggregate consideration of $200,000.

The Company has invested $1.1 million in plant and machinery construction, including access road, an initial accommodation block, the crushing circuit and had part completed cyanidation tank construction.

Construction stopped in October 2018 due to funding constraints as outlined below.

The Company intends to complete the plant and machinery build post refinancing, and commence tolling operations, with production targeted to reach 100 tons per day. The Company estimates that the cost to complete the plant and machinery build will be less than $1.0 million.

Jongos tolling operation (Option)

The vendors of Minaspampa and Rosario also owned a tolling business (Jongos) located adjacent to the Minaspampa project, and in the Minaspampa and Rosario purchase agreement granted the Company a 45 day nil cost option to acquire the trade and assets of Jongos with the capacity for processing 150 tons per day for a purchase price of $3,000,000. The Company did not exercise this option.

Casma (terminated)

The Company previously held the Casma operation, which comprised three green-field projects, with no existing infrastructure, and requiring plant and machinery construction. In June 2018 the Company was informed that the vendor of the Casma project had cancelled the contract. The Company was advised that the vendor acted improperly with the escrow agent to exercise a charge over the shares of ZL Minera S.A.C. and that the warranty claims were valid. In 2018, the Company reviewed the financial impact of contesting the contract breach; the completion of the purchase payments and plant and machinery build; the relationship with the local community; its strategic direction and priorities for shareholders and its funding position, and determined not to pursue further legal action against the vendor.

Funding

The company has been funded through a combination of debt instruments and equity raised in the NEX initial public offering on 2 March 2018.

David Sumner funding facilities

David Sumner, CEO and controlling shareholder of the Company has been the sole funder to the group with two debt financing facilities:

1. a $10,000,000 term loan facility; and
2. a £39,000,000 (circa $53 million) term loan facility - for which David Sumner has signed two back-to-back funding agreements.

The Company was reliant on these facilities for the funding of the deferred consideration payments under the Minaspampa and Rosario acquisition agreements and to support the initial working capital requirements of the Company.

The Company's initial funding strategy was to raise new finance once the Company's tolling commenced, and reduce the Company's reliance on the David Sumner loans.

At 31 December 2018, $9.8 million had been drawn down against the $10 million facility, and $605,000 had been drawn down against the £39 million (circa $53 million) facility.

On 4 January 2019 the Company announced that

- In August 2018, the Company issued a draw down notice to David Sumner for $7,000,000 who in turn issued a back-to-back draw down request.
- David Sumner advised that whilst he is confident that the draw down request will be met, he did not have visibility on the timing of its availability. David Sumner re-confirmed his intention to continue to provide financial support to the Company.
- Following this, the Company began working on alternative funding strategies, including the commencement of discussions with its parent company and the majority shareholder, Sumner Group Holdings Limited (a company controlled by David Sumner), to assist with financing.
- The vendors of Minaspampa and Rosario de Belen had been kept informed of the funding position and have shown their support to the Company by continuing to review the payment structure and terms of the deferred consideration payments which remain unpaid.

Tassili short term funding - $2,500,000

On 18 January 2018 the Company entered into a loan agreement with Tassili Jewelry LLC ("Tassili") for $2,500,000, which was drawn down in full. Tassili's primary objective was to secure supply of gold for their operations.

Repayment terms included the delivery of gold at pre-agreed rates. Because the Company has been unable to enter into production, the repayment terms for the loan facility have been renegotiated and a total of $1,030,590 has been repaid as of 27 March 2019.

Tassili were given a charge over Tri-Valley International Limited (the group company owning the shares of Minera Tres Valle SAC which holds the Oro Pesa concession). Discussions with Tassili continue, and these include arrangements for future supplies of gold, which would be subject to satisfactory conclusion of financing discussions as outlined above. The Company is confident of reaching a satisfactory conclusion for both parties.

Current funding and going concern

In considering the appropriateness of the going concern basis of preparation, the Directors have reviewed the Group's working capital forecasts for a minimum of 12 months from the date of the approval of this financial information.

The Directors have considered and assessed the Company's current loan agreements and the ability of David Sumner to support his facilities. As at 27 March 2019, the David Sumner $10 million loan facility has been fully drawn down and $1.5 million has been drawn down against the £39 million (circa $53 million) loan facility.

On 2 October 2018 David Sumner transferred his entire shareholding in the company to Sumner Group Holding Limited, a company of which he is the Chairman, Chief Executive Officer and controlling shareholder.

On 20 March 2019 Sumner Group Holdings Limited announced that it had launched a $100 million private placement securitized token fund raising for the Sumner Group Holdings group of companies (including VI Mining) and had received initial indications of interest to invest of $20 million.

David Sumner has confirmed to the board that he, with the support of Sumner Group Holdings Limited, will continue to support the working capital requirement of the Company.

Based on their consideration of the support provided by David Sumner, the Directors are satisfied that he will and can provide the support for the development of the Company over at least the next twelve months from this report.

Following this assessment, the Directors have reasonable expectation that the Group has adequate resources to continue for the foreseeable future. Notwithstanding the loss incurred during the period under review, the Directors have a reasonable expectation that the Group will be able to raise the funds necessary to provide adequate resources to continue in operational existence. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Board changes and NEX Corporate Advisor

On 25 January 2019 Johnny Martin Smith joined the board as an independent non-executive director.

Johnny Martin Smith has a long history in the mining industry, having started as a mining analyst with Davis Borkum Hare in 1983 in Johannesburg, before moving to London where he worked in specialist mining sales for SG Warburg and CSFB. He founded Smiths Corporate Advisory in 1999 which he developed into a leading investor relations business focused on the mining sector, and then sold to Westhouse in 2011, where he became head of mining. He then joined WH Ireland as Head of Broking. He is currently a non-executive director of Hong Kong listed IRC Ltd and a partner at Legacy Hill Capital.

Following Johnny Martin Smith's appointment, the Company received notification that the Company's NEX Corporate Adviser had had its license withdrawn. The Board took the opportunity to strengthen its advisory arrangements and on 8 March 2019 the Company appointed VSA Capital, an investment banking firm focused on mining, as its NEX Corporate Adviser.

In conjunction with VSA Capital, Johnny Martin Smith has commenced an internal review of the Company's business plan and objectives, corporate governance arrangements and the operation of the relationship agreements with related parties entered into at the time of Admission to NEX, and will report back to the board during May 2019. An update will be provided to shareholders shortly afterwards.

Financial headlines

In the twelve months ended 31 December 2018:

- Total loss for the period was $11.6 million (2017: $6.1 million)
- Cash outflow from operations (before changes in working capital) was $6.1 million (2017: $4.2 million); including changes in working capital this was $4.0 million (2017: $2.5 million)
- Cash outflows for capital expenditure totalled $10.3 million (2017: $2.1 million)
- Cash received from funding activities totalled $10.4 million (2017: $8.6 million).
- The balance on the David Sumner loan facilities is $8.0 million (2017: $2.1 million), which includes $7.5 million of capital (2017: $2.1 million) and $0.5 million (2017: nil) of accrued interest.
- Net assets at 31 December 2018 was $14.3 million (2017: $2.6 million).

At 31 December 2018 there was $4.5 million (2017: $1.4 million) was owed to suppliers, staff and other third parties, (excluding deferred consideration amounts and loan funding balances), this excludes amounts owed to David Sumner of $1.8 million (2017: $1.0 million).

Future Plans and Outlook

Due to the funding constraints of the Company, 2018 was challenging for VI Mining.

The Company is currently reliant on the David Sumner £39 million (circa $53 million) loan facility for working capital. The Board is in the process of identifying new third-party sources of finance to re-finance the company.

Once the Company is re-financed, the Board's priorities will be to (i) complete the Oro Pesa build out and move in to production; (ii) finalise the revised payment terms for Minaspampa and Rosario purchase; and (iii) restart the drilling and exploration work in the mining assets.

Strategy

VI Mining's strategic objective is to become a leading Peruvian precious metals producer. The Company has a management team, technical team and relationships in Peru that have a wealth of experience of gold and silver mining.

We are in very constructive discussions with the vendors of Minaspampa and Rosario with a view to concluding negotiations on revised terms. Subject to the conclusion of refinancing, we are confident of concluding these discussions in the next few weeks.

Our strategy remains steadfast, which we aim to achieve by:

- acquiring quality assets with exploration acreage and the potential for attractive returns
- operating with excellence, employing best in class operators, with a multidisciplinary board and management team
- having the highest standards of accountability and responsibility, with a clear focus on community safety and environmental stewardship, working with stakeholders to create tangible and sustainable benefits; and
- maintaining capital discipline to create value, with a strong and healthy balance sheet and extensive reach to access capital markets.

We look forward to reporting on progress with this strategy in the months ahead.

- Ends -

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Condensed Consolidated Statement of Financial Position

	Note	As at 31 Dec 2018 (unaudited) $000	As at 31 Dec 2017 (audited) $000
Non-current assets			
Intangible assets	6	63,545	2,046
Tangible assets	7	2,241	1,254
Deferred tax asset		-	284
		65,786	3,584
Current assets			
Trade and other receivables		962	388
Cash and cash equivalents		-	3,893
Advance consideration for asset purchase	17	6,056	-
		7,018	4,281
Current liabilities			
Trade and other payables		(4,471)	(1,409)
Amounts due to related parties	14	(2,265)	(779)
Deferred consideration	11	(41,742)	(188)
Corporation tax		-	(15)
Short term debt	10	(1,719)	-
		(50,197)	(2,391)
Net current (liabilities)/assets		**(43,179)**	**1,890**
Non-current liabilities			
Employee end of service benefits		(68)	(32)
Provisions	9	(168)	(150)
Deferred tax liability		-	(309)
Deferred consideration	11	-	(283)
Related party debt	10	(8,033)	(2,140)
		(8,269)	(2,914)
Net assets		**14,338**	**2,560**
Equity attributable to owners			
Stated capital	8	37,597	10,333
Shares to be issued		-	3,908
Merger reserve		279	279
Accumulated loss		(23,538)	(11,960)
Total equity		**14,338**	**2,560**

Condensed Consolidated Statement of Comprehensive Income

	12 months period ended 31 December	12 months year ended 31 December

	Note	2018 (unaudited) $000	2017 (audited) $000
		-	
Revenue		**-**	**-**
Cost of sales		-	-
Gross profit		**-**	-
Listing costs	8	(550)	(1,482)
Disposal of Casma	4	(581)	-
Operating costs		(6,950)	(4,500)
Operating loss		**(8,081)**	**(5,982)**
Finance costs	5	(3,260)	(348)
Loss before taxation		(11,341)	(6,330)
Income tax		(237)	272
Loss after tax		**(11,578)**	**(6,058)**
Total comprehensive loss for the year attributable to equity holders		**(11,578)**	**(6,058)**
Earnings per share			
Basic and diluted loss per share ($)	12	**($0.107)**	($0.308)

Condensed Consolidated Statement of Changes in Equity
For the twelve months ended 31 December 2018

	Stated capital $000	Amounts with shareholders $000	Merger reserve $000	Accumulated losses $000	Total $000
As at 1 January 2017	-	-	279	(5,902)	(5,623)
Loss for the period	-	-	-	(6,058)	(6,058)
Total comprehensive loss	**-**	**-**	**-**	**(6,058)**	**(6,058)**
Transactions with owners					
Shares issued	10,333	-	-	-	**10,333**
Monies received in advance of shares to be issued	-	3,908	-	-	3,908
As at 31 December 2017	**10,333**	**3,908**	**279**	**(11,960)**	**2,560**
Loss for the period	-	-	-	(11,578)	(11,578)
Total comprehensive loss	**-**	**-**	**-**	**(11,578)**	**(11,578)**
Transactions with owners					
Shares issued (note 8)	7,168	(3,908)	-	-	**3,260**
Minaspampa and Rosario Acquisition (note 15)	14,149	-	-	-	**14,149**
IPO fees (note 8)	(109)				**(109)**
Karmin Acquisition (note 17)	6,056		-	-	**6,056**
As at 31 December 2018	**37,597**	**-**	**279**	**(23,538)**	**14,338**

Condensed Consolidated Statement of Cash Flows
For the twelve months ended 31 December 2018

	2018 (unaudited) $000	2017 (audited) $000
Cash flows from operating activities		
Loss for the period before taxation	(11,341)	(6,330)
Depreciation and amortization	188	26
Directors' remuneration	1,475	1,750
Provision for employees' end of service benefits	36	32

Loss of disposal of Casma		581	-
Deferred consideration and provision unwind		2,458	-
Interest expenditure		494	348
Operating cash flow before working capital changes		**(6,109)**	**(4,174)**
Movement in trade and other receivables		(574)	(384)
Movement in trade and other payables		2,691	2,032
Net cash flow from operating activities		**(3,992)**	**(2,526)**
Investing activities			
Purchase of tangible assets		(332)	(1,116)
Purchase of Minaspampa and Rosario		(8,925)	-
Purchase of intangible assets		(1,014)	(573)
Net cash flow on acquisition of subsidiary		-	(450)
Net cash flow from investing activities		**(10,271)**	**(2,139)**
Financing activities			
Short term debt financing		2,500	-
Repayment of short-term debt		(1,531)	-
Debt financing	13	9,010	4,650
Monies received in advance of shares to be issued		-	3,908
Equity financing		391	-
Net cash flow from financing activities		**10,370**	**8,558**
Net increase in cash and cash equivalents		(3,893)	3,893
Cash and cash equivalent - start of the year		3,893	-
Cash and cash equivalents - end of the period		**-**	**3,893**

During the reporting period, the material non-cash transaction relating to the unpaid Directors' remuneration and deferred consideration, as disclosed in note 14 and note 15 respectively.

Notes to the condensed consolidated interim financial statements
For the twelve months ended 31 December 2018

1. General Information

The Company was incorporated in Jersey on 6 May 2017. The principal activity of the Company was investment holding and its registered address 28 Esplanade, St Helier, Jersey, JE1 8SB.

Principal activity

The principal activity of the Group is as a precious metal mining, exploration and tolling company operating in Peru, with an initial focus on gold and silver.

Currency

The functional currency of all entities is US dollars. Financial information is presented in US dollars ("$") and rounded to the nearest thousand ("$000").

2. Accounting policies

(a) Basis of preparation

The unaudited consolidated interim financial statements for the twelve months ended 31 December 2018 have been prepared in accordance with International Accounting Standard ("IAS") No. 34 "Interim Financial Reporting". These interim financial statements do not include all the notes of the type normally included in an annual report. These interim financial statements should be read in conjunction with the Company's financial statements for the year ended 31 December 2017, and any public announcements made by the Company during the interim reporting period.

The comparative interim financial information for the twelve months ended 31 December 2017 was extracted from the Group's audited financial statements for the year ended 31 December 2017.

The statutory financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use by the European Union and the accounting policies applied in these interim financial statements are consistent with the polices applied financial statements for the year ended 31 December 2017 unless otherwise noted. The auditors' report on those accounts was unqualified and included an emphasis of matter regarding the Company's funding arrangements and going concern.

In preparing these unaudited interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the sources of estimates of uncertainty were consistent as those applied to the 2017 statutory financial statements.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Company's Board of Directors on 28 March 2019.

(b) Going concern

The financial statements are required to be prepared on the going concern basis. The key conclusions are summarised below.

The Group did not receive any revenue in the period and recorded a loss after tax of $11.6 million (2017: loss of $6.1 million) and a net cash outflow from operating activities of $6.1 million (2017: $4.2 million).

Additionally, as set out in note 15, on 2 February 2018 the Group entered into an agreement to acquire the Minaspampa and Rosario projects. That agreement includes commitments to make substantial cash payments in the next 12 months. To date $8.9 million of has been paid to the vendors and under the current agreement $42.4 million is now due. The payment dates and terms are currently under negotiation with the vendors.

As set out in note 10, the Company is currently reliant on facilities provided by David Sumner, a director, to support the funding of the further consideration payable under the various acquisition agreements and to support the working capital requirements of the Company and the Group as follows:

- the VIM PLC Term Loan facility of $10 million of which a total of $9.8 million has been drawn down; $2.8 million was converted during 2018 to ordinary shares of the Company on Admission; resulting in a balance of $7.4 million (being $7.0 million capital and $0.4 million interest) at 31 December 2018; and

- an unsecured term loan facility agreement with the Company for an amount of £39 million (circa $53 million) to help fund the acquisition of the Minaspampa and Rosario Projects, and for working capital, of which there is a balance drawn of $605,000 at 31 December 2018.

In August 2018, the Company issued a draw down notice to Mr. Sumner for $7.0 million who in turn issued a back-to-back draw down request. The board has been advised by Mr. Sumner that whilst he is confident that the draw down request will be met, he does not have visibility on the timing of its availability.

At 27 March 2019 $1.5 million of funding had been received from Mr. Sumner under the £39 million facility.

Also as set out in note 10, the Company has a $2.5 million short term loan from Tassili that was due for repayment on 31 July 2018 and was not repaid. On 19 November 2018 the repayment date was varied to 31 December 2018 and Tassili were given a charge over Tri-Valley International Limited (the group company owning the shares of Minera Tres Valle S.A.C. which holds the Oro Pesa concession). At 27 March 2019 $1.0 million has been repaid and $1.5 million is still owing. The Company and Tassili continue in discussions on renegotiating this finance.

The Company is working on alternative funding strategies, including reaching out to its parent company and 71.9% majority shareholder, Sumner Group Holdings Limited ("SGH"), a company controlled by David Sumner, to assist with raising funds.

On 20 March 2019 Sumner Group Holdings Limited announced that it had launched a $100 million private placement securitized token fund raising for the Sumner Group Holdings group of companies (including VI Mining) and had received initial indicators of intention to invest of $20 million.

David Sumner has confirmed to the board his intention to continue to provide financial support to the Company to meet short term working capital requirements.

The vendors of Minaspampa and Rosario de Belen are aware of the funding position and have shown their support to the Company by continuing to review the payment structure and terms of the deferred consideration payments which remain outstanding.

The failure to provide funding on a timely basis has resulted in the Company failing to meet its day to day working capital commitments with consequential delays to bringing the Ora Pesa plant into production and the re-commencement of exploration and mining activities at Minaspampa, Rosario and Cushuro.

The board anticipates that these delays will continue until the current funding issues are resolved.

Once the Company's operations commence, the Company intends to raise institutional finance through debt and/or equity to reduce the Company's reliance on the above loans and facilities. In the meantime, the Group's working capital requirements are reliant upon the continuing availability of shareholders' support or successfully obtaining alternative means of funding.

The Company's board of directors have relied upon the assurances given by David Sumner, the continuing good faith negotiations and understanding of the Minaspampa and Rosario vendors and Tassili, and as a result, have prepared these interim financial statements on a going concern basis.

If the Group was unable to secure sufficient funding to enable it to continue on a going concern basis; or the vendors of Minaspampa and Rosario made a demand for the amounts due; or if Tassili made a demand for the amount due on 31 December 2018; and the funds were not made available under these facilities, then:

- the Minaspampa and Rosario de Belen projects could revert back to the vendors;
- the Oro Pesa concession would revert to Tassili; and
- adjustments would be necessary to write down remaining assets to their recoverable amounts, reclassify fixed assets and long-term liabilities as current and provide for additional liabilities.

3. Segment reporting

The Group applies IFRS 8 Operating Segments. Per IFRS 8 operating segments are based on internal reports about components of the group, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker ("CODM") for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance.

The Directors consider there to be only one operating segment, the mining, tolling and selling of precious metals and only three geographical segments being the Jersey, Peru and the UAE.

There was no revenue in any segment.

	As at 31 Dec 2018 (unaudited) $000	**As at 31 Dec 2017 (audited)** $000
Non-Current Assets		
Jersey	9	12
Peru	65,745	3,537
UAE	32	35
	65,786	**3,584**

4. Disposal of Casma

In March 2017, the Group acquired, through its subsidiary company Bi Valley Peru S.A.C ("BVP") the entire share capital of ZL Minera S.A.C ("ZLM") including the Ximenita de Casma mining concession for total consideration of $750,000: of which $250,000 was paid on 15 July 2017; $200,000

was payable on 15 January 2018; and the balance was due on 15 January 2019.

ZLM also entered into an Option Agreement to acquire the Ximenita de Casma II and III mining concessions for total consideration of $750,000, payable as: $150,000 due on 15 December 2017; $100,000 due no later than 15 July 2018; $100,000 due no later than 15 January 2019; and the balance of $400,000 due no later than 15 December 2020.

In January 2018 the Group commenced a dispute with the seller of the three Ximenita de Casma mining concessions (together "the Concessions") regarding breach of warranty and has withheld all milestone payments. The seller issued a notice of claim in respect of the failure to make these payments.

The Group was subsequently informed that the seller had cancelled the Option Agreement in relation to the Concessions and has transferred the shares of ZL Minera S.A.C away from BVP. The Group understands that the seller acted improperly with the escrow agent to exercise his charge over the shares of the ZL Minera S.A.C. The seller has taken these actions due to non-payment of the consideration payments that were due. This was notwithstanding that the escrow agent and seller had been notified that the Company was holding the funds as a retention against claims for breach of warranty as it was entitled to do.

The Group no longer owns or control ZL Minera S.A.C. or the mining concessions, and has presented the details of the carrying value of identifiable assets and liabilities disposed of and sales consideration are as follows:

	$000	**12 months period ended 31 December 2018** $000
Consideration		
- Reversal of deferred consideration		471
Less: net assets disposed of		
Concession assets	1,246	
Deferred tax liabilities	(309)	
Reversal of other payables	130	
Corporation tax liability	(15)	
		(1,052)
Loss on disposal		**(581)**

5. Finance costs

The following items have been included in net finance costs:

	12 months period ended 31 December 2018 (unaudited) $000	**12 months year ended 31 December 2017 (audited)** $000
Short term loan finance charge (note 10)	250	-
Debt interest (note 10)	494	308
Change in fair value in deferred consideration (note 11)	2,440	40
Change in fair value of site restoration obligation (note 9)	18	-
Other finance costs	58	-
	3,260	**348**

6. Intangible assets

	Software $000	**Concession rights** $000	**Exploration costs** $000	**Total** $000
Cost				
As at 1 January 2017	**-**	**200**	**62**	**262**
Acquisition of ZL Minera	-	1,246	-	1,246
Additions	25	144	400	569
As at 31 December 2017	**25**	**1,590**	**462**	**2,077**
Acquisition of Minaspampa and Rosario (note 15)	-	61,874	-	61,874
Oro Pesa Royalty Buy Out	-	680	-	680
Additions	-	-	1,014	1,014
Cancellation of Oro Pesa Royalty Buy Out	-	(680)	-	(680)
Disposals of ZL Minera (note 4)	-	(1,246)	-	(1,246)
As at 31 December 2018	**25**	**62,218**	**1,476**	**63,719**
Amortisation and impairment				
As at 1 January 2017	**-**	**20**	**-**	**20**
Amortisation for the year	3	8	-	11
As at 31 December 2017	**3**	**28**	**-**	**31**
Amortisation for the period	3	140	-	143
As at 31 December 2018	**6**	**168**	**-**	**174**

Carrying amounts				
As at 31 December 2017	**22**	**1,562**	**462**	**2,046**
As at 31 December 2018	**19**	**62,050**	**1,476**	**63,545**

7. Tangible assets

	Land	Plant equipment	Office equipment and other	Leasehold improvements	Total
	$000	$000	$000	$000	$000
Cost					
As at 31 December 2016	**3**	**-**	**-**	**-**	**3**
Additions	-	1,138	73	55	**1,266**
As at 31 December 2017	**3**	**1,138**	**73**	**55**	**1,269**
Acquisition of Minaspampa and Rosario (note 15)	240	460	-	-	**700**
Additions	3	239	51	39	**332**
As at 31 December 2018	**246**	**1,837**	**124**	**94**	**2,301**
Depreciation and impairment					
As at 31 December 2016	**-**	**-**	**-**	**-**	**-**
Charge for the year	-	-	10	5	**15**
As at 31 December 2017	**-**	**-**	**10**	**5**	**15**
Charge for the period	-	2	25	18	**45**
As at 31 December 2018	**-**	**2**	**35**	**23**	**60**
Carrying amounts					
As at 31 December 2017	3	1,138	63	50	1,254
As at 31 December 2018	**246**	**1,835**	**89**	**71**	**2,241**

Included in Plant Equipment is an amount of $150,000 representing the present value of the estimated cost of site restoration obligations at 31 December 2018 (December 2017: $150,000), see note 9.

8. Stated capital

	Number of shares	$000
Issue and fully paid:		
At 31 December 2017	103,878,100	10,333
Acquisition of Minaspampa and Rosario (note 15)	2,000,000	14,149
Shares issued on the Initial Public Offering	1,072,631	7,168
IPO related costs	-	(109)
Shares issued to acquire Karmin Peru S.A.C. (note 17)	5,753,138	6,056
At 31 December 2018	**112,703,869**	**37,597**

On 2 March 2018 the Group completed its initial public offering on the NEX Exchange Growth Market.

1,072,631 new ordinary nil par value shares were issued, for gross proceeds of $7,168,000 of which: $3,908,000 was received in advance of the IPO in 2017; $500,000 was received on completion and $2,761,000 was a conversion of David Sumner's term loan (note 10).

The Company issued 2 million of ordinary share, amounting to $14.1million, in connection with the acquisition of the Minaspampa Project and the Rosario Project as described in note 15.

Listing costs

The total listing costs incurred were $2,143,000, of which: $1,482,000 was expensed in the year ended 31 December 2017; $550,000 were expensed in the period ended 31 December 2018 and $109,000 were charged to Stated Capital.

9. Provisions

	2018 (unaudited)	2017 (audited)
	$000	$000
As at 1 January	150	-
Oro Pesa site restoration	-	150
Finance cost - fair value adjustment (note 5)	18	-
	168	**150**

Oro Pesa Site Restoration

In accordance with Peruvian Law, the Group's subsidiaries in Peru are required to restore mining and tolling land to its original condition at the end of production activities. The Company is in the process of completing its mine closure plan.

At 31 December 2018 the Group estimated that $168,000 (31 December 2017: $150,000) for the future cost of site restoration at Oro Pesa.

Due to the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. The Group estimated that the total site restoration cost would be approximately $330,000. The provision has been calculated using a discount rate of 9%, which is the Group's approximated weighted average cost of capital. The site restoration work is assumed to commence in 2028.

Minaspampa and Rosario Site Restoration

The Group contracted to acquire Minaspampa and Rosario Concessions on 2 February 2018 (note 15), both of which are former operating gold and silver mines. The Group did not acquire the mine closure plans for their concessions and is currently unable to make a reliable estimation of the future costs of site restoration for their concessions. The Group will complete the analysis and estimation for year-end reporting.

10. Debt

The Group has one short term loan and two long term loans, as follows:

	2018 (unaudited) $000	2017 (audited) $000
Short Term Loan		
Tassili Jewellery LLC - $2.5m term loan facility	1,719	-
Long Term Loans (related party)		
David Sumner - unsecured $10m term loan facility	7,443	2,140
David Sumner - unsecured £39m term loan facility	590	-
	8,033	**2,140**

David Sumner unsecured $10m term loan facility

On 7 August 2017 the Company authorised a $10m Loan Facility from David Sumner, with principal conditions of:

a. Term date of 30 June 2022
b. Interest at 9% per annum paid on Term
c. Non-redeemable and non-transferable.

During the reporting period, $7,655,000 was drawn down from the $10m Term Loan, and $2,760,000 converted to nil par value ordinary shares in the Company's Initial Public Offering (note 9).

At 31 December 2018 there was a loan balance of $7,443,000 (2017: $2,140,000), comprising capital of $7,006,000 (2017: $2,111,000) and accrued interest of $437,000 (2017: $29,000).

This Term Loan is unsecured.

David Sumner unsecured £39m term loan facility

On 6 December 2017 David Sumner entered into an unsecured term loan facility agreement with the Company for an amount of £39 million to be used for working capital requirements and the purchase of Minaspampa and Rosario (note 15) with principal conditions of:

a. Availability: from date of admission to 31 December 2019
b. Term: the loan is repayable at any time by The Company, or on the earliest of:
   - The fifth anniversary of first draw down
   - A new financing (debt or equity) of at least $60 million
   - The sale of The Company
c. Interest at 9% per annum (14% in case of default), paid on term
d. Non-transferrable

In the period $1,355,000 was drawn down from the £39 million Term Loan.

At 31 December 2018 there was a loan balance of $590,000 (2017: nil), comprising capital of $504,000 (2017: nil) and interest of $86,000 (2017: nil).

Tassili Jewellery LLC - Short Term Loan

On 18 January 2018 the Group entered into a loan agreement with Tassili Jewellery LLC ("Tassili") for $2,500,000 which was drawn down in full. The loan was repayable on 31 July 2018.

Under this agreement:

a. the Company has agreed to deliver to Tassili 8,000 oz of gold bullion at a discount of 4% to London Bullion market Association ("LBMA") Gold Price (the "Production Call Off");

b. the loan facility is repaid out of 25 per cent. of the consideration payable for each consignment received by Tassili until the amount outstanding is repaid;

c. the loan was repayable in full by 31 July 2018. This payment was not made.

The Group incurred an arrangement fee of $250,000 which was charged to Finance Costs (note 5).

In November 2018, the loan terms were amended to:

a. a final cash payment of $2,194,200 due by 31 December 2018, this payment was not made;

b. the Production Call Off volume increased to 24,000oz of gold production;

c. Tassili were given a charge over Tri-Valley International Limited (the group company owning the shares of Minera Tres Valle SAC which holds the Oro Pesa concession).

At 31 December 2018, the Company repaid $780,590 in total with no gold production yet delivered. In March 2019, the Company had further repaid $1,030,590 with $1,469,410 still owed. No gold has been delivered.

Meetings have been continuing with Tassili to discuss various options. No definitive agreement has been reached at this time.

11. Deferred consideration

The discounted fair value of deferred consideration at 31 December 2018 is:

	2018 (unaudited) $000	2017 (audited) $000
ZL Minera acquisition (note 4)	-	471
Minaspampa and Rosario acquisition (note 15)	39,302	-
Change in fair value in deferred consideration (note 5)	2,440	-
	41,742	**471**
	-	
Due with one year	41,742	188
Due after one year	-	283
	41,742	**471**

12. Earnings per share

Earnings per share has been included based on the relevant number of shares in the Company following the group reorganisation but prior to the issue of shares to raise new funds. The calculation of earnings per share is based on the following and number of shares in issue in VIM PLC:

	2018 (unaudited) $000	2017 (audited) $000
Loss for the period	(11,578)	(6,058)
Weighted number of ordinary shares	108,356,339	19,685,239
Loss per ordinary share (basic and diluted)	($0.107)	($0.308)

Basic loss per share is based on the weighted average number of ordinary shares in issue during the year. Diluted loss per share would assume conversion of all potentially dilutive share options. The potential ordinary shares are anti-dilutive and therefore the diluted loss per share has not been calculated.

On 6 May 2017, VIM PLC acquired the Valley International Mining Limited group via a share for share exchange as a group reorganisation. It is of limited significance to calculate earnings per share on the historical equity of the companies forming the Group prior to the reorganisation. Accordingly, a loss per share has been included based on the relevant number of shares in VIM PLC following the group reorganisation.

13. Net Debt Reconciliation

	2018 (unaudited) $000	2017 (audited) $000
Cash and cash equivalents	-	3,893
Borrowings - due within one year	(1,719)	(2,140)
Borrowings - due after one year	(8,033)	-
Net Debt	**(9,752)**	**1,753**

		Liabilities from financing activities		
	Cash and cash equivalents $000	**Due within one year** $000	**Borrowings due after 1 year** $000	**Total** $000
Net debt as at 1 January 2018	**3,893**	**-**	**(2,140)**	**1,753**
Cash flows	(3,893)	-	-	(3,893)
Loan drawn down				
- VIM PLC Term Loan $10m	-	-	(7,655)	(7,655)
- Conversion to equity	-	-	2,761	2,761
- Interest charge	-	-	(409)	(409)
- VIM PLC Term Loan £39m	-	-	(1,355)	(1,355)
- Interest charge	-	-	(85)	(85)
- FX gain on revaluation	-	-	100	100
Short term loan draw down				
- Tassili $2.5m	-	(2,500)	-	(2,500)
- Repayment	-	781	750	1,531
Net debt as at 31 December 2018	**-**	**(1,719)**	**(8,033)**	**(9,752)**

14. Related party disclosures

	2018 (unaudited) $000	2017 (audited) $000
Amounts due to Directors		
Directors' expenses	40	29
Directors' salaries and bonuses	2,225	750
	2,265	**779**

As set out in note 10 the Company is currently reliant on loans and facilities provided to it by David Sumner, a Director, to support the funding of the further consideration payable under acquisition agreements and to support the working capital requirements of the Company and the Group. £39 million of Mr. Sumner's loans and facilities provided to the Company are supported by legally binding back to back loan agreements with third

parties, one of whom, being a member of the Board, is related to the Company. The Company has requested a drawdown under this facility and is awaiting funds to meet certain liabilities.

Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation.

15. Purchase of Minaspampa and Rosario mining concessions and certain fixed assets

On 2 February 2018, the Group entered into an agreement to acquire, through its wholly owned subsidiary One Valley (Peru), the Minaspampa Project and the Rosario Project (located in the La Libertad region in the northwest of Peru) for a total undiscounted purchase consideration of $65.4 million payable in the mixture of cash and share consideration as: (1) $5.3 million in cash which was paid on 2 February 2018 which constituted completion; (2) the issue of 2,000,000 ordinary nil par value shares of The Company; (3) $2.5 million in cash which was paid on 9 February 2018; (4) $3 million in cash to be paid on or before 28 February 2018 (deferred until 5 March 2018) of which $1,125,000 has been paid (4) $20.25 million in cash payable on 15 August 2018; and (5) $20.25 million in cash payable on 15 April 2019; summarised as follows:

	$000
Cash paid	8,925
Ordinary shares issued	14,149
Deferred consideration	42,375
Total undiscounted purchase consideration	**65,449**

The fair value of the total purchase consideration as follows:

	$000
Cash paid	8,925
Ordinary shares issued	14,149
Deferred consideration	39,302
Total purchase consideration	**62,376**

The fair value of the 2,000,000 ordinary shares issued as part of the consideration was based on the share price on 5 March 2018 of £5.125 per share (exchange rate of GBP: USD was $1.3803).

The Company entered into a guarantee in favour of the Sellers in respect of the payment obligations of One Valley (Peru). The Acquisition Agreements include a framework agreement which sets out the framework for the sale and purchase of the Rosario Project and the Minaspampa Project and individual contracts for the transfer of each of the Concessions, the granting of exploration rights, the transfer of assets, the transfer of land and rights over land.

Pursuant to the terms of the Acquisition Agreements, One-Valley (Peru) acquired the right to carry out exploration activities over all of the Concessions constituting the Minaspampa Project and Rosario Project as from 2 February 2018 for a period of 18 months, i.e. until all Concessions have transferred.

The identifiable assets and liabilities acquired were:

	Net book value	**Fair value adjustment**	**Provisional fair value recognised on acquisition**
	$000	$000	$000
Trade creditors and accruals	(198)	-	(198)
Plant and machinery	460	-	460
Land	240	-	240
Intangible assets: mining concession rights, permits and licenses	61,874	-	61,874
Total identifiable net assets acquired	**62,376**	**-**	**62,376**
Purchase consideration			**62,376**
Goodwill arising from the acquisition			**-**

The un-discounted value of the deferred consideration at 31 December 2018 is:

	$000
Due on 28 February 2018	1,875
Due on 15 August 2018	20,250
Due on 15 April 2019	20,250
Total deferred consideration	**42,375**

The discounted fair value of the remaining deferred consideration at 31 December 2018 is $41,742,000 as follows:

	$000
Deferred consideration	39,302
Change in fair value of deferred consideration	2,440
Total deferred consideration	**41,742**
Due within one year	41,742
Due more than one year	-
	41,742

The Company and the vendors are reviewing the structure and timing of the remaining payments and are currently in discussions to revise the terms.

The fair value disclosed above are provisional and will be finalised in the financial statements for the period ended 31 March 2019.

16. Ultimate parent undertaking and controlling party

At 31 December 2018, the Company's immediate parent undertaking is Lamb Mining Limited, a company incorporated in British Virgin Islands, owning 71.9% of the issued share capital of the Company. The ultimate parent company is Sumner Group Holdings Limited, a company incorporated

in Jersey.

David Sumner is therefore considered the ultimate controlling party by virtue of his controlling interest of the Sumner Group Holdings Limited.

17. Post Balance Sheet Events

Acquisition of Karmin Peru S.A.C.

On 27 July 2018, VI Mining entered into a share purchase agreement with Karmin Exploration Inc. to acquire all the shares of its wholly-owned subsidiary Karmin Peru S.A.C., which holds 100% interest in the Cushuro Gold Project (which comprises the Gaby 2, Gaby 3, Gaby 8, Pandereta 007 and Corona 3113 mineral concessions).

The Gaby 2, Gaby 3 and Gaby 8 concessions comprise three contiguous claims totaling 2,477 hectares and are immediately adjacent to Minaspampa. Title and registration is pending on the Pandereta 007 and Corona 3113 concessions. Karmin Peru reported $nil revenues and profits for the years ended 30 April 2018 and 2017.

The purchase price of $27.5 million was satisfied by the issuance of 5,753,138 nil par value ordinary shares of VI Mining, with a "look-back" adjustment to the consideration on the 2nd anniversary of completion, based upon the initial purchase price and £2.50 per share.

On 28 January 2019 this look-back share price was adjusted to £1.75 per share, and the acquisition completed.

The fair value of the 5,753,138 ordinary shares issued as consideration was $6,056,000, based on the share price on 28 January 2019 of £0.80 per share (exchange rate of GBP: USD was $1.3157).

At the time of authorising these interim financial statements for issuance, the Group was still in the process of finalising the valuation of certain assets and liabilities acquired in connection to the acquisition of Karmin Peru S.A.C. The finalisation of these valuations will be reflected in the Company's next set of financial statements for the period ending 31 March 2019.

END

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