A stronger future together

ACACIA MINING PLC
ANNUAL REPORT & ACCOUNTS 2018

Acacia Mining plc
Annual Report & Accounts 2018

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At the core of Acacia are excellent assets and great people and, while we continue to work through the uncertain operating environment, we maintain a strong focus over what we can control.

We have demonstrated our commitment to manage the business, develop our people and build long-term partnerships with our local communities, governments and other key stakeholders.

Operating performance

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Exploration and development

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Strong cost discipline

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Sustainability and partnerships

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Acacia is one of the largest gold producers in Africa. We have three mines, all located in north-west Tanzania, and a portfolio of exploration projects across the continent.

Highlights

Over the past year Acacia has successfully stabilised the business with a focus on optimising operational performance. At the same time, we have continued to demonstrate our long-term commitment to the development of Tanzania, its people and its mining industry.

For more information, visit our website www.acaciamining.com

Financial highlights

Revenue

US$664m

2017: US$752m

Cash position

US$130m

2017: US$81m

EBITDA

US$226m*

2017: US$257m

Net earnings

US$59m

2017: (US$707m)

Operational highlights

Gold production

521,980oz

2017: 767,88 oz

Cash cost

US$680/oz*

2017: US$587/oz

All-in sustaining cost ("AISC")

US$905/oz*

2017: US$875oz

Sustainability highlights

Sustainable Communities investment

US$8.8m*

2017: US$8.2m

Localisation of workforce

96.2%*

2017: 96.2%

Total Reportable Injury Frequency Rate ("TRIFR")

0.19*

2017: 0.45

Where we operate - Tanzania

Gold Doré Production 2018

1. **North Mara**

336,055oz

2. **Buzwagi**

145,440oz

3. **Bulyanhulu**

40,485oz

Concentrate Stockpile

185,800oz

of gold

12.1mlbs

of copper

158,900oz

of silver

Valued at

US$247m

at average 2018 spot metal prices

* Non-IFRS measures are defined in the Glossary of Terms on page 182

Delivering economic growth

Acacia is a major contributor to economic growth in Tanzania and supports the country's socioeconomic advancement in line with the Government's Development Vision 2025. Our financial contributions include royalties, taxes, employee salaries, payments to suppliers and contractors, as well as investment in our local communities.

US$3bn

In total we have spent over US$3 billion with Tanzanian suppliers to support our businesses since inception

10%

Acacia plans to increase its annual spend with Tanzanian-owned suppliers by 10% to US$140m by mid-2019

US$92.5m

Total investment in Tanzania in 2018

US$4.0billion

Acacia and its predecessor companies have made over US$4 billion of capital investment in Tanzania over the past 15 years

US$1.3billion

Acacia has paid a total of over US$1.3 billion in taxes and royalties in Tanzania

US$441m

Acacia's contribution to the Tanzanian economy in 2018 through suppliers, employees and taxes

US$273m

The amount Acacia spent with suppliers based in Tanzania in 2018

US$127m

The amount Acacia contributed in taxes and royalties to the Tanzanian Government in 2018

Last 11 years' annual tax contributions to Tanzania [1 2]

(US$million)

1. Includes royalties, corporate tax, payroll tax, withholding tax, import duties, and fuel and local levies.
2. Unaudited

Case study

Growing our Local Supply Chain

Our investment and operations in Tanzania open up unique opportunities for local industry and suppliers to establish and grow businesses while also contributing to economic growth in the regions around our mines.

With this in mind, we have progressed a number of strategies within our Supply Chain function with the goal of further increasing our annual spend on goods and services with suppliers based in Tanzania. As part of this we plan to increase our annual spend specifically with Tanzanian-owned businesses to approximately US$140 million by mid-2019.

At all three of our sites we aim to support local businesses which have the opportunity to bid for valuable tenders at the mine. Hajoka International is a Tanzanian contractor based near our Buzwagi mine in the Shinyanga region and the company has benefitted significantly in recent years from contracts it has won with the mine. The company was founded just five years ago and has quickly grown to be one of the region's largest general contractors, winning tenders with Acacia worth US$1.1 million in 2018 for services such as construction and facilities management.

Johansen Kajuna, Hajoka's founder and managing director, recalls that the company received its big break in 2014 when he won a tender to manage facilities at the Buzwagi mine. Since then the business has provided employment to around 300 staff and its revenue from contracts with Acacia has grown to more than US$3 million.

"Acacia has had a huge impact towards the growth of our company," Mr Kajuna explains. "Their business has helped us gain expertise and increase our capital to source world-class equipment and expand our operations. I feel honoured that our growth has not only benefited us but also had a positive impact in our communities and economy at large."

Building a lasting legacy

From our in-house training programmes to our partnerships with leading universities in Dar es Salaam, Acacia has always invested in people to shape the future of Tanzania's mining industry.

96.2%

A total of 96.2% of our employees are Tanzanian Nationals

100

At least 100 Tanzanian students enrolled in mining-related studies benefit from work and training at our mine sites each year

198

A total of 198 employees graduated from Acacia's flagship "Rainbow" training programme in 2018

87.5%

We have reduced the number of international employees by 87.5% in the last six years

303

A total of 303 of our people have completed our Rainbow Leadership Programme since 2016

Investment in Tanzanian Talent

We are delivering tailored professional training programmes for our staff in an effort to create tomorrow's leaders in the mining industry as we transition key business support functions to Tanzania by mid-2019.

Case study

Cultivating the Leaders of Tomorrow in Tanzania's Mining Industry

In 2018 a total of 198 of our staff members graduated from the company's Rainbow Leadership Development Programme, our flagship professional development training course within Acacia.

The latest graduations took place as the Company progressed plans to transition key business functions in support of our Tanzanian operations – such as Supply Chain, Sales and Payroll – into Tanzania.

"Rainbow" is a six-month programme that develops talent among staff in first-level management roles and forms part of our long-term strategy where we aim to have our Tanzanian assets being led and operated by Tanzanian employees. Various company training programmes have enabled the business to reduce its international workforce by 87.5% over the last six years. As of 31 December 2018, 96.2% of Acacia's employees were Tanzanian nationals.

"As Tanzania progresses its industrialisation agenda, Rainbow and other professional training programmes delivered by Acacia provide a crucial platform for our Tanzanian employees to progress within the Company but also enable them to contribute more widely to the country's economic growth and development goals," Janet Reuben-Lekashingo, Acacia's General Manager for Organisational Effectiveness, said.

At the same time we continue to advance our Integrated Mining Technical Training (IMTT) programme. This is an intensive vocational course that ensures young apprentices are equipped with the right skills, training and qualifications before they begin their careers in mining or other similar industries.

Over the last ten years the Company has invested in excess of US$1.4 million across its three mines – North Mara, Bulyanhulu and Buzwagi – to train more than 380 apprentices. Tanzania's minister for education, Professor Joyce Ndalichako, praised our IMTT offering and its alignment with the national development agenda saying, "This programme serves to uplift training standards to produce highly skilled artisans in Tanzania, competent enough to work in any mining or manufacturing operation."

US$1.4m

Acacia has invested US$1.4m in training Tanzanian apprentices in the mining industry

70%

Around 70% of our management positions are held by Tanzanians

Creating a social impact

It is key for us to be a responsible and committed partner. We are proactive in our partnerships and aim to add further value through investment in education, health and infrastructure.

US$5.5m

We have invested US$5.5m over the last seven years in improving the quality of healthcare available to our communities

38%

Approximately 38% of our Sustainable Communities investment over the last five years has been in education

150,000

In 2018 our Sustainable Communities projects positively impacted over 150,000 Tanzanians

US$92million

Our strategic social investment in the communities around our mines since 2010

US$8.8million

Our strategic social investment in 2018

Case study

Teacher Training Delivers Education Boost in Tarime District

During the year, Acacia continued its support for the advancement of Tanzania's education sector and the needs of schools in the communities around our mines. In August, our North Mara mine supported training for more than 240 primary and secondary teachers in the surrounding Tarime district.

Participants in the three-day programme learnt important skills to help improve teaching standards in core subjects such as Mathematics, Science and English Language. The teachers were also given training on how to improve lesson plans and provide effective learning aids to pupils.

The Assistant Secretary of the Tarime District Council Teacher's Service Commission, Julius Christopher Agutu, expressed his thanks to North Mara for the teacher training initiative stating that he was optimistic that it would, "Help bridge the missing link between the already available infrastructure and academic performance."

The teacher training programme has followed on the back of our support for the renovation and construction of several schools and educational facilities in our local communities over the last six years. Between 2012 and 2018 our North Mara mine invested more than US$12 million (around TZS 28.6 billion) in building vital educational infrastructure including classrooms, science laboratories, teachers' houses, and libraries.

In line with our social investment strategy the mine now seeks to add value to such public facilities by helping to deliver improvements in the delivery of teaching and schooling while also developing a culture of learning that lends itself to academic achievement.

Case study

Investing in Local Healthcare for our Communities at North Mara

We completed the construction and renovation of the Nyamwaga Health Centre in April 2018 and the facility now plays a critical role in the delivery of health care services in the Tarime district.

The renovation included a range of new medical facilities such as a surgical theatre, mortuary, maternity ward, consultation rooms and a drugs dispensary, all of which now benefit around 75,000 residents in the North Mara area. The new health centre also boasts its own staff housing and sanitary facilities.

Since its renovation – at a cost of over US$600,000 – the health centre can treat 60% more patients than before (800 each month) thanks to the wider availability of services. The facility has also reduced the distance people have to travel to access health services to a maximum of five kilometres.

60%

Acacia's investment in the Nyamwaga Health Centre means it can treat 60% more patients

Strong operational performance and commitment to Tanzania

"I am pleased to report that during 2018 we successfully stabilised the business with our focus on operational performance across all three mines. We achieved gold production of 521,980 ounces for the year, substantially ahead of our initial 2018 production guidance of 435,000 to 475,000 ounces, and we maintained a strong cost discipline, achieving an all-in sustaining cost of US$905 per ounce sold, well below the full year guidance range of US$935 to US$985 per ounce.

At the same time, we continued to demonstrate our long-term commitment to Tanzania, its mining industry and our communities, contributing over US$127 million in taxes and royalties, spending over US$273 million with local suppliers in Tanzania, maintaining a rate of 96.2% local employees and investing US$8.8 million in our Sustainable Communities strategy to improve the lives of those living near our mine sites."

Peter Geleta Interim Chief Executive Officer

Gold production 2018

521,980

ounces produced

All-in sustaining cost 2018

US$905

per ounce sold

Our commitment to Tanzania 2018

US$127m

paid in taxes and royalties

US$273m

spent with suppliers based in Tanzania

96.2%

national employees

US$8.8m

invested in our Sustainable Communities strategy

"During 2018 Acacia continued its US$1 million investment in the Bugarama Health Centre near Bulyanhulu and supported the construction of a surgical theatre, general and specialised maternity wards, an outpatient department and mortuary facilities. The health centre currently provides care for 60,000 people living in the 14 villages in Kakola and its surrounding areas."

During 2018, we successfully stabilised the business, delivering a strong operational performance across all three mines and returning the Company to free cash flow generation in the second quarter which was then sustained throughout the second half of the year.

Despite an increasingly challenging operating environment the Company was able to achieve gold production of 521,980 ounces in 2018, substantially ahead of the initial production guidance of 435,000 to 475,000 ounces for the year. We maintained a strong cost discipline across the group achieving an all-in sustaining cost of US$905 per ounce sold, well below the full-year guidance range of US$935 to US$985 per ounce. At the same time our cash balance increased by US$50 million to US$130 million due to the strong operational performance and the sale of a non-core royalty for US$45 million to end the year with a net cash balance of US$88 million. This compares favourably to 2017 when the cash balance fell from US$318 million to US$81 million and net cash balance to US$8 million at year-end, due to lost revenue resulting from the concentrate ban and a gross build-up of VAT receivables of US$91 million. These achievements are a testament to the sheer resilience, hard work and determination of all of our people within the Acacia Group.

Our North Mara mine continued to perform well, achieving full-year gold production of 336,055 ounces, 4% higher than 2017, and benefited from the higher-grade ore received from the eastern part of the Nyabirama open pit. All-in sustaining cost ("AISC") of US$866 per ounce sold was 8% higher than 2017, primarily due to higher cash costs and sustaining capital investments. We achieved full-year gold production at our Buzwagi mine of 145,440 ounces which, although 46% lower than in 2017, was ahead of expectations due to the extended mining of the final cut of the higher-grade ore at the bottom of the pit and switchbacks, combined with the better than expected performance of the processing plant with improved throughput and recoveries. AISC per ounce sold of US$977 was 46% higher than 2017, mainly driven by the transition to processing lower grade stockpiles which drove higher cash costs. Our Bulyanhulu mine remained on reduced operations throughout the year but was able to achieve gold production of 40,485 ounces from the retreatment of tailings. AISC per ounce sold of US$786 was 43% lower than 2017 driven by reduced operating and capital spend, partly offset by the lower production base.

The operating environment became increasingly challenging for Acacia last year, culminating in October 2018 when criminal charges were brought by the Government of Tanzania ("GoT") against the Group's operating subsidiaries in Tanzania and three current Acacia employees and a former employee. Each of the companies and the three current employees and the former employee deny the allegations and are defending all charges. Three of those charged continue to be held in jail under non-bailable offences.

During 2018, Acacia paid a total of US$127 million in taxes and royalties in our host country of Tanzania. We also continued to invest in our Sustainable Communities Strategy with the aim of contributing to the development of "sustainable communities" around our mines in order that they enjoy a thriving local economy, have access to social infrastructure and live in a safe and inclusive environment in line with the Tanzania Development Vision 2025 as well as the United Nations' Sustainable Development Goals. To this end, during the year Acacia continued its US$1 million investment in the Bugarama Health Centre near Bulyanhulu, while construction began on a 55-kilometre pipeline to carry water from Lake Victoria to 60,000 residents in the Lake Zone which is due to be completed in mid-2019. Construction of the Nyamwaga Health Centre at North Mara was completed in April 2018 while, at Buzwagi, we also began the development and implementation of a three-year US$1.1 million agricultural improvement project in partnership with Farm Concern International.

One of the key focus areas at Acacia over the last six years has been the implementation of our Tanzanian localisation strategy. In 2018 we progressed a number of strategies within our Supply Chain function with a view to further increasing our annual spend with Tanzanian-owned businesses to reach the goal of US$140 million by mid-2019. We have also continued to focus on reducing the number of international employees and contractors within our business and ensuring that our Tanzanian assets are increasingly led and operated by Tanzanian employees.

Looking ahead to 2019, we were highly encouraged by the provisional outcomes of the Bulyanhulu optimisation study. Assuming a resolution of our disputes with the GoT, the ability to economically produce and sell gold concentrate, and a successful resumption of underground mining operations, the provisional outcomes of the study indicated that further capital investment of around US$120 to US$140 million could deliver an expected life of mine of 18 years with an average steady-state production rate of 300,000 to 350,000 ounces per year at an AISC of US$700 to US$750 per ounce. This is subject to further detailed work on cost estimates and a project schedule. We anticipate a pre-production start-up period of 12-18 months until first gold production followed by approximately two years to ramp up to full production from the underground mine.

A final decision to resume underground mining operations and make necessary further capital investments would be dependent on achieving a comprehensive settlement with the GoT.

The Group's Mineral Reserves decreased from 7.5Moz to 5.2Moz of contained gold during the year with Measured and Indicated Exclusive Mineral Resources decreasing from 7.7Moz to 5.6Moz and Inferred Mineral Resources decreasing from 12.2Moz to 10.1Moz. This was primarily driven by the provisional outcomes of the optimisation study conducted at Bulyanhulu in conjunction with a comprehensive review of the geological and resource models including applying tighter drill spacings and enhanced stope-optimisation techniques. A focused drilling programme has been designed in conjunction with the optimisation study, targeting the higher value zones and planned to commence after a decision to resume underground mining operations. Given the demonstrated continuity of economic mineralisation in the main Reef 1 shoot, that the Deep West is an extension of, there is a high level of confidence that the planned drilling programme will convert Mineral Resources to Mineral Reserves and mineralised inventory to Mineral Resources.

Safety

Safety performance during 2018 demonstrated significant progress on the previous year. The Company recorded a group-wide Total Recordable Injury Frequency Rate ('TRIFR') of 0.19, compared to 0.45 in 2017, a 58% improvement. There was a significant reduction in the number of recordable injuries from 45 in 2017 to 13 in 2018. The number of Lost Time Injuries (LTI) also decreased from 18 in 2017 to four in 2018, a 78% improvement, while the severity of injuries decreased by 46%.

However, regrettably, on 11 June 2018, Sadock Crispin Tindahenile, an operator for one of our contractors at North Mara, passed away as a result of an accident which involved a reversing vehicle at the Gokona deposit. We completed an investigation into the incident and have implemented the relevant recommendations at all our operations. We continue to target zero injuries and remain committed to every person going home safely every day.

Update on Discussions between Barrick Gold Corporation ("Barrick") and the GoT

Barrick and the GoT continued their discussions through 2018 and into 2019 aimed at agreeing and documenting the details of the proposed framework they announced in 2017. Acacia has continued to provide support to Barrick in its discussions with the GoT, but has not been directly involved in those discussions to date. On 20 February 2019 the Company noted further announcements by the GoT and by Barrick regarding their direct discussions, but has not yet received a detailed proposal agreed in principle between Barrick and the GoT for a comprehensive resolution of Acacia's disputes with the GoT. Acacia continues to engage with Barrick to understand Barrick's plans for the next steps in its direct discussions with the GoT.

Any proposal received by Acacia in the future for a comprehensive resolution of the Company's disputes with the GoT that might be agreed in principle between Barrick and the GoT as a result of their direct discussions will be subject to review by the Independent Committee of the Acacia Board of Directors and, if recommended by the Independent Committee of the Board, would be put to a shareholder vote.

Operating Environment

In 2018, and particularly during the final quarter of the year, the operating environment became increasingly challenging for Acacia with criminal charges brought by the GoT against three group companies as well as three current Acacia employees and a former employee, three of whom continue to be held under non-bailable offences. All of the allegations made by the GoT are denied and the charges are being defended.

On 10 October 2018, one of the Group's employees in Tanzania, a South African national, was charged by the Tanzanian Prevention and Combating of Corruption Bureau ("PCCB") with an offence under the Tanzanian Prevention and Combating of Corruption Act. The employee pleaded not guilty and was granted bail. The charges related to the historical activities of a Land Task Force conceived and agreed between the GoT and North Mara Gold Mine Limited ("NMGML") in 2012 to create a transparent, safe, fair and inclusive process for valuing land that might be purchased by agreement around the North Mara mine, and which operated between 2013 and 2015.

Later in October 2018, two current and one former employee of the Company's Tanzanian businesses, together with three individual companies, were charged by the PCCB with a number of different offences, including breaches of the Tanzanian Anti-Money Laundering Act. A total of 39 charges were brought, either against the current and former employees and/or against one or more of the Company's operating subsidiaries in Tanzania, Pangea Minerals Limited ("PML"), Bulyanhulu Gold Mine Limited ("BGML") and NMGML, as well as a Canadian company, Explorations Minières du Nord Ltd. The Company notes with concern that under Tanzanian law, offences under the Anti-Money Laundering Act are not bailable, and, accordingly, two current and one former employee remain detained without bail.

The majority of the 39 charges and allegations brought by the PCCB appear to relate to the historical structuring and financing of PML, BGML and NMGML dating back as far as 2008, prior to the creation of the Acacia Group. The charges are wide-ranging and include: tax evasion; conspiracy; a charge under organised crime legislation; forgery; money laundering and corruption.

The GoT has sought to introduce the great majority of the allegations made in the criminal proceedings into the arbitration commenced by BGML and PML in July 2017 regarding their disputes with the GoT under their respective Mineral Development Agreements, which are progressing towards a hearing and in which the GoT are fully participating.

In addition, on 17 December 2018 the Company issued a news release noting media speculation claiming a UK Serious Fraud Office ("SFO") investigation into the Company. The Company confirmed that it was not aware that the SFO was investigating the Company, but that the Company had been in contact with the SFO about the allegations of corrupt activities which are the subject of criminal proceedings in Tanzania. This position remains unchanged. The Company has provided information to the SFO and will continue to do so, but has not been notified that the SFO has commenced a criminal investigation.

Post year-end on 10 January 2019, the North Mara mine received an Environmental Protection Order ("EPO") from the National Environment Management Council ("NEMC") requiring payment of a fine of US$130,000 in relation to alleged breaches of environmental regulations in Tanzania. NEMC's reported findings allege discharges of a hazardous substance at the North Mara mine. The mine has still not received any supporting reports, findings or testing data in relation to the matters set out in the EPO and continues to assess the technical basis of the alleged non-compliances. The mine is also awaiting NEMC's detailed reports, findings and testing data in relation to the allegations but is not aware of any such discharge. Acacia believes that the reports and allegations relate to seepage from the Tailings Storage Facility ("TSF"), an issue well known to the Company and the GoT. This seepage is being managed by pumps which return the water to the TSF and it is, therefore, contained on the mine site, does not flow into the surrounding environment or present a risk of contamination to any public water source. Pending further factual clarification from the GOT and NEMC, however, and to dispose of all regulatory or other legal action, NMGML decided to pay the fine.

At the same time, the GoT also issued a directive to the North Mara mine to construct a new TSF. The mine had already recognised the need for additional tailings management and storage capacity to meet its life of mine plans. The mine is working with the GoT on detailed plans and project schedules for the construction of a new facility. Acacia expects that a new TSF is likely to be an economically viable alternative to further expansions of the existing TSF at North Mara.

On 8 March 2019 the GoT directed the North Mara mine to resolve an incident that had resulted in the spillage of water into the local environment. The spillage resulted from a security incident in which sections of the pipe used to transport water from the polishing pond to the TSF were either vandalised or stolen. The incident led to the switching off of the pump used to transport water to the TSF, and the water level in the polishing pond subsequently overflowed. Following North Mara mine's remedial actions, the temporary overspill from the pond was stopped. North Mara mine welcomed the support of the GoT on resolving the issue, and is working closely with the authorities to implement improvements to security measures around the polishing pond in order to help prevent any reoccurrence. The North Mara mine's technical team continues to work with the GoT within an agreed timeframe to address their concerns regarding seepage from the TSF and has undertaken to manage all seepage through the use of additional pumps and construction of other containment facilities to return any seepage to the TSF and ensure it is confined to the mine site. All seepage is contained on the site, does not flow into the surrounding environment or present a risk of contamination to any public water source. Operations at the North Mara mine remain unaffected.

International Arbitration

A negotiated resolution remains the preferred outcome to the Company's ongoing disputes with the GoT. In 2017, BGML, the owner and operator of the Bulyanhulu mine, and PML, the owner and operator of the Buzwagi mine each referred their current disputes with the GoT to arbitration in accordance with the dispute resolution processes agreed by the GoT in its Mine Development Agreements with BGML and PML. The commencement of arbitration by BGML and PML was necessary to protect their respective rights and interests and to promote a sustainable resolution of disputes.

These contractual arbitration processes have continued through 2018 and into 2019, with a number of necessary procedural steps and with the GoT fully participating, including service of its defence in October 2018. Most of the criminal charges brought by the Government against Group companies and the Group's current and former employees to date relate to matters which the Government has sought to introduce into these existing contractual arbitrations with the GoT. The international arbitration claims are progressing. The hearings are scheduled for the beginning of the third quarter of 2019 and we expect the Tribunal's findings to follow in the later stages of the year.

Contribution to Tanzania

We remain committed to paying all applicable taxes and royalties to the Tanzanian Revenue Authority as well as to supporting efforts towards the country's socioeconomic advancement, including the realisation of the Government's Development Vision 2025. Since the inception of its businesses, over 15 years ago, the Group and its predecessors have invested over US$4 billion to build and sustain its mines and paid over US$1.3 billion in taxes and royalties. We have also spent over US$3 billion with Tanzanian suppliers to support the operation of our businesses and, since 2010, invested over US$92 million in our communities.

During 2018 alone, Acacia paid a total of US$127 million in taxes and royalties to the GoT. This comprised provisional and final corporate tax payments for the year of US$42 million, royalties of US$51 million, payroll taxes of US$24 million and other taxes of US$10 million.

Acacia's Sustainable Communities Strategy aims to contribute to the development of "sustainable communities" around our mines in order that they enjoy a thriving local economy, have access to social infrastructure and live in a safe and inclusive environment achieved through strong and transparent relationships with our businesses. The strategy focuses on education, health, water, roads, energy, and various economic development activities and is aligned with the Tanzania Development Vision 2025 as well as the United Nations' Sustainable Development Goals.

During 2018 Acacia continued its US$1 million investment in the Bugarama Health Centre near Bulyanhulu and supported the construction of a surgical theatre, general and specialised maternity wards, an outpatient department, and mortuary facilities. The health centre currently provides care for 60,000 people living in the 14 villages in Kakola and its surrounding areas. Upon completion in 2019, the centre could, potentially, be designated as a district referral facility and would then cater for over 60,000 people in the wider district.

At North Mara the construction of the Nyamwaga Health Centre was completed in April 2018. The centre includes critical medical infrastructure including a surgical theatre, pharmacy and a maternity ward, as well as staff housing and rainwater harvesting tanks. Since its renovation, the health centre can treat 60% more patients (800 each month) thanks to the wider availability of services. Besides the development of crucial infrastructure, North Mara conducted its annual eye screening initiative which has seen over 3,000 patients tested annually and the distribution of free spectacles. During the year North Mara also partnered with the Medical Women Association of Tanzania (MEWATA) for breast and cervical cancer awareness and testing reaching over 1,200 women.

At Bulyanhulu, construction began on a 55-kilometre pipeline to carry water from Lake Victoria to 60,000 residents in the Lake Zone. Under the Joint Water Project Partnership (JWPP) with the GoT, the Company is investing around US$2 million to help provide vital water supply and sanitation services to local communities. The pipeline will pass through 14 villages located in the vicinity of the mine and is scheduled to be completed in mid-2019.

At Buzwagi, we began the development and implementation of a three-year US$1.1 million agricultural improvement project in partnership with Farm Concern International. Agriculture is an important economic mainstay for our local communities around Buzwagi and the project seeks to substantially increase farmers' incomes through greater productivity and improved links to market.

An independent report released by Ernst and Young last year based on 2017 unaudited financial information demonstrated the significant contribution that Acacia's three mines continue to make to Tanzania's economy as well as the country's broader social development. The report concluded that in 2017 Acacia contributed US$712 million to the national economy. The 2017 contribution comprised US$200 million from our businesses, an indirect contribution via suppliers of US$304 million and induced contributions of US$208 million. Furthermore, Acacia continues to grow its local staff-base in Tanzania; 96.2% of our employees are Tanzanian nationals thanks to an 87.5% reduction in the number of international staff in the past six years. Approximately 70% of our management positions are currently held by Tanzanians.

Meanwhile in 2018 Acacia progressed a number of strategies within its Supply Chain function with a view to further increasing its annual spend with Tanzanian-owned businesses. Acacia has always maintained a policy of sourcing from local suppliers first, where viable, and the plans form part of our continued efforts to grow our annual local spend. Based on our current plans, we expect that by mid-2019 we will achieve a further increase of 10% in our total annual spend with suppliers that are Tanzanian-owned. This will take the Group's annual spend with Tanzanian-owned businesses on goods and services – including construction materials, fuel and lubricants, as well as internet and security services – to approximately US$140 million.

Bulyanhulu Optimisation Study Update

In the third quarter of 2017, Acacia took the decision to place Bulyanhulu on reduced operations due to the unsustainable losses experienced at the mine due to the inability to export concentrate. During 2018 Acacia took the opportunity to progress essential capital spend of approximately US$7 million, primarily on the process plant, and progressed an optimisation study designed to ensure that when the mine resumes underground mining operations it does so in an optimised manner and reaches its full long-term potential.

The study work has progressed well during the year and the current stage is on track to be fully completed by the end of the first quarter of 2019. The study's provisional outcomes include a future focus on mining the higher-grade ore in the deep west area to achieve higher margin ounces in line with the Company's focus on free cash generation. In addition, there is likely to be a significant reduction in development costs and requirements, as a result of focusing solely on the deep west area at higher grades. There is also expected to be a reduction in the amount of tonnes required to be mined over any new life of mine plan.

Indicative pre-production capital requirements are in the range of US$90 to 110 million with subsequent development and rehabilitation costs of a further US$30 million. Additional ramp-up costs are expected to total approximately US$20 million comprising Sustainable Communities initiatives and costs relating to the existing processing plant, recruitment and freight for supplies which would be incurred over a 12 to 18 month period until first gold production from resumed underground mining operations. It is expected to take approximately two years to ramp up to full production from the underground mine, with an estimated average steady-state production rate of 300,000 to 350,000 ounces per year at an AISC of US$700 to US$750 per ounce over an indicative life of mine of 18 years.

All the estimates of the study so far are subject to further detailed work on cost and capital estimates, final decisions on recommended options and designs and the schedule for resumption of underground mining, as well as Bulyanhulu's ability to economically produce and sell gold concentrate. A final decision to resume underground mining operations would be dependent on achieving a comprehensive resolution of Bulyanhulu's disputes with the GoT, including the ability to resume concentrate sales.

Reserves and Resources

Due to the consistent performance of the gold price in the last three years and current outlook, we took the decision to increase the 2018 gold price assumptions supporting our Mineral Reserve calculations. Our Mineral Reserve pricing was increased to US$1,200 per ounce and our Mineral Resource price assumption was maintained at US$1,400 per ounce.

The Group's Mineral Reserves decreased from 7.5Moz to 5.2Moz of contained gold during the year with Measured and Indicated Exclusive Mineral Resources decreasing from 7.7Moz to 5.6Moz and Inferred Mineral Resources decreasing from 12.2Moz to 10.1Moz. The changes were primarily driven by the provisional outcomes of the optimisation study conducted at Bulyanhulu in conjunction with a comprehensive review of the geological and resource models through the year, including applying tighter drill spacings and enhanced stope optimisation techniques. A focused drilling programme for Bulyanhulu has been designed in conjunction with the optimisation study, targeting the higher value zones and planned to commence after a decision to resume underground mining operations. Given the historical demonstrated continuity of economic mineralisation, we have a high level of confidence that the planned drilling programme will convert Mineral Resources to Mineral Reserves and mineralised inventory to Mineral Resources.

At North Mara, Mineral Reserves decreased by 146koz of contained gold, from 2.3Moz at 2.74 g/t in 2017 to 2.2Moz at 2.59 g/t, primarily driven by mining depletion. As the Nyabirama Open Pit progressed further into the Cut 4 phase, there was significant improvement in reconciliation to the planned production. The application of revised reconciliation factors added 238koz of contained gold to the Mineral Reserves. This supports the strong production that Nyabirama Open Pit is scheduled to deliver in the coming years. The exclusive Mineral Resource at North Mara decreased by 200koz of contained gold to 1.7Moz at 3.10 g/t, mostly due to lower grade material that was removed from the Nyabirama Underground project, and infill drilling that better defined the orebody in preparation for opening new mining fronts at Gokona Underground.

At Bulyanhulu, underground Mineral Reserves decreased by 1.9Moz of contained gold, with the underground Mineral Reserve now amounting to 2.6Moz at 10.70 g/t compared to the previously stated 4.5Moz at 9.70 g/t. The change was driven by a comprehensive review through the year involving detailed review and validation of data, review and refinement of the geological and mineral resource models, and mine scheduling and planning work through the optimisation study, resulting in the re-classification of 2.23Moz of material from Mineral Reserves to Mineral Resources, and was partially offset by the refining of block modelling practices which added 249koz of material to Mineral Reserves. This was part of the rigorous optimisation study that is seeking to identify the optimal designs and methods to resume underground mining operations at Bulyanhulu as a robust and sustainable business. 4Moz of marginal Mineral Resource was reclassified as mineralised inventory due to the revised approach and refinement of the Resource Model with exclusive Mineral Resources of 7.8Moz at 10.58 g/t. This revised approach at Bulyanhulu establishes a baseline that will drive a programme of disciplined and focused drilling targeting the higher value zones to continue to convert Mineral Resources to Mineral Reserves in the future. The Tailings Mineral Reserve decreased by 68koz to 107koz at 1.23 g/t due to mining depletion.

At Buzwagi, Mineral Reserves declined from 421koz of contained gold at 0.92 g/t to 308koz contained gold at 0.90 g/t, as lower grade stockpile processing continued in 2018. The last mining activities of higher-grade areas in the open pit were completed in January 2019 (during 2018, these activities added 19koz beyond original expectations). Overall the exclusive Mineral Resources at Buzwagi remained unchanged.

At our exploration properties the Mineral Resources remained flat. However, the 50% interest in Tankoro, and 85% interest at Nyanzaga are both part of sale processes; which were still pending as at 31 December 2018. On finalisation of the transactions, the quoted Mineral Resources for those two properties will be removed.

Carrying Value Review

At the end of the reporting period, there remained a number of potential triggers for impairment testing, including the ongoing uncertainty surrounding a potential resolution of the Company's disputes with the GoT, the optimisation study and updating of the geological and resource models at Bulyanhulu, and the fact that the Company's market capitalisation has been lower than its carrying values during the current reporting period. As a result, the Group has undertaken a carrying value assessment of its affected cash generating units ("CGUs") and long-life intangible assets. Using Management's best information, including its current understanding of the principles of the framework reached between Barrick and the GoT in October 2017, the carrying values of all our assets are still below the Company's view of their recoverable values at discount rates consistent with the prior year's impairment testing processes. Further information on the carrying value review as at year end 2018 can be found in Note 6 to the consolidated financial information.

Indirect Taxation Update

The net indirect tax receivables balance increased for the year from US$170.7 million at 31 December 2017 to US$178.7 million at 31 December 2018. The increase was driven by a further US$54.3 million of VAT outflows, net of adjustments, for which no cash VAT refunds were received and the part reversal of prior discounting provisions of US$0.6 million, offset by the full year provisional corporate tax payments relating to North Mara of US$38.2 million, as well as a final 2017 corporate tax payment of US$4.2 million and foreign exchange revaluation losses of US$4.5 million. The provisional corporate tax payments have been offset against indirect tax receivables in line with an existing agreement with the Tanzanian Revenue Authority, resulting in a net cash impact of US$11.9 million.

As previously disclosed, Tanzania's new mining legislation includes an Amendment to the VAT Act 2015 to the effect that no input tax credit can be claimed for the exportation of "raw minerals", with effect from 20 July 2017. Bulyanhulu, Buzwagi and North Mara have each received notices from the Tanzania Revenue Authority that they are not eligible for any VAT relief from July 2017 onwards on the basis that all production (both doré and concentrate) constitutes "raw minerals" for this purpose. The total VAT claims submitted since July 2017 amount to approximately US$89 million. We have disputed this interpretation of the legislation as a matter of Tanzanian law, while this is also a matter that is in contravention of the relevant terms of our Mineral Development Agreements with the GoT and subject to our ongoing disputes with the GoT.

Nyanzaga Project Update

On 6 September 2018, the Tanzanian Fair Competition Commission ("FCC") granted its approval for OreCorp Tanzania Limited (OreCorp Tanzania) to increase its interest in Nyanzaga Mining Company Limited ("NMCL") to 51%. This move remains subject to: (i) the approval of the newly established Mining Commission, the application for which was lodged at the same time as the application for FCC approval; and (ii) the future payment of US$3 million to the Acacia Group.

Members of the OreCorp Group also entered into a completion agreement with Acacia and other members of the Acacia Group to allow OreCorp Tanzania to move to 100% ownership of NMCL, and thereby 100% ownership of the Nyanzaga Gold Project (the "Project"). This move remains subject to: (i) the Tanzanian regulatory approvals referred to above; (ii) the grant of the Special Mining Licence in respect of the Project; and (iii) the making of a future payment of US$7 million to the Acacia Group. Following completion Acacia will retain a net smelter return production royalty over the Project, capped at US$15 million.

South Houndé Project Update

During the fourth quarter of 2018 Acacia signed a binding conditional agreement with its partner, Sarama Resources Ltd (TSX-V: SWA), to terminate the earn-in agreement in respect of the South Houndé Project in south-western Burkina Faso. The termination of the earn-in agreement is conditional on definitive documentation being agreed by the parties before 30 April 2019. Acacia's divestment of South Houndé fits with the Company's strategy of divesting certain non-core assets as part of an ongoing review of its exploration portfolio. Acacia remains committed to exploration in Burkina Faso with various earn-in agreements still active and which provide exposure to approximately 2,000 km² of the prospective Houndé Belt.

Asset Level Discussions

As announced in February 2018, in response to a number of indicative expressions of interest to Acacia from Chinese companies, the Company engaged with a small number of parties to explore the potential sale of a stake in one or more of its Tanzanian assets. The timetable and successful completion of any discussions in relation to any such transaction would likely be inextricably linked to the Company's ability to reach a comprehensive agreement with the GoT in order to settle historic disputes and provide a stable future operating environment.

Outlook

Our guidance for 2019 assumes a continuation of the current operating environment with Bulyanhulu remaining on reduced operations, Buzwagi continuing to process stockpiles until early 2021 and North Mara fully operational. On this basis, we expect 2019 production of 500,000 to 550,000, with production ramping up slightly in the second half of the year as North Mara comes closer to the main ore zone at the Nyabirama open pit, at an all-in sustaining cost of US$860 to US$920 per ounce with cash costs of US$665 to US$710 per ounce. These are all broadly in line with 2018 levels. All gold produced in 2019 is expected to be in doré form.

At North Mara we expect production to be around 10% higher than 2018 at approximately 370,000 ounces. The Nyabirama open pit is expected to deliver increased ore volumes at high grades as we gain access to the main ore zone in cut 4 while we also expect positive grade reconciliations at Gokona underground. AISC is expected to be approximately 10% lower than 2018 at around US$790 per ounce sold, driven by the higher production base and lower cash costs as a result of the higher grades in the open pit, offset by an increase in sustaining capital expenditure following the deferral of 2018 capital projects which are now expected to be completed in 2019. We are also undertaking a pre-feasibility study for an underground mine beneath the Nyabirama open pit. This is expected to be completed in mid-2019.

We expect Bulyanhulu to remain on reduced operations and to continue to reprocess tailings at a monthly reduced operations cost of approximately US$2 million. These costs are excluded from AISC on the principle that they are not representative of sustaining operational costs. Acacia is finalising an optimisation study which is designed to ensure that when underground mining operations can resume, the mine will operate in an optimised manner. The current stage of the study is expected to be completed by the end of the first quarter of 2019. The mine will continue with the reprocessing of tailings through 2019 at an annual production rate of approximately 35,000 ounces and an AISC of approximately US$790 per ounce, which will partially offset the cost of reduced operations.

Buzwagi will continue to process stockpiles through 2019 and until mid-2021. Following completion of the mining of the final cut at the bottom of the pit in the first quarter of 2019, the mill feed will be exclusively from stockpiles. Production for 2019 is expected to total approximately 115,000 ounces. As a result of the lower production and release of non-cash high cost inventory of approximately US$285 per ounce, reported AISC in 2019 is expected to increase to approximately US$1,140 per ounce sold.

We expect to see Group capital expenditure in 2019 fall to approximately US$75 to 85 million compared to US$93 million in 2018. This will be comprised of approximately US$65 million of capitalised development costs and sustaining capital, primarily at North Mara and US$15 million of expansion capital. Capital expenditure at North Mara is expected to be notably lower than 2018 due to the cessation of deferred stripping as a result of a lower strip ratio from the increased ore volumes expected to be mined in the Nyabirama open pit, partly offset by higher sustaining capital expenditure following significant deferrals during 2018, increased capitalised underground development costs and additions to expansion capital which focuses on the Gokona and Nyabirama in-fill and extensional drilling programmes combined with the Nyabirama pre-feasibility study. Bulyanhulu's total capital expenditure incorporates critical sustaining capital requirements for the TSF retreatment operations and water management pond upgrades as well as expansion capital for the optimisation study costs and asset integrity work on the main process plant. Buzwagi is expected to incur limited sustaining capital during 2019 as it nears the end of its mine life.

We are committed to continuing our focus on strong cost discipline in 2019. To this end we are targeting corporate administration costs in the region of US$18 to US$20 million for the year ahead compared to US$24 million in 2018. We are also expecting to incur legal costs of approximately US$18 to US$22 million relating to the ongoing disputes with the GoT, Barrick negotiations, historical tax disputes and arbitration proceedings compared to legal costs of US$28 million in 2018.

Following the exploration portfolio review carried out in 2018, we expect a reduced exploration budget of approximately US$10 million in 2019 compared to US$13 million in 2018. In line with the results of the portfolio review, we expect to focus this spend on our targets in West Africa and with further work on the Liranda scoping study which will mainly focus on a review of the mining methods in Kenya.

Finally I would like to thank all of our people for their contributions to the Acacia Group this past year. Our significant achievements in the face of a continuing challenging operating environment would not have been possible without their sheer resilience, hard work and determination. I would also like to thank the Board and the Independent Committee for their unfailing support. We continue to prefer a negotiated solution to our disputes with the GoT, continue to engage with and support Barrick in its direct discussions with the Government and remain hopeful for a resolution during 2019.

Peter Geleta Interim Chief Executive Officer

New Interim Chair Rachel English

"I was delighted to be appointed as Acacia's Interim Chair on 1 September 2018. The ongoing challenges facing our operations have continued to provide a backdrop to many of the Board's discussions during 2018. My priorities since my appointment have included ensuring that the Company pursues all available avenues of engagement to resolve these challenges as well as advancing plans for orderly Board succession and continuing our strong focus on corporate governance. I would like to thank our shareholders and employees for their resilience and commitment to Acacia throughout the year."

Rachel English Interim Chair of the Board

Q. You were appointed as Interim Chair on 1 September 2018. What have the Board's and your priorities been since your appointment?

A. I was delighted to be appointed as Acacia's Interim Chair following Kelvin Dushnisky's departure. On behalf of the Directors I would like to thank Kelvin for his contribution to the Company during his five-year tenure as Chair. The ongoing challenges facing our operations since the Government of Tanzania ("GoT's")decision in March 2017 to ban the export of gold concentrate have continued to provide a backdrop to many of the Board's discussions during 2018. The operating environment deteriorated further in October last year with criminal charges brought by the GoT against three Group companies as well as three current Acacia Group employees and a former employee, three of whom continue to be held under non-bailable offences. My priorities since my appointment have included ensuring that the Company pursues all available avenues of engagement to seek to resolve these challenges, advancing plans for orderly Board succession and continuing our strong focus on corporate governance.

Q. Acacia formed an Independent Committee of the Board in 2017. What have been the main challenges which the Independent Committee has had to address this year?

A. From a strategic perspective the Board, through the Independent Committee, has monitored closely the ongoing discussions between Barrick and the GoT, while continuing to protect our assets via the arbitration process pending the outcome of the Barrick discussions.

Q. How have you and the Board supported the Group's relationships with key stakeholders?

A. Throughout the year, the Board continued to be focused on the Group's relationships with all of its stakeholders: including our employees, suppliers and local communities, as well as our shareholders. It has been a great pleasure meeting our people in my visits to Acacia's operations in 2018, and to see their commitment, professionalism and strength despite the challenges we face in our operating environment. It has also been a pleasure to meet shareholders in my capacity as Chair. We continue to demonstrate our long-term commitment to Tanzania, contributing over US$127 million in taxes and royalties to national and regional governments, spending over US$273 million with local suppliers in Tanzania, maintaining a rate of 96.2% local employees and investing nearly US$9 million in our Sustainable Communities initiatives, further details of which are set out on page 58 and 59. In the event that an appropriate resolution to the disputes with the GoT is achieved allowing a resumption of full operations at Bulyanhulu, there would be a further significant increase in local taxes and royalties, and expenditure with local suppliers.

Q. Please can you talk through the main changes in the Board during the year and any further changes you envisage regarding Board composition?

A. The main change in the Board this past year was my appointment as Interim Chair in September following Kelvin Dushnisky's departure. Following my appointment, and with the Nominations and Governance Committee, we have completed an analysis of the skills brought by Board members to ensure that these reflect an appropriate range and balance of capabilities, as part of our wider review and discussion on Board effectiveness, Board composition and succession planning. As a result of this review, the Board identified the need to appoint a permanent Chair, further Independent Non-Executive Directors, including one with a strong background in technical mining, and one with strong financial experience to address Audit Committee succession planning requirements. Skills and profile requirements for each role, against which various candidates could be assessed, have been prepared. One of the criteria on which the selection of the successful candidates will be based is the extent to which the candidate will enhance the diversity of the Board.

The succession planning process is ongoing, and we will provide a further update prior to the 2019 AGM. At present, we have not received any indications of Barrick's intentions for nominating additional directors to the Board, as is their right under the Relationship Agreement between Acacia and Barrick. We will continue to engage with Barrick on this as part of our overall Board composition assessments.

Q. You didn't pay a dividend again in 2018 for the second year in a row, please can you explain why?

A. The Board has not recommended a dividend for 2018 as a result of the continuing inability to export gold concentrate following the imposition of the concentrate export ban in 2017, the uncertainty around the ongoing resolution of the Company's dispute with the GoT and the need to safeguard liquidity requirements. The operating environment in Tanzania remains challenging and, while there remains such an uncertainty regarding future resolution of the situation, the Board did not consider it prudent to declare a dividend.

Q. What do you think are the main challenges facing the Board in 2019?

A. The Board remains focused on ensuring that the Company is able to achieve a full and comprehensive resolution to its disputes with the GoT, that Acacia and its businesses and people remain safe and secure in the meanwhile, and that our plans are optimised for the resumption of full operations at Bulyanhulu as and when our disputes with the GoT can be resolved. In the meantime, I would like to thank our shareholders and employees for their resilience and commitment to Acacia throughout the year. This is particularly the case for our employees who have shown outstanding commitment to performance irrespective of the challenges they have faced in the operating environment.

Governance in focus:

Ensuring the best interests of all shareholders

Board composition

Executive Director 1
Non-Executive Director 1
Independent Non-Executive Directors 4

Board skills

Geology 1
African and Regional Affairs 1
Financial 4

Member	Specialty	Nationality
Rachel English (Interim Chair)	Finance	UK
Michael Kenyon	Geology	Canada
Steve Lucas	Finance	UK
Andre Falzon	Finance	Canada
Stephen Galbraith	Finance	UK
Peter Geleta	African and Regional Affairs	South Africa

MARKET OVERVIEW

The market price of gold and our host operating environment are the most significant factors in determining the profitability of our operations.

Commodities: Gold

US$ 1,335/oz

Peak gold price in 2018

Trend

The price of gold is subject to volatile price movements over short periods of time and is affected by numerous industry and macroeconomic factors. In the short term, gold is often driven by moves in interest rates and the US dollar; while longer term the price tends to follow supply and demand fundamentals. Gold opened 2018 at US$1,291 per ounce and, for the first nine months of the year, the gold price was affected by expectations that the US Federal Reserve would follow a policy of tightened fiscal policy, thereby strengthening the US dollar and pushing gold prices lower. From November last year this narrative changed and gold prices rose on the expectation that the gold price would outperform the US dollar in real terms; following a decline in inflation rates and a perception that the US Federal Reserve would follow a more dovish path. By December 2018 investors were also buying gold as insurance against 2019's likely continued market volatility. Despite this safe-haven buying, gold's reaction was fairly muted as some confusion around the long-term direction of US interest rates persisted. Following a high of US$1,335 per ounce reached on 25 January 2018 gold closed the year at US$1,278 per ounce, trading in a range of US$1,178 per ounce to US$1,335 per ounce during the year, with an average price of US$1,269 per ounce (US$1,257 per ounce in 2017).

Our Response

While our policy is to sell gold at prevailing market prices, during 2018, we hedged 170,000 ounces of gold production for March to June, November and December 2018 as well as 35,000 ounces for January 2019 to protect the downside risk. This accounted for approximately 66% of Group production in 2018. During the year we added 205,000 ounces of gold put contracts with an average strike price of US$1,300 per ounce for 2018 and 2019. As at 31 December 2018, the Group had 35,000 ounces of gold put contracts outstanding and maturing in 2019 at a strike price of US$1,255 per ounce. The premiums paid on gold put options amounted to a total of US$3.9 million in 2018.

Outlook

- While numerous political risks could cause a spike in the demand for gold in 2019; in the longer term, gold miners' reserves are declining and this is very likely to lead to reduced supply which bodes well for the gold price.
- We continue to assess on a rolling basis opportunities to provide a floor price for future production in excess of our budget pricing through buying gold put options in order to provide increased stability for our balance sheet.

We currently have 185,800 ounces of gold stockpiled in Tanzania within the concentrate that is unable to be exported due to the concentrate export ban. The concentrate also includes 12.1 million pounds of copper and 158,900 ounces of silver. In total the concentrate stockpile net of government royalties is valued at US$247 million at average 2018 spot metal prices.

Commodities: Fuel

US$86/bbl

Peak price of Brent Crude in 2018

Trend

At our operations we consume diesel within our mobile fleet and self-generate power when required. Diesel is refined from crude oil and is, therefore, subject to the same price volatility affecting crude oil prices and has an impact on our production costs. We consumed approximately 231,363 barrels of diesel in 2018 (367,241 in 2017).

Crude oil (Brent) opened 2018 at US$66.73/bbl reaching a high of US$86.07/bbl on 4 October 2018. The oil price then fell sharply, by over 40%, to end the year at US$50.57 down over 25% on the year as a global supply glut dragged on the market following US pressure on OPEC and Saudi Arabia to create a low price environment. Saudi Arabia announced in November 2018, for example, that its production of crude oil had neared record levels at over 10.7 million barrels per day while US crude stockpiles also increased. Brent Crude traded in a range of US$50.57/bbl and US$86.07/bbl during 2018 with an average price of US$71.03/bbl (US$55.00 in 2017).

Our Response

We did not add any further Brent oil collar contracts for 2018 during the year but we added 72,000 barrels of Brent oil collar contracts for the 2019 calendar year. As at 31 December 2018 we had a total of 114,000 barrels of Brent crude oil net purchase options outstanding from our option collar strategy in 2017 and 2018. These contracts mature in 2019 and consist of sold put options with an average strike price of US$48 per barrel and bought call options with an average strike price of US$71 per barrel.

Outlook

- We anticipate that our consumption of diesel will fall in 2019 compared to 2018 due to the completion of open pit mining at Buzwagi as well as the lower total tonnes expected to be mined from the Nyabirama open pit at North Mara. While lower volumes will reduce our exposure to price changes, we expect that these factors combined with the lower oil price environment compared to last year, will result in lower fuel costs in 2019.
- However, we will continue to assess on a rolling basis whether further hedging strategies should be put in place.

Operating Environment

Political Developments

During 2018 the Government of Tanzania ("GoT") continued its reforms to the private sector, maintaining its focus on industrialisation, large infrastructure projects and creating jobs as part of the national development agenda. Meanwhile, private sector policy continued to be accompanied by changes in regulation and tax legislation, particularly in mining and the wider extractives sector.

The ban on the export of metallic mineral concentrates announced by the then Ministry of Energy and Minerals in March 2017 remained in place throughout the year. Despite the ban, the Treasury increased its revenues from the mining industry compared to prior years, mainly due to higher royalties applicable to metallic minerals since the passing of new legislation in July 2017. The GoT plans to increase mining's contribution to GDP to around 8% by 2020. In early 2018 new mining regulations were issued following the new legislation passed in July 2017, and post year-end in January 2019, President John Magufuli appointed Dotto Biteko as the new Minister for Minerals.

The mining sector remained under significant scrutiny with the GoT extending its examination of the sector to areas such as corporate social responsibility spending and environmental issues. Post year-end our North Mara mine received an Environmental Protection Order ("EPO") from the National Environment Management Council ("NEMC") requiring payment of a fine of US$130,000 in relation to alleged breaches of environmental regulations in Tanzania. NEMC's reported findings alleged discharges of a hazardous substance at the North Mara mine. The mine has not received any supporting reports, findings or testing data in relation to the matters set out in the EPO.

Criminal Charges

In October 2018 the GoT brought criminal charges against three Group companies and three current Acacia employees and a former employee. Three of those charged continue to be held in custody under non-bailable offences. On 10 October 2018 one of the Group's employees in Tanzania, a South African national, was charged by the PCCB with an offence under the Tanzanian Prevention and Combating of Corruption Act. The employee pleaded not guilty and was granted bail. Two other current employees, including a senior manager, and one former employee of the Company's Tanzanian businesses, together with three individual companies, were charged by the PCCB with a number of different offences, including breaches of the Tanzanian Anti-Money Laundering Act.

A total of 39 charges were brought, either against the current and former employees and/or against one or more of the Company's operating subsidiaries in Tanzania, Pangea Minerals Limited ("PML"), Bulyanhulu Gold Mine Limited ("BGML"), and North Mara Gold Mine Limited ("NMGML"). The charges are wide-ranging and include: tax evasion; conspiracy; a charge under organised crime legislation; forgery; money laundering and corruption. The majority appear to relate to the historical structuring and financing of the three businesses dating back as far as 2008, prior to the creation of the Acacia Group. All allegations are denied and all charges are being defended.

Tax

An Amendment was passed to the VAT Act 2015 to the effect that no input tax credit can be claimed for the exportation of "raw minerals" (which covers both doré and concentrate), with effect from 20 July 2017. During 2018 Bulyanhulu, Buzwagi and North Mara each received notices from the Tanzania Revenue Authority in line with this Amendment.

The Company, along with its industry peers in Tanzania, continued to report further VAT outflows for which no cash VAT refunds were received. During the year there continued to be a number of tax cases that are being handled through the Tanzanian courts which we are seeking to resolve.

Our Response

Barrick, the Company's majority shareholder, continued its discussions with the GoT in an effort to identify and document a solution to the Company's disputes. Post year-end Barrick and the GoT each announced they had arrived at an updated understanding regarding resolution of the Company's disputes with the GoT. The Company noted the announcements and that any detailed proposal will be subject to review by the Independent Committee of its Board of Directors.

Acacia continues to prefer a negotiated resolution to the Company's ongoing disputes with the GoT, however the arbitration processes against the GoT continued through 2018, with a number of necessary procedural steps and with the GoT fully participating. BGML and PML each referred their current disputes with the GoT to arbitration in 2017, in accordance with the dispute resolution processes agreed by the GoT in the existing MDAs. The hearings are scheduled for July 2019 and we expect the Tribunal's findings to follow in the later stages of the year.

The criminal allegations and charges against the Group and current and former employees are denied and are being defended. The great majority of the allegations in the criminal proceedings relate to matters that the GoT has sought to introduce into the arbitration process outlined above.

Concerning the issuing of the EPO to North Mara, the mine continues to assess the technical basis of the alleged non-compliances. Pending further factual clarification from the GoT and NEMC, however, and to dispose of all regulatory or other legal action, North Mara mine has decided to pay the fine. The North Mara mine's technical team continues to work with the GoT within an agreed timeframe to address their concerns regarding seepage from the TSF and has undertaken to manage all seepage through the use of additional pumps and construction of other containment facilities to return any seepage to the TSF and ensure it is confined to the mine site.

Acacia continues to monitor and assess the impact of legislative changes and the new mining regulations in light of its MDAs with the GoT. To minimise further disruptions to the Group's operations during 2018 the Tanzanian operating companies have continued to satisfy the requirements imposed by the new 2017 legislation as regards the increased royalty rate and clearing fee on mineral exports. These payments are being made under protest, without prejudice to the Tanzanian operating companies' legal rights under their MDAs.

In terms of the amendment to the VAT Act 2015 to the effect that no input tax credit can be claimed for the exportation of "raw minerals" with effect from July 2017, we have disputed this interpretation of the legislation as a matter of Tanzanian law, while this is also in contravention of the relevant terms of our MDAs with the GoT and subject to our ongoing disputes with the GoT. We have continued to offset our provisional corporate tax payments against indirect tax receivables in line with an existing agreement with the Tanzanian Revenue Authority, resulting in a net cash impact of US$11.9 million in 2018.

During the year, Acacia's three local businesses submitted preliminary local content plans to the GoT in response to the new local content regulations that came into force in April 2018. These preliminary plans build on the work undertaken by Acacia over the past years to enhance and develop our local supply chain and increase local employment in the workforce. Under Acacia's existing MDAs, Acacia's businesses are protected from changes to laws that govern their operations including the introduction of the local content regulations, but as part of our commitment to development in the country, the Company intends to work with the GoT to clarify the requirements of the new local content regulations and to meet these requirements where practicable.

In light of the challenging operating environment in Tanzania we have taken a number of decisive steps to manage the changes and stabilise our business over the last 18 months. From an operations perspective, the decision in the second half of 2017 to bring forward bypassing the flotation circuit at Buzwagi mine in order to stop concentrate production early and to move Bulyanhulu mine to reduced operations helped to return the Group to free cash generation in the second quarter of 2018 for the first time since the fourth quarter of 2016.

Throughout 2018 we have remained committed to paying all applicable taxes and royalties to the Tanzanian Revenue Authority as well as to supporting efforts towards the country's socioeconomic advancement, including the realisation of the Government's Development Vision 2025.

During 2018 we paid a total of US$127 million in taxes and royalties and continued our localisation programme across all areas of the business. Despite the continued challenges facing the business we delivered an annual investment of US$8.8 million in our Sustainable Communities programme.

Our staff on the ground:

Name: *Martin William Lugassian*

Job title: *Warehouse Officer at Buzwagi*

Tenure: *5 years*

Role with Acacia: *Martin has worked for Acacia since March 2014 having received specialist mining industry training at Bandari College, Dar es Salaam. Martin is a qualified operator of a range of warehouse machinery.*

Our vision

A responsible and committed mining partner that creates shared value by enhancing the nation's mineral wealth.

Our value inputs

What drives us

Our business

Building a leading asset portfolio in Africa
Allocating capital effectively

Our people

Developing local talent

Our relationships

Creating shared stakeholder benefit

Our future

Creating a leading African gold producer and generating value for all of our stakeholders

Creating value

Discovering high-quality assets and operating them to their full potential

Production & Exploration

What we do

Operate our large-scale gold mines efficiently with a track record of producing 10.5Moz of gold since inception from a combination of open pit and underground mines. Meanwhile we continue to invest in exploration across Africa as well as brownfield extensions at our mines.

How we add value

We continuously assess options to improve mine design and working practices to improve efficiencies in order to reduce cost and/or increase production. We undertake a systematic, grassroots approach to exploration in order to make large high-grade discoveries.

US$905/oz

All-in sustaining cost below 2018 guidance range of US$935 to 985 per ounce

Building Partnerships

What we do

Develop our People, expand our local supply chain and invest in our Sustainable Communities strategy in support of Tanzania's Development Vision 2025 and the United Nation's Sustainable Development Goals.

How we add value

We undertake a systematic 'local first' approach to our supply chain and, in conjunction with rigorous in-house training programmes and university partnerships, we nurture the best talent within our businesses and in Tanzania's mining industry as a whole. We continue to contribute to the development of sustainable communities around our mines in order that they enjoy a thriving local economy, have access to social infrastructure and live in a safe and inclusive environment.

US$273m

spend during 2018 with suppliers based in Tanzania

Output

The output of our value creation is the generation of free cash flow

REINVESTMENT
FREE CASH FLOW
DEBT REDUCTION

Long-Term Value Creation

Distributing and reinvesting the value created[1]

For governments

- Tax contributions
- Driver of economic development

US$127m

in taxes paid to Tanzania in 2018

For Tanzania

- Disciplined reinvestment of capital into exploration and operations

US$92.5m

total investment in 2018

For communities

- Improving livelihoods and service delivery
- Delivering employment opportunities

US$8.8m

Sustainable Communities investment in 2018

For shareholders

- Strengthening the balance sheet
- Free cash flow generation
- Dividend policy

US$88.0m

Year end net cash position

1 All figures apart from year end net cash position are unaudited

Rigorous controls underpin everything we do

Effective governance and risk management practices
page 30

Strong cost and capital discipline
page 50

Sustainability
page 56

Our business

Desired outcomes

Create value and cash flow by operating profitable mines and reasonably managing risks.

Operate as a partner for our host countries to ensure shared value for their people.

Strive to ensure that the work environment remains safe for everyone and that we constantly improve our safety performance.

Continue to provide our Discovery group the best opportunity to discover our next mines.

Strategic pathways

Bulyanhulu Optimisation Study: Development of a business case for the resumption of a new optimised Bulyanhulu mine, in the scenario that the concentrate ban is lifted.

Nyabirama life extension (North Mara): Exploration development with the aim of developing an underground mine at Nyabirama.

Supply Chain Optimisation: Maximise efficiencies and reduce costs across our supply chain.

Asset Reliability Optimisation: Create standardised 'best practice' Asset Management strategies and processes across all three sites.

Exploration Portfolio Optimisation: Enabling the discovery of our next mines.

Key drivers

Planning – focused on sustainable cash flow and delivering shared value from our assets.

Allocating capital effectively.

Decentralised operations – minimal central systems.

Clear metrics to provide key drivers of performance.

Focus on value-add activities.

Priorities for 2019

- Further optimise the efficiency of our operations with a strong focus on cost discipline
- Complete the Bulyanhulu Optimisation Study
- Continue to demonstrate life of mine extension at North Mara
- Transition key business functions into Tanzania

Our people

Desired outcomes

Identify, attract and retain talent. Support and develop our people for the benefit of the business and the country's socio-economic goals.

Ensure our assets are increasingly led and operated by national employees.

Creation of a high-performance culture where our people are held accountable, but are given the tools to succeed.

Our culture is underpinned by our Acacia Behaviours that are supported by a set of tools and systems introduced in our Tufanikiwe Pamoja (Together We Succeed) and Rainbow Leadership Programmes.

Our goal is to have every person understand the work of their role and to be operating to their potential (with a clear understanding of their performance and development).

Strategic pathways

I-People Project: Implementation of a fully automated human resources information system.

Organisational Design Project: Development of an efficient and effective organisation structure to support our Company Strategy.

Talent Management System: Design and implementation of a talent management programme and accompanying processes that enable the Company to attract and retain talent.

Key drivers

Attract and retain our talent.

Train and develop so that people can be their best.

Drive performance through the Accountable Management System (AMS).

Maintain high standards of technical expertise.

Priorities for 2019

- Continue to improve TRIFR towards goal of zero injuries
- Train and develop our people to increase ratio of Tanzanians in management positions
- Workforce planning for potential resumption of underground mining at Bulyanhulu

Our relationships

Desired outcomes

Build *the trust of host governments, communities and other stakeholders by forming partnerships and being responsible and transparent in our actions.*

Develop a reputation as a credible business and trustworthy mining partner that supports local stakeholders and is an attractive investor.

Aim to be pro-active in our relationships with all stakeholders to enable us to develop the appropriate support for our business and become a valued driver for *economic development in our host countries.*

Contribute to development priorities of our host governments through aligning our social investments with national efforts.

Strategic pathways

External Relationship Management: Build strong and trusting relationships that support a social licence to operate and a better business environment.

Reputation Management: Re-establish our relationships and reputation in Tanzania.

Local Content Project: Development of our local supply chain and increased local employment in the workforce.

NM Resetting Relationships (ASM/Land): *Improve our relationships with host communities and local government authorities in support of our social* licence and a secure operating environment.

Sustainable Communities Projects: To contribute to the development of sustainable communities that enjoy a thriving local economy, have access to social infrastructure and live in safe, inclusive and equitable surrounding communities.

Key drivers

Create shared stakeholder benefit by working in partnership with host governments, local communities and other partners.

Seek to form and grow strong local relationships.

Support local economic advancement and national development agendas.

Manage non-technical risks effectively.

Monitoring and evaluation: measure the impact of our efforts using clear metrics.

Priorities for 2019

- Strengthen relationships with host governments
- Explore and support sustainable and long-term solutions to our disputes with the GoT.
- Implementation of our Sustainable Communities strategy and development of newly-formed Sustainable Community Reference Groups at all three *mines.*
- Progress local content plans and increase spend percentage with Tanzanian-owned businesses
- Further reduce intruder numbers and community grievances at North Mara.

KEY PERFORMANCE INDICATORS

Our performance is assessed against the following key performance indicators, which are linked to our long-term strategy.

These KPIs are linked to Executive Directors' remuneration. For full disclosure please see the Remuneration Report on page 87.

Strategic Pillars

Our Business
Our People
Our Relationships
Our Future

Gold production

Relevance to strategy
Gold production is the aggregate of the Group's equity interest in gold ounces produced from our mines and one of the key measures used to track progress made in increasing our productivity levels.

Performance
Gold production was 521,980 ounces, 32% lower than 2017 due to the transition to reduced operations at Bulyanhulu and to stockpile processing at Buzwagi.

Outlook and expectations
We expect gold production in 2019 of 500,000 to 550,000 ounces based on a continuation of the current operating environment with Bulyanhulu remaining on reduced operations and Buzwagi continuing to process stockpiles.

Associated risk areas
- Strategic
- Financial
- External
- Operational

Linked to remuneration?
Yes. Weighting: 30% of Company STI scorecard

All-in sustaining costs (AISC)

Relevance to strategy
AISC is used to provide additional information on the total sustaining cost for each ounce sold in order to provide additional clarity as to the full cost of production. It is one of the key indicators that we use to monitor and manage those factors that impact production costs on a monthly basis.

Performance
AISC for the year was US$905 per ounce sold, well below the 2018 full year guidance range of US$935 to US$985 per ounce.

Outlook and expectations
We expect all-in sustaining costs in 2019 of US$860 to US$920 per ounce sold, broadly in line with 2018.

Associated risk areas
- Financial
- External
- Operational

Linked to remuneration?
Yes. Weighting: 20% of Company STI scorecard.

Total Reportable Injury Frequency Rate

Relevance to strategy
Total Reportable Injury Frequency Rate ("TRIFR") tracks all employee and contractor reported workplace injuries that require medical treatment, including lost time and restricted duty. We use it to measure progress towards our health and safety goal of zero harm. It is calculated as total reportable injuries multiplied by 200,000 then divided by total number of hours worked.

Performance
TRIFR was 0.19 for the year, compared to 0.45 in 2017. This represents a 58% reduction on the previous year.

Outlook and expectations
We are targeting a reduction in our TRIFR of at least 10% in 2019, with the goal of making sure everyone goes home safe and healthy every day.

Associated risk areas
- Operational

Linked to remuneration?
Yes. Weighting: 10% of Company STI scorecard.

Cash cost per ounce sold

Relevance to strategy
Cash cost per ounce sold is calculated by dividing the aggregate of cash costs by gold ounces sold. It is one of the key indicators that we use to monitor and *manage those factors that impact production costs on a monthly basis.*
Performance
Cash cost per ounce sold for the year was US$680 per ounce, well below the 2018 full year guidance range of US$690 to US$720 per ounce.

Outlook and expectations
We expect cash costs in 2019 of between US$665 to US$710 per ounce sold, broadly in line with 2018 levels.

Associated risk areas
- Financial
- External
- Operational

Linked to remuneration?
No, but part of other KPIs.

Cash cost per tonne milled

Relevance to strategy
Cash cost per tonne milled is calculated by dividing the aggregate of cash costs by ore tonnes milled. We use it to track cash costs against productivity.

Performance
Cash cost per tonne milled for the year was US$38 per tonne, marginally lower than 2017.

Outlook and expectations
We have not provided guidance on this metric.

Associated risk areas
- Financial
- External
- Operational

Linked to remuneration?
No, but part of other KPIs.

Total Reserves and Resources

Relevance to strategy
Calculated as the total of Proven and Probable Reserves, plus Measured, Indicated and Inferred Resources expressed in contained ounces. It measures our ability to discover and develop new ore bodies and to replace and extend the life of our operating mines.

Performance
Total Reserves and Resources for the year amounted to 20.9 million ounces of gold, a reduction of 6.5 million ounces from 2017. The Group's Mineral Reserves decreased from 7.5Moz to 5.2Moz of contained gold during the year with Measured and Indicated Exclusive Mineral Resources decreasing from 7.7Moz to 5.6Moz and Inferred Mineral Resources decreasing from 12.2Moz to 10.1Moz.

Outlook and expectations
We have not provided guidance on this metric but we have reasonable expectations that the ongoing drilling programmes at North Mara will continue to grow the Mineral Reserve and Mineral Resource inventory during 2019.

Associated risk areas
- Strategic

Linked to remuneration?
No.

EBITDA

Relevance to strategy
EBITDA is a valuable indicator of our ability to generate operating cash flow to fund working capital and capital expenditures and to service debt obligations.

Performance
EBITDA for the year was US$225.9 million, 12% down on 2017 mainly due to lower revenue, partly offset by the US$45 million gain on the sale of a non-core royalty.

Associated risk areas
- Financial
- Operational

Linked to remuneration?
No.

Operating cash flow per share

Relevance to strategy
Operating cash flow per share is the cash generated from, or utilised in, operating activities, divided by the weighted average of the number of Ordinary Shares in issue. It helps to measure our ability to generate cash from our business.

Performance
Operating cash flow per share was US30.8 cents compared to US(5.6) cents per share in 2017, and was impacted by the concentrate export ban and a lack of VAT refunds.

Associated risk areas
- Financial
- Operational

Linked to remuneration?
No.

Net earnings/(loss) per share

Relevance to strategy
Net earnings per share is calculated by dividing net earnings by the weighted average number of Ordinary Shares in issue. It serves as an indicator of our profitability and is often used to determine share price and value.

Performance
Net earnings per share was 14.4 cents, compared to a net loss of 172.5 cents in 2017. The 2017 figure was primarily a result of an impairment charge driven by the impact of the concentrate ban.

Associated risk areas
- Financial
- Operational

Linked to remuneration?
No.

Total shareholder return

Relevance to strategy
Total shareholder return ("TSR") is the return on investment a shareholder receives over a specified time frame based on our share price appreciation/depreciation and dividends received. It is used to compare our performance against industry peers.

Performance
TSR in 2018 was negative 9.7% compared to negative 46% in 2017 as the ongoing impact of the concentrate ban continued to impact the share price and cash flow generation as well as the ability to declare dividends.

Associated risk areas
- Financial
- Operational

Linked to remuneration?
Yes. Relative TSR weighting 100% of LTIP.

Sustainable Communities expenses

Relevance to strategy
This represents the amount of money that we invest across our corporate social responsibility programmes. It helps us to track progress made against our objective to support socioeconomic development in our operating environment.

Performance
Sustainable Communities expenses were US$8.8 million, a slight increase on 2017 due to the revised Sustainable Communities strategy.

Associated risk areas
- Financial
- External
- Operational

Linked to remuneration?
No.

GHG emissions

Relevance to strategy
GHG emissions are measured on the basis of total tonnes of CO_2 equivalent produced by our operations as a way of assessing our carbon footprint.

Performance
Total CO_2e emissions for 2018 amounted to 176,939 tonnes, below 2017 due to energy saving projects and the move to reduced operations at Bulyanhulu and the cessation of the float circuit at Buzwagi.

Further information as regards our GHG emissions reporting is provided on page 63.

Associated risk areas
- Operational

Linked to remuneration?
No.

Relevant pages

p32

Principal risks and uncertainties

Non-IFRS measures are defined in the Glossary of Terms page 182

RISK MANAGEMENT

The successful delivery of our strategy depends on our ability to manage risks appropriately in a manner that does not jeopardise the interests of our stakeholders.

We assess the principal risks to our business as part of ongoing business performance and operational reviews, as follows:

- We conduct Group-level risk workshops to consider overall strategic risks to the business.
- We conduct operational risk workshops focused on specific operational risks in the context of each of our operations.
- We conduct functional risk workshops to assess key matters which could affect underlying support functions, such as treasury, tax, technical services and business improvement, required for our long-term business plans.
- We ensure that principal risks are assessed as material components of our monthly operational and financial performance reporting.

Our annual business plan and budgeting process incorporates risks identified as a result of these reviews. Residual risks are identified based on the effectiveness of existing controls. The principal risks identified via this process are then monitored, assessed and reviewed throughout the year by the Executive Leadership Team in the first instance, the Audit and EHS&S and other Board Committees where relevant to their respective remits of responsibility, and ultimately by the Board, as part of Acacia's continuing assessment of risk trends and developments.

Further detail as regards to the outcome of the Board's internal control and risk management review for the year is provided on page 76 of the Corporate Governance Report – Internal Control and below.

2018 Principal risk review

For 2018 our principal risks have continued to fall within four broad categories: strategic risks, financial risks, external risks and operational risks. There has been no significant improvement in the operating environment, which remains challenging, influenced mainly by the continuing dispute with the Government of Tanzania ("GoT") and delays in reaching a negotiated solution to disputes. This has led to the makeup of our principal risks remaining relatively consistent throughout 2018.

However, in-country stakeholder reaction to the prolonged situation in Tanzania along with other global developments and trends affecting the wider mining industry, have resulted in changes to our assessment of the risk profiles that principally affect our business; these being the following:

- Political, legal and regulatory developments
- Single country risk
- Attraction and retention of employees
- Significant changes to commodity prices
- Liquidity
- Social licence to operate and key stakeholder support
- Reserve and resource estimates
- Environmental hazards and rehabilitation
- Safety risks relating to mining operations
- Operational security and theft

Overall, non-technical risks falling across a range of risk categories (strategic, external and operational) continue to rate highly across principal risks identified. Together, these impact the rating of our liquidity risk.

In terms of political, legal and regulatory developments, throughout the course of 2018 the operating environment became increasingly challenging for Acacia with criminal charges brought by the GoT against three current Acacia employees and a former employee, three of whom continue to be held under non-bailable offences, and against three Tanzanian operating companies (see above, Market Overview).

The allegations made are denied and the criminal charges brought are being defended, but there is a risk of continuing and further legal or regulatory action by the GoT, or of other regulatory or law enforcement action in Tanzania and/or the UK. There is a direct correlation between our assessment of political, legal and regulatory risk and our assessment of single country risk, given the material exposure that the Group has to developments within Tanzania and lack of geographical diversification of our operating assets. Similarly, risk ratings relating to the Group's ability to attract and retain employees has increased year on year given ongoing challenges within the operating environment and the impact that this may have on employees. A corresponding increase has also been made to our assessment of risk that undermines our social licence to operate and the support we receive from stakeholders, given the impact that ongoing disputes with the Government has on wider stakeholder perception. As a result of this, we have introduced social licence to operate and key stakeholder support as a standalone and new principle risk this year. In addition, in light of industry-wide focus on risks relating to tailings storage facilities and in light of increased Government inspections at North Mara, we have increased the residual risk impact assessment related to the risk of environmental hazards and rehabilitation.

The continuation of reduced operations at Bulyanhulu has led to a reduction in the risk profile of safety risks relating to mining operations (fall of ground, uncontrolled fires and mobile equipment incidents), however, we continue to monitor this as a principal risk due to the importance of health and safety to our business.

The principal risk chart opposite shows how we have allocated residual risk ratings across these principal risks for 2018.

In addition, the table entitled Principal Risks and Uncertainties overleaf sets out a description of each of our principal risks, along with commentary regarding management responsibility, Committee and Board oversight, relevance to strategy, mitigating action and the status of the risk in 2018 for further information purposes. We also chart year-on-year trends and continuing impact assessments. In addition to those risks stated, there may be additional risks unknown to Acacia and other risks, currently believed to be immaterial or that relate to the wider gold mining industry, which could turn out to be material to the Group. Additional discussions of certain trends and uncertainties that may affect our operations are provided in other parts of this Strategic report.

Assessment of viability

In addition to annual risk management reviews, we also conducted additional reviews relating to business viability relevant to our assessment of Acacia's ongoing viability and the related confirmations required to be made in this regard.

In assessing the viability of the business the Directors have taken into account the developments and trends across the Company's principal risks and related ongoing uncertainties affecting our business and in particular the ongoing political, legal and regulatory developments affecting our operating environment, as explained in this Risk Management section and throughout this Annual Report.

In addition, the Directors' consideration of viability is subject to all considerations and assumptions taken into account as part of the 2018 carrying value review outlined on page 81 and the going concern statement on page 55 of this Annual Report.

After making appropriate enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Acacia Group will continue to operate and meet its liabilities, as they fall due, for the next three years should the operating environment not further deteriorate. However they have concluded that the combination of the above circumstances represents a material uncertainty that may cast significant doubt on the Group's ability to remain viable.

We continue to assess viability over a three-year assessment period on the basis of the key components and criteria that continue to underpin the Acacia Group's life of mine planning process. This process is built on a mine by mine basis using a detailed physical and financial model.

It makes certain assumptions as regards the ongoing gold price environment and the performance level of each mine. Each component of the plan is then stress tested for market sensitivities as part of ongoing reviews. The key components of the plans, associated principal risks and relevant scenario testing to this planning process are reviewed by the Directors at least annually.

In addition, the life of mine planning process is underpinned by regular Board briefings as part of ongoing periodic operational performance reviews and the discussion of any operational initiatives to be undertaken in the ordinary course of business. In addition to this and in light of the challenges faced in 2018 management has enhanced its liquidity assessments for going concern and viability purposes.

The information relating to Acacia's performance included on pages 36 to 49 (inclusive) of this Annual Report is incorporated by reference into this Strategic report and is deemed to form part of this Strategic report.

Principal risk chart: residual risk ranking

1. Political, legal and regulatory Developments	increase					
2. Single country risk	increase					
3. Attraction and retention of employees	increase					
4. Significant changes to commodity prices	increase					
5. Liquidity risk	increase					
6. Social licence to operate and key stakeholder support (new)	NEW					
7. Reserve and resource estimates	increase					
8. Environmental hazards and rehabilitation	increase					
9. Safety risks relating to mining operations	decrease					
10. Operational security and theft	decrease					

Ranking in 2017 Ranking in 2018

Low residual risk

High residual risk

PRINCIPAL RISKS AND UNCERTAINTIES

We define principal risks as those risks or combination of risks that would threaten our business model, future performance, solvency or liquidity.

Strategic Pillars

Our Business
Our People
Our Relationships
Our Future

Key

Increase
Decrease

Risk	Potential impact	Change from 2017	Executive leadership team responsibility	Board/board committee oversight responsibility	2018 Status	Mitigation/comment	Relevance to strategic pillars	Further information
Strategic risks								
Single country risk								
All of our revenue is derived from production at our operations in Tanzania. To ensure continued growth, the Group needs to identify new resources and development opportunities through exploration and acquisition targets. The identification of potential growth opportunities in other territories is required to strengthen the business through geographic diversification in order to mitigate the effects that significant in-country developments could have on our operations and business.	High	Increase	CEO/CFO	Board	This risk is elevated in the current operating environment in Tanzania and Acacia's current disputes with the Government of Tanzania ("GoT") where the courses of action available to the Company are limited. Work, however, continues in the progression of core exploration projects in Kenya, Burkina Faso and Mali.	We seek to assess a wide range of potential growth opportunities to build on our existing portfolio, particularly acquisition and development opportunities outside Tanzania to maximise growth potential and to help mitigate the effects that significant developments in Tanzania could have on our business.	Our business Our future	Please see our Exploration review and the Strategic report.
Financial risks								
Significant changes to commodity prices								
Our financial performance is highly dependent on the price of gold and, to a lesser extent, the price of copper and silver. Fluctuations in the pricing of these commodities, which are largely attributable to factors beyond our control, will likely have a corresponding impact on our financial condition, particularly in the context of rapid pricing fluctuations.	High	Increase	CFO	Board	In 2018 we implemented additional gold price protection measures over the short term and will continue to assess the requirement for further price protection arrangements.	We monitor our exposure to commodity price fluctuations as part of financial and treasury planning and controls procedures. We conduct ongoing reviews of hedging policies for certain commodity exposures and implement strategic protections to secure cash flows from sales revenues.	Our business	Please see our Financial review.
Liquidity risk								
Our primary source of liquidity is operating cash flow together with cash holdings and credit facilities. Impacts on operating cash flows may present a risk of the Group not having access to sufficient funds to meet its financial commitments and liabilities.	High	Increase	CFO	Board	Through 2018, we have faced increased risks of impacts on operating cash flows due to the concentrate ban and resulting actions that have adversely impacted our operating environment. Actions taken during 2018 to mitigate this risk include: • Maintaining Bulyanhulu mine on reduced operations. • Continuing to secure gold price protection via hedging programmes. • Continuing to review the divestment opportunities for non-core assets and looking to optimise the exploration programme. • Cost reduction programmes with restructuring of corporate office and Bulyanhulu break-even project.	Ongoing mitigation of the risk includes the general continuation of cost control and cost discipline within the business and reduction in corporate overheads, the deferral of capital expenditure, where possible, and active management of cash and cash equivalents.	Our business	Please see our Financial review.
External risks								

Risk	Potential impact	Change from 2017	Executive leadership team responsibility	Board/board committee oversight responsibility	2018 Status	Mitigation/comment	Relevance to strategic pillars	Further information
Political, legal and regulatory developments								
Our exploration, development and operational activities are subject to extensive laws and regulations governing various matters in the jurisdictions in which we operate. Our ability to conduct business is dependent on stable and consistent interpretation and application of laws and regulations applicable to mining activities and our operations, particularly in Tanzania. Changes to existing applicable laws and regulations, a more stringent application or interpretation of applicable law and regulation, or inconsistencies and irregularities in the interpretation of applicable law and regulation by relevant Government authorities have and could adversely affect the progression of our operations and development projects. Our operations and financial condition have and will also be adversely affected if existing Mineral Development Agreements are not honoured by the GoT. The Group may also be adversely affected by changes in global economic conditions, and political and/or economic instability in Tanzania or any of its surrounding countries and any continuation in legal or regulatory action brought against employees or companies within the Acacia Group in connection with disputes with the GoT.	High	Increase	CEO/Head of Legal and Compliance	Board	In 2018 the GoT continued to ban the export of mineral concentrates and enforce new laws and regulations in the natural resources sector and the mining industry in particular. This has resulted in the ongoing deterioration in relations between industry stakeholders and the GoT through its various agencies. In addition the GoT brought criminal charges against Group companies and employees.	We continue to seek a negotiated solution for the resolution of all disputes with the GoT by all available means, including those that may be achieved through Barrick's ongoing negotiations with the GoT. In the meantime, the Group continues to protect its rights via the arbitration processes commenced under the Bulyanhulu and Buzwagi MDAs and continues to dispute the erroneous tax assessments via legal procedures. All allegations are denied and criminal charges are being defended, but there is a risk of continuing and further legal or regulatory action by the GoT, or of other regulatory or law enforcement action in Tanzania and/or the UK.	Our business Our people Our relationships Our future	Please see our Strategic report.
Social licence to operate and key stakeholder support								
The establishment of a sustainable operating environment is highly dependent on our ability to engage and/or manage relations with government and other internal/external stakeholders. Deterioration in these relations may have a significant impact on mining operations resulting from operational disruptions and asset vandalism by local communities.	High	Increase	CEO	EHS&S Committee	The current political environment and a hardening attitude towards the Group through the concentrate export ban along with statements from Government officials have negatively impacted relations with key stakeholders. There are also concerns around Acacia's ability to meet stakeholder's expectations in the face of these severe socioeconomic challenges. Further enhancing this risk is the reduced local employment resulting from the end of mining at Buzwagi and Bulyanhulu being on reduced operations.	We continue to focus on improving relations with our key stakeholders through the development and rollout of various relationship strategies and internal/external communication. In addition, we continue to focus on the closure of legacy social obligations and the implementation of the Sustainable Communities Strategy.	Our business Our people Our relationships Our future	Please see our Sustainability review.
Operational risks Attraction and Retention of Employees								
Our business depends upon our ability to recruit and retain qualified personnel, such as skilled engineers and geologists. The loss of skilled workers and a failure to recruit and train equivalent replacements may affect our	High	Increase	CEO	Board	The challenges in retaining and attracting key staff are elevated by volatility in the current operating environment as well as safety concerns stemming from the interrogation,	We have embarked on training programmes and leadership development programmes to develop local industry expertise and continue the progression of	Our business Our people Our future	Please see our Strategic report and Sustainability review.

Risk	Potential impact	Change from 2017	Executive leadership team responsibility	Board/board committee oversight responsibility	2018 Status	Mitigation/comment	Relevance to strategic pillars	Further information
operations and production.					detention and arrest of several Group employees in 2018. *In addition*, there is increased difficulty in securing work permits for critical expats and a damage to the Group reputation as a result of the ongoing dispute with the GoT.	our localisation strategy. Long-term incentive and retention programmes have been introduced to address retention because of developments in our *operating environment.*		
Reserve and resource estimates								
The reserves and resources estimates are based on a range of assumptions and factors. Changes to these assumptions, including for commodity price, operating environment and applicable changes in law may impact on the input *parameters to the estimates. This in turn may* impact on economic recoverability of tonnages or grades in current reserve and resource estimates.	High	Increase	CEO	Board	The increase in this risk reflects the ongoing challenges in our operating environment and the impact that these *external factors* may have on our reserves and resources calculation and, ultimately carrying value of our assets.	We seek to manage the varying *nature of reserve and resource* estimates through our life of mine planning procedures, periodic reviews of such estimates and production targets and by *ensuring that our reserve and* resource estimates are calculated and reported on in accordance with the requirements of NI 43-101 of the *Canadian Institute of Mining* and Metallurgy and Petroleum. A *Reserve and Resource* governance team ensures standards are being adhered to, and changes to policy and legislation are taken into account. *The team reviews assumptions* made in the reserve process and a periodic external review of models along with the entire resource process has also been established.	Our *business* Our future	Details of our reserves and resources are set out in the reserves and resources statement for 2018.
Environmental hazards and rehabilitation								
Our operations are subject to environmental hazards because of the processes and chemicals used in our extraction and production methods. Should environmental incidents occur despite the *mitigating measures implemented, we may be* liable for losses and costs associated with environmental hazards at our operations, have our licences and permits withdrawn or suspended, or may be forced to undertake extensive clean-up *and remediation action.*	High	Increase	CEO	EHS&S Committee	Throughout 2018 we have maintained our focus on environmental objectives in *support of our environmental strategy* and have continued to make enhancements to the Group's environmental management plans along with regular environmental *audits/inspections.*	We use environmental management systems and controls across our operations to provide for appropriate environmental practices, *including the adoption of specific* environmental management plans for each of our operations. We also monitor mining and operational activities against key *international standards, such as* the International Cyanide Management Code, and assess remediation and rehabilitation costs on an annual basis.	*Our* business Our people	*Please see* our Strategic report and our Operating *and* Sustainability reviews.
Safety risks relating to mining operations								

Risk	Potential impact	Change from 2017	Executive leadership team responsibility	Board/board committee oversight responsibility	2018 Status	Mitigation/comment	Relevance to strategic pillars	Further information
Our mining operations are subject to the usual hazards and safety risks in a mining workplace, such as fall of ground relating to underlying geotechnical risks, potential fires and mobile equipment incidents. Should safety incidents occur despite the mitigating measures implemented, we may be liable for associated losses and costs or have our operations suspended or licences or permits withdrawn.	Moderate	Decrease	CEO	EHS&S Committee	Throughout 2018 we have continued to enhance safety management systems and critical risk control standards for key operational safety risks in order to maintain our objectives for health and safety. Reduced operations at Bulyanhulu and Buzwagi have led to a reduction in the overall safety risk profile however this still remains a significant risk that is closely being monitored by the Group, particularly in light of the fatality at North Mara.	We use a wide range of safety management systems to safeguard safety in the workplace. We provide continuous training and supervision on safety management to promote and embed the use of safe operating practices.	Our business Our people Our relationships	Please see our Strategic report and our Operating and Sustainability reviews.
Operational security and theft								
We face risks to our businesses in relation to gold thefts and wider security-related matters relating to trespass, vandalism and serious security-related incidents on our operations, and illegal mining in areas covered by the Group's exploration and mining licences, all of which may have an adverse effect upon Group operations and financial condition.	Moderate	Decrease	CEO/Head of Legal and Compliance	EHS&S Committee	Throughout 2018 we have continued to review and enhance our security model in line with our objectives for operational security through the decentralisation of the Security function across the Group. We have also continued to enhance security and human rights training, ongoing reviews of community grievance processes, and ongoing engagements with local police forces. Reduced operations at Bulyanhulu and Buzwagi have led to a reduction in the overall security and theft risk profile, however the risk still remains significant at North Mara where concerns around flare-ups persist given the proximity and economic circumstances of the communities around the mine, and the current environment created by the ongoing dispute with the GoT.	Our security management system adopts a range of measures to protect employees, assets, operations and people, including local communities, from operational security risks. Our approach to security management is guided by the Voluntary Principles on Security and Human Rights ("VPSHR"). These measures include the implementation of security checks and procedures; infrastructure such as perimeter and asset fencing and surveillance equipment; contracts with private security providers and Memoranda of Understanding with local police forces with clear expectations regarding respect for human rights; support for human rights training for private security personnel and the police; and community grievance processes.	Our business Our people Our relationships	Please see our Sustainability review.

Operational performance

Full year production of 521,980 ounces was ahead of the initial 2018 production guidance of 435,000 to 475,000 ounces for the year, due to the strong operating performance at all three sites, despite the challenging operating environment, although 32% lower than 2017 due to the transition to reduced operations at Bulyanhulu and to stockpile processing at Buzwagi.

1. North Mara
Gold production 336,055oz
AISC US$866/oz
SEE PAGE 38

2. Buzwagi
Gold production 145,440oz
AISC US$977/oz
SEE PAGE 40

3. Bulyanhulu
Gold production 40,485oz
AISC US$786/oz
SEE PAGE 42

4. Exploration
SEE PAGE 44

Full year gold sales of 520,380 ounces were broadly in line with production. AISC of US$905 per ounce sold and cash costs of US$680 per ounce sold were both below the 2018 full year guidance ranges of US$935 to US$985 per ounce for AISC and US$690 to US$720 per ounce for cash costs, mainly driven by the higher production while AISC was further assisted by lower capital expenditure.

Total tonnes mined during the year amounted to 17.4 million tonnes, 47% lower than 2017, while ore tonnes mined of 4 million tonnes were 70% lower than 2017, mainly as a result of the cessation of mining activities and the focus on stockpile processing at Buzwagi and reduced operations at Bulyanhulu.

Ore tonnes processed amounted to 9.3 million tonnes, 6% higher than 2017 driven by the improved throughput of reprocessed tailings at Bulyanhulu and better than expected processing plant performance at Buzwagi. Head grade for the year (excluding tailings retreatment) of 2.2g/t was 33% lower than the corresponding figure of 3.3g/t in 2017. This was due to increased processing of lower grade stockpiles at Buzwagi, which was partly offset by higher head grades at North Mara as a result of the higher grades received from the open pit mine.

Case study

Bulyanhulu Optimisation Study

Highly encouraging provisional outcomes with a focus on mining in the Deep West

In the second half of 2017 Acacia took the decision to place Bulyanhulu on reduced operations due to the inability to export gold concentrate. However, during 2018 with the mine on reduced operations Acacia took the opportunity to progress an optimisation study designed to ensure that when the mine resumes underground mining operations it does so in an optimised manner and reaches its full long-term potential.

The study work progressed well during 2018 and we were highly encouraged by the provisional outcomes of the optimisation study with a focus on achieving higher margin ounces in line with our strategy of free cash generation. The future focus is likely to be on mining the higher grade ore in the Deep West area to achieve higher margin ounces. In addition there is likely to be a significant reduction in development requirements as a result of focusing solely in the Deep West area as well benefiting from a lower fixed cost base. Costs are, therefore, in line with the expected reduction in the ore tonnes (although at higher grades) to be mined and processed over any new life of mine.

It is expected to take approximately 12 to 18 months to achieve first gold production once a decision is taken to resume underground mining operations, which would be dependent on the ability to economically produce and sell gold concentrate and a comprehensive resolution of the disputes with the GoT. It is then anticipated that it would take approximately two years to ramp up to full production from the underground mine thereafter, with an estimated average steady state production rate of 300,000 to 350,000 ounces per year at an AISC of US$700 to US$750 per ounce over an indicative mine life of 18 years.

Key metrics (unaudited)		
Life of mine	Years	18
Pre-production capital	US$m	90-110
Pre-production rehabilitation and development	US$m	30
Net other pre-production cost	US$m	20
Steady state production [1]	Koz	300-350
Steady state AISC [2]	US$/oz	700-750
Steady state plant throughput	Kt/yr	1,000-1,100
Pre-production period	Months	12-18
Underground Reserves	2.6Moz	10.70 g/t
M&I Resources	2.1Moz	8.36g/t
Inferred Resources	5.7Moz	11.76g/t
Ramp up to steady state from first production	Months	18-24

Numbers above exclude reduced operations costs, impact of tailings processing and stockpiled concentrate
1 Steady state production and AISC is after ramp up and before ramp down.
2 Excludes pre-production capital and other costs.

North Mara

Progress in 2018

- 11% improvement in safety performance, with TRIFR of 0.25
- 4% increase in production to 336,055oz
- Continued drilling programme at Gokona to finalise mine design and test long term potential of deposit
- Pre-feasibility study underway for potential underground mine at Nyabirama

Priorities for 2019

- Targeting 10% increase in production to ~ 370,000 oz and 10% lower AISC of ~ US$790/oz
- 39,000m of extensional and infill drilling at Gokona
- Completion of pre-feasibility study at Nyabirama Underground mid-2019

64%

Contribution to total Group ounces

0.25

TRIFR

Reserves & Resources

2.2Moz

Mineral Reserves

1.0Moz

Measured and Indicated Exclusive Mineral Resources

0.7Moz

Inferred Resources

Our staff on the ground:
Name: *Mwanvua Saidi*
Job title: *Geotechnician, Geology at North Mara*
Tenure: *4 years*
Role with Acacia: *Mwamvua has a diploma in Mining Engineering from the Madini Institute in Dodoma. Her role at North Mara includes exploration, grade control, and controlling ore dilution.*

North Mara's gold production of 336,055 ounces was 4% higher than 2017, mainly driven by a 3% higher head grade due to higher-grade ore received from the Eastern part of the Nyabirama open pit, combined with improved plant recovery rates. Gold sold for the year of 332,195 ounces was broadly in line with production.

Ore tonnes from underground mining continued to increase and were 20% higher than 2017, due to the increase in the availability of developed mining areas and improved equipment availability.

Cash costs of US$591 per ounce sold were 19% higher than 2017 (US$498/oz), mainly driven by higher direct mining costs (US$117/oz), largely due to lower capitalised stripping costs driven by a lower strip ratio in stage 4 of the Nyabirama pit, higher external services, energy and fuel, general administration and consumables costs; combined with higher sales-related costs linked to the increase in the royalty rate and the higher sales base (US$24/oz). This was partly offset by the higher production base (US$45/oz).

AISC of US$866 per ounce sold was 8% higher than 2017 (US$803/oz), primarily as a result of the higher cash costs discussed above (US$93/oz) and higher sustaining capital expenditure (US$10/oz), partly offset by lower capitalised stripping costs (US$41/oz).

Capital expenditure for the year before reclamation adjustments amounted to US$81.6 million, 13% lower than 2017 (US$93.9 million). Key capital expenditure included capitalised stripping costs (US$28.2 million), capitalised underground development costs (US$19.3 million), capitalised drilling mainly relating to resource and reserve development at Gokona underground and the Nyabirama underground studies (US$8.3 million), investment in mobile equipment and component change-outs (US$15.5 million) and investment in fixed equipment and infrastructure (US$2.9 million).

The drilling programme at Gokona focused initially on infill drilling to enable the finalisation of mine design and subsequently in testing for the long-term potential of the deposit. The pre-feasibility study for a potential underground mine continues at Nyabirama; further extensional drilling will continue in 2019 and is expected to be completed in mid-2019.

For 2019, we expect production to be around 10% higher than 2018 at approximately 370,000 gold ounces. The Nyabirama open pit is expected to deliver increased ore volumes at higher grades as we gain access to the main ore zone in cut 4 while we also expect higher grades at Gokona underground with potential for continued positive grade reconciliation. AISC is expected to be approximately 10% lower than 2018 at around US$790 per ounce sold, driven by the higher production base and lower cash costs as a result of the higher grades in the open pit, partly offset by an increase in sustaining capital expenditure following the deferral of 2018 capital projects which are now expected to be completed in 2019.

Key mine statistics		Twelve months ended 31 December	
(Unaudited)		*2018*	*2017*
Key operational information:			
Ounces produced	oz	**336,055**	323,607
Ounces sold	oz	**332,195**	324,455
Cash cost per ounce sold[1]	US$/oz	**591**	498
AISC per ounce sold[1]	US$/oz	**866**	803
Open pit:			
Tonnes mined	Kt	**15,736**	15,299
Ore tonnes mined	Kt	**2,875**	3,147
Mine grade	g/t	**2.0**	1.7
Underground:			
Tonnes mined	Kt	**1,199**	1,084
Ore tonnes mined	Kt	**782**	654
Mine grade	g/t	**7.8**	8.7
Processing information:			
Ore milled	Kt	**2,847**	2,841
Head grade	g/t	**4.0**	3.9
Mill recovery	%	**92.7%**	92.0%
Cash cost per tonne milled[1]	US$/t	**69**	57
Capital expenditure			
– Sustaining capital[2]	US$('000)	**25,771**	22,563
– Capitalised development	US$('000)	**47,496**	61,066
– Expansionary capital	US$('000)	**8,335**	10,270
		81,602	93,899
– Non-cash reclamation asset adjustments	US$('000)	**(865)**	(2,951)
Total capital expenditure	US$('000)	**80,737**	90,948

1 These are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the Glossary of Terms on page 182 for definitions of "Non-IFRS measures".
2 Includes land purchases recognised as long-term prepayments

Buzwagi

Progress in 2018

- Improved safety performance, with 50% reduction in TRIFR to 0.16
- Production of 145,440oz of gold from stockpile processing ahead of expectations

Priorities for 2019

- Targeting production of 115,000oz from stockpiles
- Continue to process gold from stockpiles until mid-2021

28%

Contribution to total Group ounces

0.16

TRIFR

Reserves & Resources

0.3Moz

Mineral Reserves

0.2Moz

Measured and Indicated Exclusive Mineral Resources

1.2Moz

Inferred Resources

Our staff on the ground:
Name: *Francis Ndillah*
Job title: *Process Plant Trainer at Buzwagi*
Tenure: *10 years*
Role with Acacia: *Francis has completed a number of internal training programmes covering process plant operations, mobile equipment handling, first aid as well as the company's Rainbow Leadership Programme.*

Buzwagi gold production of 145,440 ounces for 2018 was higher than expected, although 46% lower than 2017 as a result of Buzwagi transitioning primarily to a low-grade stockpile processing operation compared to the processing of run-of-mine ore at higher grades in the previous period. Gold production benefited from the extended mining of the final cut of the higher grade ore at the bottom of the pit and switchbacks and the better than expected processing plant performance which drove 6% higher throughput and better than expected recovery rates. Gold sold for the year of 146,630 ounces was in line with production.

Total tonnes mined of 0.5 million tonnes were significantly lower than 2017 due to the mining of only the final cut of the higher grade ore at the bottom of the pit and switchbacks. This was delayed from the fourth quarter of 2017 due to the flooding of the pit but was largely completed by the end of 2018.

There was no copper production or sales for the year as the flotation circuit ceased operating in 2017.

Cash costs for the period of US$906 per ounce sold were 53% higher than 2017 (US$594/oz), mainly due to the higher average cost valuation relating to the drawdown of lower grade stockpiles compared to the higher-grade mined ounces in 2017 (US$812/oz) and lower co-product revenue (US$15/oz), partially offset by lower direct mining costs as a result of Buzwagi transitioning to a stockpile processing operation (US$491/oz) and lower sales related costs due to lower sales volumes (US$21/oz).

AISC per ounce sold of US$977 was 46% higher than 2017 (US$667/oz). This was mainly driven by higher cash costs as explained above (US$312/oz) and the negative impact of the lower sales volumes on individual cost items (US$7/oz), partly offset by lower corporate administration cost allocations (US$7/oz) and lower sustaining capital expenditure (US$6/oz).

Capital expenditure before reclamation adjustments of US$3.5 million was 19% lower than 2017 (US$4.3 million). Capital expenditure for the year mainly consisted of the expansion of the tailings storage facility (US$2.4 million) and other process plant upgrades (US$1.1 million).

Buzwagi will continue to process stockpiles through 2019 and until mid-2021. Following completion of the mining of the final cut at the bottom of the pit in the first quarter of 2019, the mill feed will soon be exclusively from stockpiles. Production for 2019 is expected to total approximately 115,000 ounces. As a result of the lower production and release of non-cash high cost inventory of approximately US$285 per ounce, reported AISC in 2019 is expected to increase to approximately US$1,140 per ounce sold.

Key mine statistics		Twelve months ended 31 December	
(Unaudited)		**2018**	2017
Key operational information:			
Ounces produced	oz	**145,440**	268,785
Ounces sold	oz	**146,630**	160,552
Cash cost per ounce sold [1]	US$/oz	**906**	594
AISC per ounce sold [1]	US$/oz	**977**	667
Copper production	Klbs	**–**	8,991
Copper sold	Klbs	**–**	752
Mining information:			
Tonnes mined	Kt	**478**	15,368
Ore tonnes mined	Kt	**391**	9,309
Reprocessed tailings:			
Ore milled	Kt	**4,526**	4,256
Head grade	g/t	**1.1**	2.1
Mill recovery	%	**89.4%**	94.3%
Cash cost per tonne milled [1]	US$/t	**29**	22
Capital expenditure			
– Sustaining capital	US$('000)	**3,503**	4,338
– Non-cash reclamation asset adjustments	US$('000)	**(5,665)**	(1,978)
Total capital expenditure	US$('000)	**(2,162)**	2,360

1 These are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the Glossary of Terms on page 182 for definitions of "Non-IFRS measures"

Bulyanhulu

Progress in 2018

- Improved safety performance, with TRIFR of 0.10 (0.80 in 2017) and zero LTI
- Following the transition to reduced operations in Q4 2017, produced 40,485oz from reprocessing of tailings
- Progressed essential capital spend of US$7m on the process plant and optimisation study
- Reduced ROP costs to ~US$2m per month

Priorities for 2019

- Completion of the optimisation study by end of Q1 2019
- Continue reprocessing tailings at an annual production rate of 35,000oz of gold at an AISC of US$790/oz
- Complete sustaining capital investment in the process plant
- Ensure reduced operations cost profile is optimised

8%

Contribution to total Group ounces

0.10

TRIFR

Reserves & Resources

2.7Moz

Mineral Reserves

2.1Moz

Measured and Indicated Exclusive Mineral Resources

5.7Moz

Inferred Resources

Our staff on the ground:
Name: *Innocent Msuya*
Job title: *Physiotherapist at Bulyanhulu*
Tenure: *6 years*
Role with Acacia: *Innocent holds a diploma in Physiotherapy and treats employees at the Bulyanhulu Health Centre as well as providing health education to prevent work-related musculoskeletal disorders.*

Gold production of 40,485 ounces was 77% lower than 2017, as a result of the transition of Bulyanhulu to reduced operations at the end of the third quarter of 2017. Production consisted solely of the reprocessing of tailings which was 82% higher than 2017, due to operational efficiencies driving higher throughput and recovery rates, as well as the impact of a drought in the Kahama district which led to a near four-month halt in production from reprocessed tailings in the prior year. Gold sold for the year of 41,555 ounces was 3% higher than production due to the sale of gold on hand at the beginning of the year.

There was no copper production or sales for the year as a result of Bulyanhulu being on reduced operations.

Cash costs of US$599 per ounce sold were 29% lower than 2017 (US$840/oz), mainly due to the lower direct mining costs compared to the prior year as a result of Bulyanhulu being on reduced operations, and lower sales related costs driven by lower sales volumes, partly offset by the lower production base and co-product revenue.

AISC per ounce sold of US$786 was 43% lower than 2017 (US$1,373/oz) mainly due to lower capital expenditure, lower operating costs and lower corporate administration cost allocations, partly offset by the lower production base. AISC per ounce sold excludes reduced operations costs of US$28.8 million, higher than 2017 of US$24.8 million driven by 12 months of reduced operations in 2018.

Capital expenditure for the year before reclamation adjustments amounted to US$7.1 million, 86% lower than 2017 (US$49.8 million). This was due to the transition of Bulyanhulu to reduced operations and includes the Bulyanhulu optimisation study costs (US$2.6 million), asset integrity work to the processing plant facilities (US$2 million) and water management pond upgrades (US$1.2 million).

We expect Bulyanhulu to remain on reduced operations and to continue to reprocess tailings through the year, at a monthly reduced operations cost of approximately US$2 million. These costs are excluded from AISC on the principle that they are not representative of sustaining operational costs.

Acacia is finalising an optimisation study which is intended to ensure that underground mining, processing and all supporting operations can be optimised and fit for purpose when underground mining operations at Bulyanhulu are in a position to resume, upon the resolution of the disputes with the Government and the resumption of sales of concentrate. The current stage of the study is expected to be completed by the end of the first quarter of 2019. The mine will continue with the reprocessing of tailings through 2019 at an annual production rate of approximately 35,000 ounces and an AISC of approximately US$790 per ounce, which will partially offset the cost of reduced operations.

Key mine statistics		Twelve months ended 31 December	
(Unaudited)		**2018**	2017
Key operational information:			
Ounces produced	oz	**40,485**	175,491
Ounces sold	oz	**41,555**	107,855
Cash cost per ounce sold[1]	US$/oz	**599**	840
AISC per ounce sold[1]	US$/oz	**786**	1,373
Reduced operations cost	US$('000)	**28,817**	24,804
Copper production	Klbs	**–**	3,906
Copper sold	Klbs	**–**	588
Run-of-mine:			
Underground ore tonnes hoisted	Kt	**–**	596
Ore milled	Kt	**–**	612
Head grade	g/t	**–**	8.6
Mill recovery	%	**–**	90.1%
Ounces produced	oz	**–**	153,279
Cash cost per tonne milled[1]	US$/t	**–**	126
Reprocessed tailings:			
Ore milled	Kt	**1,899**	1,010
Head grade	g/t	**1.2**	1.4
Mill recovery	%	**53.6%**	48.0%
Ounces produced	oz	**40,485**	22,212
Capital expenditure			
– Sustaining capital	US$('000)	**3,164**	9,033
– Capitalised development	US$('000)	**–**	39,543
– Expansionary capital	US$('000)	**3,899**	1,190
		7,063	49,766
– Non-cash reclamation asset adjustments	US$('000)	**(1,955)**	(4,158)
Total capital expenditure	US$('000)	**5,108**	45,608

1 These are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to the Glossary of Terms on page 182 for definitions of "Non-IFRS measures".

Exploration and development*

"A review of our exploration portfolio in 2018 resulted in a much deeper understanding of the potential of our licences and we are now in a position to focus on those with the best potential in the year ahead. Meanwhile we took the decision to exit the South Houndé JV in Burkina Faso and explore the possibility of divestment or bringing in a partner for our licences in western Kenya".

Hannes Henckel Head Of Discovery

*All financial information presented in the Exploration and Development section of the Operating Review is unaudited

Tanzania

- Exit of Nyanzaga Project for US$10m and a US$15m capped royalty
- FCC approval for OreCorp to increase interest to 51%
- Completion agreement for OreCorp to move to 100%
- Awaiting final approvals at year-end

Mali

- 5 permits across 191 sq km in Senegal Mali Shear Zone ("SMSZ")
- SMSZ host to 50+Moz
- Over 25 targets identified
- 2019 budget – US$3 million

Kenya

- 1,587 sq km land package
- First mover advantage
- Declared 1.2Moz @ 12.6g/t
- Scoping study in progress
- Review of economics looking at different mining methods to extract the resource

Burkina Faso

- 4 JVs over 2,700 sq km
- Houndé Belt host to 10Moz+
- Numerous targets across portfolio
- Agreement to divest South Houndé JV to partner Sarama Resources for US$4m, 1-2% NSR and 5m warrants exercisable for 5 years (subject to final documentation)
- 2019 budget – US$5 million
- 2.1Moz @ 1.5 g/t inferred resource

Our staff on the ground:
Name: *Elda Mahenda*

Job title: *Organisational Effectiveness Officer*

Tenure: *4 years*

Role with Acacia: *Elda holds a Bachelor's Degree in Public Relations and Marketing from Saint Augustine University in Tanzania. Through Acacia, Elda has gained training in specialist fields of human resources and became an Organisational Effectiveness Officer in 2018.*

Progress in 2018

- Reviewed our exploration portfolio
- Approximately 45,000 metres of drilling completed at Gokona
- Divestment of the South Houndé JV in Burkina Faso.
- Completed drilling programme at Tintinba-Bané Project JV in Mali

Priorities for 2019

- Seek suitable partner for licences in western Kenya
- Drilling of active JVs in Central Houndé, Burkina Faso
- Focus on Gourbassi Est licence in Mali
- Continued drilling at Gokona, surface drilling programme planned at potential underground mining area for Nyabirama

Brownfield Projects

In 2018, brownfield exploration was focused exclusively at North Mara and restricted to underground diamond drilling at Gokona.

Surface diamond drilling on the Nyabirama deposit was suspended in late 2017 but additional drilling is planned in 2019 to test the underground potential below the eastern side of the open pit.

North Mara

Gokona Underground

In addition to the grade control drilling, approximately 45,000 metres of infill and extensional diamond drilling was completed at Gokona Underground during 2018; with a maximum of four underground diamond drill rigs in operation.

Drilling from the hanging wall exploration drill drive developed at the 1030mRL elevation defined the Upper Central area beneath the open pit for mine development planning, with multiple significant intersections:

- UGKD453 15.0m @ 13.2g/t Au from 176m
- UGKD457 17.0m @ 6.3g/t Au from 225m
- UGKD476 10.0m @ 10.9g/t Au from 234m
- UGKD486 30.0m @ 4.3g/t Au from 219m
- UGKD503 25.0m @ 4.6g/t Au from 269m
- UGKD441 30.0m @ 5.6g/t Au from 228m
- UGKD451 30.0m @ 9.0g/t Au from 200m
- UGKD480 30.0m @ 4.6/t Au from 163m
- UGKD499 31.0m @ 7.0g/t Au from 194m
- UGKD516 19.0m @ 6.7/t Au from 222m
- UGKD431 26.0m @ 4.8g/t Au from 165m

The Central mineralisation is cut by an east-west trending dolerite dyke that displaces the mineralisation; with additional drilling required to adequately delineate the depth extensions of the Central zone.

Drilling during 2018 also tested the third mining panel in the West zone; with better widths and grades seen below the lower grade base of the second panel:

- UGKD448 20.0m @ 8.7g/t Au from 157m
- UKGC_01087 30.0m @ 6.1g/t Au from 201m
- UKGC_00440 34.0m @ 6.9g/t Au from 200m
- UKGC_01008 26.0m @ 5.2g/t Au from 227m
- UKGC_01011 33.0m @ 8.4g/t Au from 224m
- UKGC_01050 30.7m @ 3.1g/t Au from 221m
- UKGC_01076 24.0m @ 8.7g/t Au from 318m
- UKGC_01079 24.0m @ 3.5g/t Au from 233m
- UKGC_01083 26.0m @ 3.8g/t Au from 169m

A programme of initial holes to test the Far West zone was also undertaken, with some of the initial results showing more moderate grade mineralisation:

- UGKD551 24.0m @ 5.5g/t Au from 176m
- UGKD553 13.0m @ 4.9g/t Au from 225m
- UGKD554 17.0m @ 4.3g/t Au from 234m

Late in 2018, a programme was commenced to test for the presence of higher-grade mineralisation at depth immediately to the west of the Gokona Fault. Initial results were highly encouraging with some significant downhole intersections:

- UGKD501 20.0m @ 5.0g/t Au from 564m
- UGKD502 10.0m @ 14.1g/t Au from 505m; and 18.0m @ 17.9g/t Au from 537m
- UGKD510 23.0m @ 110.2g/t Au from 426m; and 6.0m @ 14.9g/t Au from 502m; and 19.0m @ 3.2g/t Au from 549m
- UGKD546 18.0m @ 14.4g/t Au from 582m

Drilling of this deeper zone located 300-400 metres vertically below the current East Decline will continue in 2019; as well as infill drilling of the Lower East zone when the East Decline reaches it in the second quarter of 2019.

A total of 39,000 metres of underground infill and extensional diamond drilling is currently planned for Gokona in 2019; with an additional 16,000 metres of grade control drilling. An additional surface diamond drilling programme of 13,000 metres is planned for the eastern side of the potential underground mining area for Nyabirama.

Bulyanhulu

No drilling was conducted at Bulyanhulu.

Greenfield Exploration

In 2018, Acacia commenced a review of its exploration portfolio and took the decision to consider divestment or explore the possibility of bringing in a partner for its licences in western Kenya. In November 2018 the Company also signed a binding conditional agreement with its partner, Sarama Resources Ltd, to terminate the earn-in agreement in respect of the South Houndé Project in south-western Burkina Faso. Acacia remains committed to exploration in Burkina Faso with various earn-in agreements still active and which provide exposure to approximately 2,000 km^2 of the prospective Houndé Belt. In 2019 our exploration plans focus on Burkina Faso and Mali.

Kenya

Liranda Corridor

In May 2017 a maiden resource of 1.31 million ounces of gold at 12.1 grams per tonne was declared for the Isulu prospect. This resource was unconstrained.

A scoping study completed in September 2018 indicated a reduction in the mineable portion of the resource to 4.7 Mt at 5.92 g/t Au (fully diluted) containing 894 koz gold with a proposed mining scenario giving an ore production rate of 400 to 500 kt/y using mechanised mining and treated through conventional gravity and CIL processing. However, the resource can potentially improve with further drilling and the opportunity exists for the deposit to be mined using conventional mining methods, which are typically used in 'small scale' mines. Therefore, Acacia is currently looking at different options and exploring the possibility of bringing in a partner who has the necessary conventional mining expertise to take the project forward.

At the end of November BARA consulting was contracted to assess the economics of the project considering a conventional mining method and a different production profile. It is expected that this will significantly enhance the economics of the project creating an opportunity for a partner with the necessary conventional mining expertise. The study is expected to be finalised during the first quarter of 2019.

During the year drilling in the Isulu South East tested for structures parallel to Isulu within five kilometres along strike from the existing inferred resources. Nine diamond holes for 3,400 metres were completed. Mineralisation within shears of similar orientation to the Isulu prospect was intersected as targeted. Assays returned broad zones of lower-grade mineralisation including some medium-grade intervals:

- LCD0206: 20.5m @ 1.13 g/t Au and 1m @ 3.68 g/t Au
- LCD0209: 31.8m @ 1.29g/t Au, incl. 7.7m @ 3.05 g/t Au
- LCD0210: 13.5m @ 0.90 g/t Au, incl. 1m @ 7.56g/t Au
- LCD0216 0.5m @ 4.2g/t Au and 1.8m @ 1.18g/t Au

Multi-element analysis of the soils collected in early 2018 and modelling of strong VTEM geophysical anomalies identified a 'blind' target between the Isulu and Bushiangala, the so-called GAP target. Interpretation of the geophysical signature and a well-defined pathfinder element leakage soil anomaly pointed to a mineralised intrusive body. Drilling on this target started at the end of June and was completed in August 2018. Three diamond holes, totalling 1514 metres, were drilled into the GAP target. The results received show several wide and weakly mineralised shear zones; best results include:

- LCD0214: 0.5m @ 1.15 g/t Au.

The intersected mineralisation is non-economic for an underground scenario and drilling was stopped.

Lake Zone

In the Lake Zone Camp geological mapping and soil geochemical surveys were completed across several potential target areas including Ramba-Lumba, Rambi Aila, Aila Centre and Ochiegue-Ramula. Some of the targets were followed up by diamond drilling.

Aila-Centre target was covered by mapping and soil sampling. Previously unknown ultramafic rocks and diorite intrusion were identified supporting the geological interpretation based on multi-element soil geochemistry. These rocks are in contact with felsic volcanics, the contact is strongly anomalous in gold. Numerous artisanal workings exist along the Aila trend. The target was not tested further during 2018.

The Rambi-Aila target, related to a colonial mine, was drilled by three DD holes for 1068.4 metres. Three zones of weak alteration and quartz-carbonate veining with minor pyrite mineralisation were intercepted. The assays returned no significant intercepts.

The Ramba-Lumba target is characterised by multiple parallel and anastomosing shear structures and quartz veins mapped in a >3km long and up to 600 meters wide corridor. The shallow parts of the mineralisation were partially mined in the 1980s and 1990s. Previously unknown ultramafic and conglomerate rocks have been identified. A total of 16 DD holes, totalling 5789 metres, were drilled into the target. All holes intercepted strong alteration, sheared and mineralised structures and quartz veining. Significant intersections include:

- LZD0002: 1.5m @ 4.34g/t Au and 2.0m @ 30.7g/t Au.
- LZD0004: 1.0m @ 1.10g/t Au and 1.6m @ 6.40g/t Au
- LZD0006: 0.5m @ 2.65g/t Au and 1.0m @ 3.30g/t Au
- LZD0007: 2.1m @ 4.81g/t Au; 1.0m @ 1.33g/t Au and 2.7m @ 2.91g/t Au
- LZD0008: 0.7m @ 1.68g/t Au
- LZD0009: 0.5m @ 1.18g/t Au, 2.8m @ 1.42g/t Au

- LZD0010: 4.2m @ 4.95g/t Au, 0.5m @ 2.34g/t Au and 0.9m @9.92g/t Au
- LZD0014: 2.5m @ 0.93g/t Au and 1.2m @ 1.99g/t Au.
- LZD0016: 0.5m @ 8.12g/t Au, 0.8m @ 1.33g/t Au, 1m @ 1.25g/t Au and 1m @ 1.15g/t Au.
- LZD0017: 0.5m @ 1.20g/t Au, 0.6m @ 1.34g/t Au and 1m @ 3.02g/t Au
- LZD0019: 0.5m @ 2.98g/t Au

The target does not appear to have potential to support a mid-tier mine. Remodelling of the mineralisation is in progress.

The Ochiegue-Ramula system consists of two targets: Ramula prospect and Ochiegue corridor. These targets, situated only one kilometre apart, have potential for the discovery of a 300 to 500 Koz gold deposit which may be of interest to a potential partner with the necessary conventional mining expertise. Previously drilled and modelled in 2018, the diorite hosted Ramula mineralisation was estimated (unconstrained non-compliant resource) at 0.670Mt @ 12.8g/t Au for 275Koz Au (uncapped) or @ 9.10g /t Au for 197Koz Au (grade capped @ 30g/t Au). 9 holes totalling 3161 metres were drilled into the targets.

The holes intercepted multiple shear zones and veins of various orientations hosted by strongly altered (Fe-carbonate, sericite, silica) intermediate volcanics, as well as quartz-feldspar porphyries and diorite. Better intercepts include:

- RMD0001: 1m @ 2.26 g/t Au
- RMD0002: 2.1m @ 1.15g/t Au from 66.9m and 1m @ 1.41 Au, 1.2m @ 9.15g/t Au, 5.6m @ 2.08g/t Au, 0.6m @ 24.9 g/t Au, 13.1m @ 3.26 g/t Au and 0.5m @ 18.55 g/t
- RMD0003: 0.5m @ 22.9g/t Au and 1m @ 2.23 g/t Au
- RMD0004: 3m @ 2.74 g/t Au, 1.1m @ 5.96g/t Au, 4.3m @ 0.93g/t and 1.3m @ 7.55 g/t Au
- RMD0004: 3m @ 2.74 g/t Au, 1.1m @ 5.96g/t Au, 4.3m @ 0.93g/t and 1.3m @ 7.55 g/t Au
- RMD0005: 0.5m @ 1.95 g/t Au, 0.5m @ 1.56 g/t Au, 0.7m @ 1.24 g/t Au and 0.8m @ 27.0 g/t Au
- RMD0006: 1.1m @ 1.51 g/t Au
- RMD0008: 0.8m @ 6.29g/t Au, 1.5m @ 1.58g/t Au, 1m @ 3.33g/t Au, 1m @ 2.23g/t Au
- RMD0009: 1m @ 1.94g/t Au and 4m @ 6.40g/t Au

Because of the potential divestment/JV process a minimum expenditure budget has been put in place for 2019. The number of staff members was reduced to 15.

Burkina Faso

Through 2018, work in the Houndé Belt concentrated on the South Houndé JV ground. When the decision was taken to stop all work at Tankoro, activities were directed to the Central Houndé JV ground (Thor Explorations Limited) and the Pinarello-Konkolikan JV ground (Canyon Resources). Activities comprised geological and regolith mapping, geochemistry sampling and IP surveys on regional targets. A total of 19,391 air-core/reverse circulation metres were drilled into various targets.

South Houndé JV (Sarama Resources Limited)
Tankoro Corridor

In November 2018 Acacia signed a binding conditional agreement with its partner, Sarama Resources Ltd, to terminate the earn-in agreement in respect of the South Houndé Project in south-western Burkina Faso. The termination of the earn-in agreement is conditional on definitive documentation being agreed by the parties before 30 April 2019.

Acacia's divestment of South Houndé fits with the Company's strategy of divesting certain non-core assets as part of an ongoing review of its exploration portfolio. The agreement will allow Sarama to move to 100% ownership of the South Houndé Project by making a payment of US$2 million in staged payments. Acacia will also receive US$2 million once commercial production commences and retain an improved net smelter return royalty (NSR) of 1-2%, based on a sliding rate basis on gold price received and a capped gold production of 1Moz Au. In addition, Acacia will be granted 5 million warrants for common shares in Sarama, exercisable for five years.

Central Houndé JV (Thor Explorations Limited)

Detailed field geological mapping and rock-chip sampling continued on the Légué-Bongui Corridor and on the Ouéré soil anomaly. Regional soil sampling covered the north-western part of the Ouéré license. An IP geophysical survey, comprising 40 line kilometres, was conducted on the Legué South-West target.

A number of anomalies were identified and followed up by drilling. A programme of 6,658 metres of combined air-core and reverse circulation drilling was completed. The programme was aimed at testing targets on the Légué-Bongui Corridor (LBC) and on the recently identified targets on the Péké-Poya Corridor (PPC). At LBC 4,406 metres were completed. The purpose of the drilling was to test a four-kilometre-long arsenic gold + IP chargeability shear trend. Best results include:

- CHAC00129: 4m @ 3g/t Au
- CHAC00131: 18m @ 0.56g/t Au
- CHAC00134: 4m @ 1.4g/t Au
- CHAC00081: 6m @ 0.7g/t A
- CHAC00042: 2m @ 2.1g/t Au
- CHAC00017: 4m @ 1 g/t Au

The drilling defined a wide alteration halo consistently developed along the targeted trend (sericite, silicification, kaolinite and carbonate) with anomalous Au grades, which confirms the presence of an Au fertile structure. Alteration and Au anomalism form a consistent trend over four kilometres that will require follow-up testing, particularly considering the widely spaced drill lines completed (800-2,000 metre line spacing).

At PPC 2,252 metres were completed. The drilling aimed to test prospective gold anomalous soils, coincidental with mapped NE & NNW structures, sericite altered diorite dykes and mineralised contacts with granitoids and intermediate volcanics. Best results received so far include:

- CHAC00165: 2m @ 10.5g/t Au
- CHAC00186: 4m @ 1.5g/t Au
- CHAC00185: 5m @ 2.4g/t Au
- CHAC00190: 8m @ 0.5g/t Au

Both targets (PPC and LBC) are characterised by strong alteration and extensive soil anomalies. The limited amount of drilling to date was widely spaced and cannot be seen as being representative for the full potential offered by the targets. Acacia gives both targets a high priority ranking; follow-up drilling is planned for early 2019. A number of additional drill targets remain untested.

Pinarello & Konkolikan JV (Canyon Resources Limited)
Geology and regolith mapping and rock-chip sampling has been conducted on the Tankoro Corridor South Zone and on the regional soil anomalies.

An IP geophysical survey, comprising 53 line kilometres, was conducted on the Tangolobé target.

Air-core drilling started in mid-June 2018 on the Western part of the Tangolobé target. A total of 9,940 metres were drilled, returning only one significant result (2m @ 1.11g/t Au). In view of these disappointing results it was decided to stop all exploration on the licence.

Detailed geology and regolith mapping and infill soil sampling was conducted over the 10-killometre-long Teninbo soil anomaly (Pinarello East). The mapping shows the presence of sub-parallel sets of shears, moderate sericite alteration in a favourable structural setting, associated with extensive soil anomalism; artisanal workings are found along the Teninbo trend.

No drilling has taken place to date. Air-core/ reverse circulation reconnaissance drilling is planned for 2019.

Frontier JV (Metallor SA)
No field work was conducted on Frontier during 2018; the area is difficult to access due to a lack of infrastructure, and there are also some security concerns. The programme has been put on hold until further security assessments are completed. Earlier soil surveys conducted in 2017 revealed strong gold anomalies associated with favourable structural settings. The ground is considered to be highly prospective and a drill programme is planned for 2019 once infrastructure has been improved and measures have been taken to ensure that our staff can work in a secure environment.

Mali
During 2018 we continued to explore our properties in the Senegal-Mali Shear Zone (SMSZ) in southwest Mali.

Tintinba-Bané Project JV (Demba Camara and Cadem Gold)
A programme of 4,527 metres of combined air-core and reverse circulation drilling was completed in 2018. The drilling aimed to continue testing different soil anomalies and structural targets but failed to demonstrate significant or continuous gold mineralisation. Best results include:

- TIAC00068: 8m @ 0.45g/t Au
- TIAC00069: 6m @ 0.57g/t Au
- TIAC00074: 2m @ 1.3g/t Au
- TIAC00067: 4m @ 0.56g/t Au

A full review of the exploration data in the fourth quarter of 2018 (including the participation of an external geological consultant) showed that the Tintinba – Bane Project appears to have limited potential to host a significant deposit. A decision will be made in the first quarter of 2019 whether further work on the project can be justified.

Gourbassi Est – 100% Acacia (ABG Exploration Mali SARL)
Work was limited to a regional soil sampling survey and geology and regolith mapping. The results from the Au soil survey show a strong >80 ppm Au, NNE striking, soil anomaly in the western portion of the tenement. The soil anomaly has a strike length of approximately three kilometres. A weaker NNE trending two-kilometre-long anomaly was identified in the eastern part. The size and strength of these anomalies are highly encouraging and warrant follow up by drilling. Drilling is planned in 2019.

Future Plans in West Africa
A review of our exploration portfolio resulted in a decision to exit the South Houndé JV in Burkina Faso. We also achieved a much deeper understanding of the potential of our licences in the region and a decision will be taken with regard to other JVs in West Africa during 2019.

In Mali work in 2019 will focus on Gourbassi Est (100% Acacia) and will consist of infill soil sampling and an IP survey. Drilling is planned for late second quarter. A recent review of all work done on the Tintinba – Bane licence led to the conclusion that an economic ore body is unlikely to be found on the JV ground.

In Burkina Faso we have three active JVs, two of which (Central Houndé and Pinarello) have seen limited drill testing. Results so far point to the Central Houndé ground having the best potential to deliver a mine. Drilling of Central Houndé will therefore be a priority in 2019.

The western licences of the Pinarello ground are seen as having low potential to host significant mineralisation; activities in early 2019 will, therefore, be directed at testing the substantial Teninbo anomaly at Pinarello East. A decision concerning the future of Pinarello will be made by the end of June 2019.

Surface exploration results at Frontier are exciting and under normal circumstances rigs would have tested the ground during 2018; however activities were put on hold due to infrastructure and security issues. Should conditions allow, drill testing is planned for 2019.

The strong operational performance and the gain on the sale of a non-core royalty early in the year drove positive earnings and cash flow for 2018. In an effort to minimise the impact of the current challenging operating environment, we increased our focus on cost control, cash flow management and capital allocation.

Jaco Maritz Chief Financial Officer

"The Group financial performance was resilient despite the impact of the planned transitioning to low grade stockpile processing at Buzwagi and Bulyanhulu remaining on reduced operations."

- Revenue of US$663.8 million was US$87.7 million lower than 2017, with the US$12 per ounce higher average realised gold price potentially offset by the 12% lower sales base in line with lower production.
- Cash costs increased to US$680 per ounce sold in 2018 from US$587 per ounce sold in 2017, driven by the higher average cost valuation relating to the drawdown of lower grade stockpiles at Buzwagi compared to the higher-grade mined ounces in 2017, the lower production base and lower co-product revenue, partly offset by lower direct operating costs.
- AISC of US$905 per ounce sold was 3% higher than 2017 (US$875 per ounce sold), mainly due to higher cash costs, the impact of lower sales volumes on individual cost items and lower non-cash share-based payment revaluation credits, partly offset by lower capitalised development costs at Bulyanhulu and North Mara, lower sustaining capital expenditure driven by Bulyanhulu being on reduced operations and lower corporate administration expenditure due to the restructuring of corporate and shared services offices.
- EBITDA decreased from US$257.2 million in 2017 to US$225.9 million in 2018, mainly due to the above-mentioned factors, partly offset by lower exploration expenditure and lower other charges. Other charges of US$36.1 million is lower than the prior year of US$90.4 million driven by the gain on the sale of a non-core royalty for US$45 million, partly offset by higher reduced operations costs at Bulyanhulu and higher legal fees.
- Impairment charges of US$28.9 million, mainly related to the Nyanzaga exploration project in Tanzania, following the agreement to sell the Group's stake in the project, combined with the impairment of historical exploration assets during the year end carrying value reviews.
- The tax expense of US$37.9 million compared to the tax credit of US$2.3 million in 2017. The tax expense for 2018 is driven by the current year profit generated at North Mara, partly offset by losses incurred at Bulyanhulu. Included in the current year expense is a 2017 final North Mara tax charge of US$3.1million.
- As a result of the above, net earnings amounted to US$58.9 million, compared to a net loss in 2017 of US$707.4 million (after a net impairment of US$644 million), with earnings per share of US14.4 cents compared to a loss per share of US172.5 cents (after impact of impairment of US157.1 cents).
- Adjusted net earnings of US$44.3 million were US$101.9 million lower than 2017. Adjusted earnings per share amounted to US10.8 cents, down from US35.7 cents in 2017.
- Operational cash inflows of US$126.1 million compared to outflows of US$23 million in 2017, primarily as a result of lower working capital outflows due to the build-up of concentrate on hand which impacted 2017 compared to the draw-down of ore stockpiles at Buzwagi in 2018, partly offset by lower adjusted EBITDA.

The following review provides a detailed analysis of our consolidated results for the 12 months ended 31 December 2018 and the main factors affecting financial statements. It should be read in conjunction with the consolidated financial information and accompanying notes on pages 124 to 163, which have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

Revenue

Revenue for 2018 of US$663.8 million was 12% (US$87.7 million) lower than 2017 due to a 12% decrease in gold sales volumes mainly from Bulyanhulu (66koz) driven by lower production following the transition to reduced operations at the mine, and from Buzwagi (14koz) driven by the planned transition to stockpile processing. This was partly offset by a US$12 per ounce increase in the average net realised gold price from US$1,260 per ounce sold in 2017 to US$1,272 per ounce sold in 2018.

The net realised gold price for the year of US$1,272/oz was US$3/oz higher than the average market price of US$1,269/oz due to the impact of gold price protection measures in the form of put options entered into during the year which delivered realised gains of US$1.8 million as a result of the strike price of the put options of US$1,320 exceeding the average market price for the period. Included in total revenue is co-product revenue of US$3.8 million relating to silver sales, 48% lower than the prior year (US$7.2 million), as a result of the lack of concentrate sales from March 2017 combined with the lower production base. There have been no copper sales since the concentrate export ban commenced and copper production ceased in September 2017.

The unsold concentrate on hand as a result of the concentrate ban remains unchanged at approximately 186,000 ounces of gold, 12.1 million pounds of copper and 159,000 ounces of silver. These contained metals are in a condition to be sold, and will deliver revenue, net of government royalties of approximately US$247 million (at 2018 average spot metal prices).

Cost of sales

Cost of sales of US$444.4 million for 2018 was 3% lower than 2017 (US$458.4 million). The key aspects impacting the cost of sales for the year include a 17% decrease in depreciation and amortisation mainly due to the lower production base and carrying value of assets at Buzwagi as mining was concluded and at Bulyanhulu after the 2017 impairment; and 72% lower third party selling costs due to the lower sales volumes; partly offset by a 13% increase in royalty expenses due to the higher average realised gold price and the increase in royalty rates from 4% to 6%, as well as the new 1% clearing fee on mineral exports; and a 2% increase in direct mining costs as a result of lower capitalised mining costs at Bulyanhulu and North Mara.

1 These are non-IFRS measures. Refer to page 182 for definitions.

The table below provides a breakdown of cost of sales:

(US$'000)	Twelve months ended 31 December	
	2018	2017
Cost of Sales		
Direct mining costs	**304,614**	299,591
Third party smelting and refining fees	**2,679**	9,675
Realised (gains)/ losses on economic hedges[1]	**(446)**	743
Realised gains on gold hedges	**(1,784)**	(2,693)
Royalty expense	**50,814**	44,930
Depreciation and amortisation[2]	**88,497**	106,201
Total	**444,374**	458,447

1 Economic hedges include zero cost collars for Brent crude and, in prior years, copper.
2 Depreciation and amortisation includes credits relating to the depreciation component of the cost of inventory for 2018 of US$5.5million (2017: US$26.9 million).

A detailed breakdown of direct mining expenses is shown in the table below:

(US$'000)	Twelve months ended 31 December	
	2018	2017
Direct mining costs		
Labour	**46,737**	83,238
Energy and fuel	**57,660**	80,461
Consumables	**66,477**	85,698
Maintenance	**49,146**	92,603
Contracted services	**88,530**	124,592
General administration costs	**60,575**	77,546
Gross direct mining costs	**369,125**	544,138
Bulyanhulu Reduced operations cost[1]	**(28,817)**	(14,227)
Capitalised mining costs	**(35,694)**	(230,320)
Total	**304,614**	299,591

1 Includes non-sustaining costs relating to Bulyanhulu reduced operations costs.

Gross direct mining costs of US$369.1 million for 2018 were 32% lower than US$544.1 million in 2017. The overall decrease was driven by the impact of the changes in mining activities at Bulyanhulu (US$127.1 million) and Buzwagi (US$72 million), partly offset by an increase in costs at North Mara as follows:

1. Higher underground contracted services at Gokona due to the improved performance of underground related contractors driven by higher productivity rates (US$6.6 million).
2. Higher energy and fuel costs driven by increased power generation as a result of increased underground mining activities combined with a higher fuel price (US$6.1 million).
3. Higher general administration costs driven by a higher shared service cost allocation from corporate offices due to reduced activity at the other sites and an increase in inventory obsolescence provisions due to the ageing of supplies (US$5.6 million).
4. Increased consumables mainly driven by higher underground support materials as a result of a 25% increase in backfill placed and higher open pit explosives costs due to an increase in tonnes mined (US$5.1 million).

Capitalised direct mining costs, consisting of capitalised development costs and investment in inventory is made up as follows:

(US$'000)	Twelve months ended 31 December	
	2018	*2017*
Capitalised direct mining costs		
Capitalised development costs	**(43,486)**	(89,388)
(Investment in)/ drawdown of inventory	**7,792**	(140,932)
Total capitalised direct mining costs	**(35,694)**	(230,320)

Capitalised direct mining costs were significantly lower than 2017, primarily driven by the net drawdown of inventory in 2018 related to a drawdown in ore inventory at Buzwagi after the transition to stockpile processing compared to the net investment in inventory in 2017 as a result of the build-up of finished gold concentrate inventory at Bulyanhulu and Buzwagi after the imposition of the concentrate ban, combined with a decrease in capitalised development costs mainly driven by the cessation of development activities at Bulyanhulu and the lower stripping costs at North Mara, as a result of a lower strip ratio at the Nyabirama pit.

Central costs

Total central costs of US$23.7 million were 27% higher than 2017 (US$18.7 million) driven by a lower non-cash share-based payment revaluation credit compared to the prior year which resulted from a greater decrease in the share price and share price performance compared to the global mining index, impacting on the valuation of future share-based payment liabilities to employees. This was partly offset by a 12% reduction in corporate administration costs mainly as a result of lower labour costs after the restructuring of corporate and shared services offices, lower consulting and professional fees and the increased focus on cost control.

(US$'000)	Twelve months ended 31 December	
	2018	2017
Corporate administration	**23,813**	26,913
Share-based payments	**(74)**	(8,236)
Total central costs	**23,739**	18,677

Exploration and evaluation costs

Exploration and evaluation costs of US$13.3 million were 46% lower than 2017 (US$24.8 million) in line with the reduced budget for the year. The key focus areas for the year were Greenfield exploration programmes in West Kenya amounting to US$6.2 million and Greenfield exploration programmes in West Africa amounting to US$5.5 million.

Corporate social responsibility expenses

Corporate social responsibility costs of US$8.8 million were in line with the prior year of US$8.2 million. Corporate social responsibility overheads and central initiatives amounted to US$3.9 million in 2018 and were 15% lower than 2017. General community projects funded from the Acacia Maendeleo Fund amounted to US$4.9 million, 35% higher than 2017, driven by the timing of projects and the number of qualifying initiatives identified.

Impairment charges

During the year, OreCorp, Acacia's JV partner in the Nyanzaga Project in Tanzania, executed its option under the earn-in agreement to increase its stake to 51% in the project through the payment of US$3 million to Acacia. Acacia also signed a completion agreement to transfer its remaining 49% stake to OreCorp for US$7 million and a net smelter royalty capped at US$15 million based on future production. As a result of the agreement, and Management's commitment to a sale, Acacia expects to recover the value of the asset through sale and not through value in use and as such has valued the asset at fair value less costs to sell of US$10 million and recorded an impairment charge of US$24.2 million and reclassified the associated non-current assets and liabilities held for sale on the balance sheet.

In addition, as part of the year-end carrying value assessment we have impaired US$3.2 million of property plant and equipment mainly relating to previously capitalised drilling costs in Tanzania and US$1.5 million relating to other historical exploration assets. Refer to Note 6 of the consolidated financial statements for further details.

Other charges

Other charges amounted to US$36.1 million in 2018, compared to US$90.4 million in 2017. The main contributors include Bulyanhulu reduced operations costs not included within all-in sustaining costs of US$28.8 million, legal fees driven by the concentrate export ban and historical outstanding tax matters of US$28.4 million, retrenchment costs of US$5.3 million, foreign exchange losses of US$5.3 million, one-off legal settlement costs relating to a North Mara village royalty settlement of US$3 million, disallowed indirect taxes of US$2.6 million and unrealised losses on economic hedges of US$2.3 million. The charges were largely offset by the gain on the sale of a non-core royalty of US$45 million. Refer to note 9 of the consolidated financial statements for details.

Finance expense and income

Finance expense of US$13.2 million was 6% higher than 2017 of US$12.4 million. The key components were premiums paid on gold put options (US$3.9 million), higher accretion expenses of US$3.6 million relating to the discounting of the environmental reclamation liability, US$2.3 million relating to the servicing of the US$150 million undrawn revolving credit facility and borrowing costs relating to the Bulyanhulu CIL facility (US$1.9 million) which were lower than the prior year due to a lower outstanding facility following repayments. Other costs include bank charges and other finance costs of US$1 million.

Finance income relates predominantly to interest received on money market funds and interest charged on non-current receivables. Refer to note 11 of the consolidated financial statements for details.

Taxation matters

The tax expense of US$37.9 million compared to a tax credit of US$2.3 million in 2017. The tax expense for 2018 is driven by the current year profit generated at North Mara, partly offset by losses incurred at Bulyanhulu and an increase in the associated deferred tax asset. Included in the current year expense is a 2017 final North Mara tax charge of US$3.1 million. The effective tax rate of 39% (2017: 0.4%) mainly reflects the impact of non-deductible expenses and losses in exploration and corporate entities for which no deferred tax asset is recognised partly offset by the utilisation of previously unrecognised tax losses at Buzwagi.

During 2018, we made provisional corporate tax payments of US$38.2 million relating to North Mara, which was based on North Mara's expected full year profitability. These provisional corporate tax payments have been offset against the indirect tax receivable covered under previous agreements with the Tanzanian Revenue Authority, and as a result, were not paid in cash. In addition, we have also offset US$4.2 million relating to the final 2017 corporate tax payment relating to North Mara.

Net earnings and earnings per share

As a result of the factors discussed above, net earnings for 2018 were US$58.9 million, against the prior year loss of US$707.4 million.

Earnings per share for 2018 amounted to US14.4 cents, compared to the prior year loss per share of US172.5 cents per share. The increase was driven by the higher earnings, with no change in the underlying issued shares.

Adjusted net earnings and adjusted earnings per share

Adjusted net earnings were US$44.3 million compared to US$146.2 million in 2017 and reflect the impact of the reduced operations. Net earnings for the year as described above have been adjusted for the impact of items such as the gain on sale of a non-core mineral royalty, impairment charges, prior year tax provisions, discounting of indirect tax receivables, restructuring costs, legal settlements as well as Bulyanhulu reduced operations cost. Refer to page 183 for reconciliation between net profit and adjusted net earnings.

Adjusted earnings per share for 2018 amounted to US10.8 cents, a decrease of US24.9 cents from 2017 adjusted earnings per share of US35.7 cents.

Financial position

Acacia ended the year with cash and cash equivalents on hand of US$130.2 million, 62% up on the balance as at 31 December 2017. The Group's cash and cash equivalents are with counterparties whom the Group considers to have an appropriate credit rating. Location of credit risk is determined by physical location of the bank branch or counterparty. Investments are held mainly in United States dollars, with cash and cash equivalents in other foreign currencies maintained for operational requirements.

During 2013, a US$142 million facility ("Facility") was put in place to fund the bulk of the costs of the construction of the Bulyanhulu tailings retreatment project ("Project"). The Facility has a term of seven years with a spread over Libor of 250 basis points. The seven year Facility is repayable in ten equal instalments (bi-annual) over the term of the Facility, after a two year repayment holiday period. The interest rate has been fixed at 3.6% through the use of an interest rate swap. The full facility of US$142 million was drawn in 2013. During 2018, the 6th and 7th repayments amounting to US$28.4 million were made. At 31 December 2018, the outstanding capital balance is US$42.6 million compared to US$71 million at the end of 2017.

The above complements the existing undrawn revolving credit facility of US$150 million, which runs until November 2019.

The net book value of property, plant and equipment decreased from US$770.6 million as at 31 December 2017 to US$761.2 million as at 31 December 2018 mainly due to depreciation charges of US$90.3 million, non-cash reclamation asset adjustment credits of US$8.5 million, assets impaired and transferred to assets held for sale of US$3.9 million, partly offset by capital expenditure of US$92.2 million as discussed below. Refer to note 19 to the consolidated financial statements for further details.

The current portion of inventories increased to US$312.9 million at 31 December 2018 from US$291.9 million at 31 December 2017 due to the reallocation of ore stockpiles to be processed at Buzwagi in the short term and an increase in supplies inventory at North Mara and Buzwagi. Total finished gold ounces on hand of approximately 199,000 ounces as at 31 December 2018 comprised approximately 186,000 ounces of gold in concentrate and 13,000 ounces of gold in doré.

Total indirect tax receivables increased from US$170.7 million as at 31 December 2017 to US$178.7 million as at 31 December 2018. The increase was driven by a further US$54.3 million of VAT outflows, net of adjustments, for which no cash VAT refunds were received and the part reversal of prior discounting provisions of US$0.6 million, offset by the full year provisional corporate tax payments relating to North Mara of US$38.2 million, as well as a final 2017 corporate tax payment of US$4.2 million and foreign exchange revaluation losses of US$4.5 million. The provisional corporate tax payments have been offset against indirect tax receivables in line with an existing agreement with the Tanzanian Revenue Authority.

Net assets increased from US$1.12 billion as at 31 December 2017 to US$1.18 billion as at 31 December 2018, reflecting the current year earnings of US$58.9 million.

Cash flow generation and capital management

Cash flow

(US$'000)	Twelve months ended 31 December	
	2018	2017
Cash generated by/ (used in) operating activities	**126,133**	(22,972)
Cash used in investing activities	**(47,594)**	(151,711)
Cash used in financing activities	**(28,400)**	(62,785)
Increase/ (decrease) in cash	**50,139**	(237,468)
Foreign exchange difference on cash	**(457)**	190
Opening cash balance	**80,513**	317,791
Closing cash balance	**130,195**	80,513

Cash flow from operating activities of US$126.1 million for 2018 was US$149.1 million higher than 2017 (a cash outflow of US$23.0 million). The increase relates to lower working capital outflows of US$57.8 million compared to outflows of US$313.1 million in 2017 as a result of the build-up in gold in concentrate ounces on hand in 2017 compared to the draw-down of ore stockpiles at Buzwagi in the current year, the smaller build-up of indirect taxes receivable in 2018 due to the lower operating costs, and a stable level of accounts payable in 2018 compared to a decrease in 2017 as the Bulyanhulu mine was transitioned to reduced operations. This was partly offset by lower adjusted EBITDA (US$127.2 million).

The working capital outflow relates mainly to an increase in indirect tax receivables driven by the lack of VAT refunds and corporate tax payments (US$54.3 million), a net increase in inventory of US$5.7 million mainly driven by investment in supplies inventory and a decrease in other liabilities as severance cost provisions were utilised (US$2.9 million), partly offset by a reduction in accounts receivable of US$6.4 million.

Cash flow used in investing activities was US$47.6 million for 2018, a 69% decrease from 2017 of US$151.7 million, driven by lower capitalised development and sustaining capital expenditure at Bulyanhulu due to reduced operations, lower capitalised stripping costs at North Mara and the proceeds of the sale of a non-core royalty of US$45 million.

(US$'000)	Twelve months ended 31 December	
	2018	*2017*
Sustaining capital	**(30,768)**	(45,226)
Expansionary capital	**(12,234)**	(11,573)
Capitalised development	**(47,496)**	(100,609)
Total cash capital	**(90,498)**	(157,408)
Proceeds from the sale of mineral royalty	**45,000**	–
Rehabilitation expenditure	**(4,689)**	(3,106)
Non-current asset movement[1]	**2,593**	8,803
Cash used in investing activities	**(47,594)**	(151,711)
Capital expenditure reconciliation:		
Total cash capital	**90,498**	157,408
Land purchases	**258**	1,637
Movement in capital accruals	**1,748**	(9,669)
Capital expenditure	**92,504**	149,376
Land purchases classified as long-term prepayments	**(258)**	(1,637)
Non-cash rehabilitation asset adjustment	**(8,485)**	(9,087)
Other non-cash capital expenditure	**820**	1,212
Total capital expenditure per segment note	**84,581**	139,864

1 Non-current asset movement relates to the movement in Tanzania government receivables and other long-term assets.

Sustaining capital
Sustaining capital expenditure includes investment in mobile equipment and component change-outs mainly relating to North Mara (US$15.5 million), investment in fixed equipment and infrastructure (US$2.9 million), the expansion of the tailings storage facility at Buzwagi (US$2.4 million) and the upgrade of the water management ponds and essential plant upgrade costs at Bulyanhulu (US$2.2 million). Capital accruals increased by US$1.7 million during 2018 reflecting capital expenditure that has been accrued but not yet paid.

Capitalised development
Capitalised development includes North Mara capitalised stripping costs (US$28.2 million) and capitalised underground development (US$19.3 million).

Expansionary capital
Expansionary capital expenditure consisted mainly of capitalised expansion drilling at North Mara of US$8.3 million, relating to drilling performed as part of the Gokona resource and reserve development and Nyabirama underground studies, and Bulyanhulu optimisation studies (US$2.6 million) and processing facilities upgrades (US$1.2 million).

Cash flow used in financing activities for 2018 of US$28.4 million, a decrease of US$34.4 million from US$62.8 million in 2017 as a result of a final 2017 and interim 2018 dividend not being paid. The 6th and 7th instalments of the borrowings related to the Bulyanhulu CIL facility totalling US$28.4 million were paid in 2018.

Dividend
As a result of the continuing inability to export concentrates following the imposition of the concentrate export ban in 2017, the uncertainty around the ongoing resolution of the Company's dispute with Government of Tanzania ("GoT") and current liquidity requirements, the Board of Directors has not recommended a final dividend for 2018.

Significant judgements in applying accounting policies and key sources of estimation uncertainty
Many of the amounts included in the consolidated financial information require management to make judgements and/or estimates. These judgements and estimates are continuously evaluated and are based on management's experience and best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the consolidated financial statements included in this report. Information about such judgements and estimation is included in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarised below.

Areas of judgement and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements include:

1. Judgements around the prospect, timing and final terms of any comprehensive negotiated settlement that the Company might be able to agree with the GoT, including by reference to the key terms of the Framework announcements made in October 2017 by Barrick and the GoT and including judgements around the timing and quantum of any cash outflows that might be made in respect of historical tax matters;
2. Estimates of the quantities of proven and probable gold and copper mineral reserves and measured, indicated and inferred mineral resources;
3. Estimates included within the life-of-mine planning such as the timing and viability of processing of long-term stockpiles;
4. The capitalisation of production stripping costs;
5. The capitalisation of exploration and evaluation expenditures;
6. Review of goodwill, tangible and intangible assets' carrying value, the determination of whether a trigger for an impairment review exists, whether these assets are impaired and the measurement of impairment charges or reversals, and also includes the judgement of reversal of any previously recorded impairment charges;
7. The estimated fair values of cash generating units for impairment tests, including estimates of future costs to produce reserves and resources, future commodity prices, foreign exchange rates and discount rates;
8. The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense;
9. Recognition of a provision for environmental rehabilitation and the estimation of the rehabilitation costs and timing of expenditure;
10. Whether to recognise a liability for loss contingencies and the amount of any such provision;
11. Whether to recognise a provision for accounts receivable, and in particular the indirect tax receivables from the GoT, a provision for obsolescence on consumables inventory and the impact of discounting the non-current element of the indirect tax receivable;
12. Recognition of deferred income tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes;
13. Determination of the cost incurred in the productive process of ore stockpiles, gold in process, gold doré/bullion and concentrate, as well as the associated net realisable value and the split between the long-term and short-term portions;
14. Determination of fair value of derivative instruments;
15. Determination of fair value of share options and cash-settled share-based payments;
16. Judgements around the timing of Bulyanhulu's resumption of underground mining operations and production ramp up.

Going Concern
In assessing the Acacia Group's going concern status the Directors have taken into account the impact of the concentrate export ban on ongoing operations as well as the following factors and assumptions: the current cash position; the latest mine plans, the short-term gold price, and Acacia Group's capital expenditure and financing plans.

In addition, the Directors have considered a range of scenarios around the various potential outcomes for the resolution of the current operating challenges in Tanzania in the circumstances, including the cash flow impact of an extended concentrate export ban; and the potential impacts of the timing and final terms of any comprehensive settlement which might be approved by the Company which reflect key terms of the framework announcements made by Barrick and the GoT in October 2017, including the lifting of the concentrate export ban and staged payments of US$300 million relating to historical tax matters.

In addition, the Directors have assumed that the Group will not be required to settle its current outstanding borrowing obligations and will repay these in accordance with the current terms of the relevant agreements. After making appropriate enquiries and considering the uncertainties described above, the Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements, however have concluded that the combination of the above circumstances represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

Jaco Maritz Chief Financial Officer

Sustainability & partnerships

Our approach

We continue to develop our sustainability practices for the benefit of our stakeholder group as a whole. We aim to maintain and improve our social licence to operate through acting responsibly in relation to our people, the environment and the communities in which we operate.

The Acacia Group has put in place Community Relations, Community Investment, Environmental, Human Rights, Responsible Supply Chain, Safety and Health and Security policies, all of which are available on our website. These policies are in addition to our Business Ethics Policies, which include our Code of Conduct and Anti-Fraud and Anti-Bribery and Anti-Corruption policies, which are also available on our website: http://www.acaciamining.com/about-us/corporate-policies.aspx

1 All figures in the Sustainability Review are unaudited

We aim to contribute to socio-economic development in the areas in which we operate through ongoing stakeholder engagement and participation.

The Group's direct economic contribution is made up of the economic value we add by paying our employees, governments, suppliers, shareholders, contractors and communities. Our overall direct economic contribution in 2018 was US$623 million compared to US$926 million in 2017, with US$441 million being contributed to the Tanzanian economy directly through local suppliers, employees and taxes. The reduction is largely due to the transition of Bulyanhulu to reduced operations.

However, our true economic contribution is far greater once the wider effects of our presence are considered. These include the indirect effects of people spending their wages, governments distributing tax and royalty revenues, and neighbouring communities using the infrastructure developed for our operations.

The distribution of Group taxes includes royalties, indirect taxes (withholding taxes and non-claimable VAT), payroll taxes (inclusive of social security payments and other taxes), stamp duties, local service levies and environmental levies. Geographically, the majority of our taxes are paid in Tanzania, which is where our operating mines are located.

Our net taxation contribution in Tanzania was US$127 million in 2018, compared to US$143 million in 2017. The drop was a result of lower production and lower sales revenues, following the transition of Bulyanhulu to reduced operations and Buzwagi to a low grade stockpile processing operation.

Acting responsibly for the whole community

01 Sustainable communities

Context

- As a long-term partner for Tanzania, the Group invests in its local regions to support the creation of "Sustainable Communities".
- We are aligned with Tanzania's Development Vision 2025 and regional development plans including "Kiwanda Changu, Mkoa Wangu", (My Industry, My Region).

Achievements

- We completed the US$600,000 upgrade of the Nyamwaga Hospital in Tarime district, increasing patient capacity by 60%.
- Work began on the Joint Water Partnership Project pipeline in Kahama that will provide water to around 60,000 local residents.
- We provided support in education and health to bring value-add services to our infrastructure.
- We set up Sustainable Community Reference Groups for structured stakeholder consultations on future projects in Tanzania's extractives sector.

Future objectives

- Continue to be a partner for Tanzania and its Vision 2025 agenda.
- Progress our local content strategy.
- Further develop Sustainable Community Reference Groups as focal points for our community relations.
- Our Sustainable Communities programme will support Small and Medium Enterprises and further value-add initiatives to help improve service delivery around our mines.

02 Environment

Context

- The Group remains committed to environmental protection and minimising harm to our surroundings.
- Our environmental priorities are under continuous review.
- Ongoing projects to improve water reprocessing and reduce GHG emissions.

Achievements

- We recorded a 29% reduction in GHG emissions compared to 2017 levels.
- Our energy usage per tonne of ore milled was 39% lower than 2017.
- We completed phase 2 of our water management infrastructure upgrade at Bulyanhulu.
- We improved water conservation across all three mines.

Future objectives

- Embed Environmental Management System.
- Continued reduction of our environmental impact.
- Planning for Buzwagi mine closure in consultation with the GoT.
- Address water management challenges at North Mara.

03 Employees

Context

- We have reduced international employees in our workforce by 87.5% over the last six years.
- The planned closure at Buzwagi in mid-2021 and continuation of reduced operations at Bulyanhulu led to higher-than-normal employee turnover.

Achievements

- Tanzanian employees currently make up 96.2% of our workforce.
- Approximately 70% of management positions are held by Tanzanians.
- We increased the percentage of women in our workforce to 11% (2017: 10%).
- 198 staff graduated from our Rainbow Leadership programme during the year.

Future objectives

- Continue to reduce the number of international employees.
- Training of Tanzanian staff to fill management roles and increasing the proportion of management roles held by women.
- Increase overall employment numbers in Tanzania in the event that the export ban is lifted and Bulyanhulu mine can resume its underground operations.

- Attract and retain the best talent.

04 Safety

Context

- The Group targets zero injuries and every person going home safe every day.
- Regrettably, an operator for one of our contractors at North Mara passed away as a result of an accident which involved a reversing vehicle at the Gokona deposit.

Achievements

- We recorded a 58% improvement in Total Reportable Injury Frequency Rate ("TRIFR") in 2018.
- The number of Lost Time Injuries ("LTI") decreased from 18 in 2017 to 4 in 2017, a 78% reduction.
- The number of High Potential Incidents decreased from 36 to 23 in 2018.
- We progressed occupational health and safety initiatives including malaria control assessments.

Future objectives

- Continue to target zero injuries.
- Progress occupational health and safety initiatives including malaria control assessments.
- Contractor management.

05 Security and human rights

Context

- The Group operates its own Human Rights Policy and Procedures alongside voluntary commitments to the VPSHR.
- Our approach is in line with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Achievements

- We recorded a 25% reduction in the number of illegal incursions at North Mara compared with 2017.
- We supported more extensive human rights training targeting the Tanzanian police in the Tarime district.

Future objectives

- Launch of revised Community Grievance Process at North Mara in 2019.
- Continued review of our safety and security arrangements to minimise the risk of security incidents.

Sustainable Communities

Our social investment focuses on education, health, water, roads, and energy, as well as a number of economic development activities, and is aligned with the development agenda of our host countries, including the Tanzania Development Vision 2025, as well as the United Nations' Sustainable Development Goals. In Tanzania in 2018 we made significant progress in delivering against the three central pillars of our Sustainable Communities strategy.

- building strong and trusting relationships with our communities through regular stakeholder engagement.
- adding value to the social infrastructure in our communities by moving beyond the construction of several public facilities we have invested in over the last five years and ensuring that their intended benefits, as well as associated service delivery, are fully realised and long lasting.
- contributing to the development of a thriving local economy that is not solely dependent on the mine and can continue to grow beyond the life of mine.

Stakeholder engagement

During the year we focused on establishing Sustainable Communities Reference Groups ("SCRG") as platforms for consultation and engagement with communities and the local government around our mine sites. The SCRGs comprise representation from regional, district and village authorities, as well as community interest groups and special representatives for women and youth. The groups are responsible for identifying further priorities for development in their regions, tracking progress of ongoing projects and, in tandem with the mine, liaising with and channelling information to the communities. Bulyanhulu has set up two such groups – one in each of the two districts it covers – and Buzwagi has also established a group in Kahama District. Several meetings were held at both sites in the latter part of 2018. North Mara has identified members of its SCRG and its first meeting was held post year-end in January 2019.

Further efforts to promote community cohesion and engage local stakeholders during the year included the hosting of 23 mine tours across all three sites which reached over 580 community members. The mines also each organised outdoor public screenings of matches at the 2018 FIFA football World Cup in Russia.

Social infrastructure and improving service delivery

Our community-related investments evolved significantly in 2018. We continued to deliver on our legacy commitments while also building the foundations for more sustainable development projects. Under the strategy, we also took active steps to add value to physical infrastructure and improve service delivery for our communities. This included the completion and/or initiation of the following projects:

Bulyanhulu: The construction of a 55-kilometre water pipeline from Lake Victoria to local villages began in the second quarter of the year at an estimated cost of US$6.3 million (TZS 14 billion). Bulyanhulu is contributing US$2 million to this Joint Water Project Partnership which is jointly funded by the Ministry of Water and Irrigation and four local district councils. The new pipeline will help improve access to clean water and sanitation for an estimated population of 60,000 living in 14 villages near the mine. In February 2018, Bulyanhulu also completed a landmark water project in the village of Kakola, Msalala District, to install an electric water pump and a water tower to channel clean water to the local residents.

During the year construction of upgraded facilities at the Bugarama Health Centre continued. This second phase of investment in the health centre will see the addition of a surgical theatre, general and specialised maternity wards, an outpatient department, and mortuary facilities. The facility is scheduled to be completed in 2019 and will serve as a district hospital for up to 60,000 people. Bulyanhulu has also entered into agreements to support government efforts to build around 30 drug dispensaries in Geita region at a cost of US$250,000. Both Bulyanhulu and Buzwagi also supported the government's drive for the construction of additional school classrooms at local schools, contributing US$320,000 towards new infrastructure during the year.

Buzwagi: The mine supported the local council with upgrading and refurbishment of the Kahama stadium, a popular venue for major sporting events in the town.

Our Buzwagi mine also supported a three-day sign language workshop to assist healthcare staff to communicate more effectively with patients with hearing disabilities and thereby improve the treatment provided by local health centres. Over 60 medical staff from two health centres situated in nearby Mwendakulima and Kagongwa wards attended this training which was facilitated by the Tanzania Deaf Development Organisation.

North Mara: As elsewhere, our Sustainable Communities strategy has seen our North Mara mine shift from supporting the construction of physical infrastructure to adding value through supporting improvements to public services at the local level. The upgrade to the Nyamwaga Health Centre was completed in April 2018 following an investment of US$600,000. Two community libraries were also completed during the year.

We contributed to training over 60 healthcare workers from six health centres and dispensaries near our North Mara mine. A three-day workshop at the end of December 2018 supported ongoing efforts by local government to improve maternal health and reduce child mortality rates and complemented the Tanzanian administration's efforts to improve services in the health sector. North Mara also continued its support for the development of the education sector in Tanzania and supported a teacher training programme for more than 200 teachers in Tarime district aimed at improving standards in core subjects such as mathematics, science and English language.

Building a thriving local economy

In 2018 we continued to focus on our goal of helping to boost sustainable livelihoods within the communities around our mines. As such, small businesses and agriculture remain important economic opportunities and means of diversifying the local economy. Based on studies that were conducted specifically to identify viable options for reducing local dependency on our mines, each of our sites embarked on various initiatives to grow the economy within their zone of influence. At Bulyanhulu we completed an income-raising project under the mine's two-year partnership with Africare. The project – which aimed to develop sustainable small businesses and improved value chains for poultry and high-value horticultural crops – reached 374 beneficiaries (50% above its target) and has enabled at least four individual beneficiaries to access loans from microfinance banks for their businesses. A further 14 groups – with a total of 50 members – were able to access inputs (chicks, feed, and seeds) on credit to grow their businesses.

During the year Buzwagi entered into a partnership with the non-governmental organisation Farm Concern International (FCI) on a three-year agricultural commercial farming project to the value of US$1.1 million. The programme's objective is to improve the income and productivity of 3,000 farmers in Mwendakulima and Mondo villages. The project is based on an innovative business model that is designed to support smallholder commercialisation, aggregation and market access through enhanced logistics and supply chain management. Significant progress has been made since the project began in June, with 18 demonstration plots in nine villages currently at varying stages of operation. The project is an important part of the mine's closure plan as operations are expected to complete in mid-2021.

During 2018 North Mara continued to support the Matongo Rice and Kemnyage Bakery projects which have been running for more than three years. We also dedicated much of the year to laying the ground work for new agricultural projects and other initiatives to develop small to medium sized businesses in the surrounding Tarime district. During the year we conducted engagement and awareness-raising activities for the communities that were aimed at changing people's mind sets and persuading them of the feasibility of viable economic projects that present an alternative to illegal mining. Implementation of the projects began post year-end in early 2019.

Case study

Construction Begins on Water Pipeline from Lake Victoria to our Communities

In October 2018 an agreement was signed between our Bulyanhulu mine, Tanzania's Ministry of Water, the local water authority, and three district councils to support the construction of a 55-kilometre water pipeline in Geita and Shinyanga.

The pipeline will pass from Lake Victoria through 14 villages

Under the Joint Water Project Partnership (JWPP) Bulyanhulu is investing US$2 million (TZS 4 billion) into a joint project to provide a vital water supply and sanitation services to approximately 60,000 people living in 14 villages in Kakola and its surrounding areas. The pipeline will pass from Lake Victoria through the 14 villages located in the vicinity of the mine and is scheduled to be completed during 2019.

Access to safe drinking water is one of the major challenges facing people who live in the villages throughout Kahama and Shinyanga where the prevalence of water-borne diseases has led to serious health problems among the local population.

The new pipeline will help to reduce the amount of time women and families spend sourcing clean drinking water every day, whilst it will also help to raise household incomes and quality of life on account of better health and increased economic productivity.

A ready water supply is also expected to reduce incidences of vandalism to an existing transmission pipeline from which local residents seek to tap-off potable water.

Access and quality of water supplies and sanitation services in rural Tanzania currently lag behind those found in urban areas, largely due to a lack of infrastructure.

Under its current development plans, the Government of Tanzania ("GoT") aims to improve access to safe water in rural areas to 85% by 2020. The construction of transmission pipelines such as that to be delivered by the JWPP is a significant contribution to the GoT's plans to increase the accessibility of clean water supplies in rural areas and thereby provide a platform for a higher standard of living and increased economic growth in the local region.

Environment

The Acacia Group remains committed to responsible mining and environmental protection in order to minimise harm to the natural surroundings in which we operate. During 2018 we conducted a review of our environmental priorities and objectives for the short to medium term to ensure they remain valid and meet the overall Company strategy.

Our overall performance during 2018 was good, with the Group initiating and progressing key initiatives and improvement programmes for the year. Key milestones included the following: completion of Phase 2 of the water management infrastructure upgrade at our Bulyanhulu mine which involved the installation of a concrete lining at a Mine Water Settling Pond; the development of a new water balance model at North Mara mine; and the completion of a rehabilitation trial at our Buzwagi mine.

Bulyanhulu mine was audited for its ICMI Cyanide Code recertification and the results were still under final review at year-end. North Mara mine continued to implement various water management projects which are starting to show results. Implementation of the Acacia EMS in line with ISO 14001 was further progressed during the year, with all three sites advancing programmes to manage their top environmental risks.

As part of efforts to improve our energy efficiency and reduce our GHG emissions we maintained the use of the static device (Static Synchronous Compensator) at Bulyanhulu mine that controls voltage fluctuations and stabilises the power supply from the national grid. The benefits of this system reach beyond the mine itself, as it stabilizes the power supply in communities as far as Kahama as well as at our Buzwagi mine. The project – which meant we could decommission 15 1MVA Diesel Generators at Bulyanhulu in 2017 – ensures both the stability of our electricity supply and more effective utilisation of low carbon emission electricity from the grid, thus resulting in the overall reduction of GHG emissions at Bulyanhulu and Buzwagi mines. Overall, 2018 GHG emissions equalled 176,939 tonnes of CO2e, which is 29% lower than 2017 levels. Meanwhile, our energy usage per tonne of ore milled decreased by 39% on 2017 levels primarily on account of reduced operations at Bulyanhulu and Buzwagi transitioning primarily to a low grade stockpile processing operation. Further information on Group GHG emissions is provided on page 102.

The Group recognises that water is a precious resource and its conservation and the protection of the surrounding water resources are therefore key pillars of our mines' water management efforts. Our understanding of our water balances across our sites is being enhanced through the use of well-designed water balance models and reliable records of our water flows and usage. Our total water usage in 2018 was in line with 2017 with all sites maintaining the same level of fresh water usage despite an increase in ore tonnes milled compared to the previous year. This was due to improved water conservation and our continued focus on the use of reclaimed water from our tailings storage facilities which accounted for 61% of total water used; a slight decrease compared to the 2017 ratio (64%) because of maintenance and upgrade work at our Buzwagi tailings storage facility that prevented pumping of reclaimed water for a short period.

At North Mara, no fresh water was drawn from Mara River during 2018, making the site fully reliant on the water generated from the open pits and the underground mine, of which some is treated via the Reverse Osmosis and Microfiltration processes to make raw water. Buzwagi's usage of purchased water reduced during the year as a result of a normal rainfall regime which allowed the mine to collect more water from the 75 hectare water harvesting area on site. We will look to enhance our water balance models and identify areas of additional water conservation in 2019 as part of overall Group water management programmes.

Biodiversity

Our responsibility towards biodiversity was maintained during the year by maintaining strict controls on land disturbances. A standard applies to all our sites that prohibits unauthorised land disturbances unless the Environment Department has reviewed the need and approved disturbances to take place. Our ultimate goal for biodiversity management remains to protect and minimise land disturbance as much as possible, and eventually rehabilitate disturbed land to achieve land productivities of higher value than those that existed prior to disturbance. While there was no new disturbance made during the year at any of our sites, progressive rehabilitation of disturbed land was undertaken for areas that were available. At Buzwagi, about 60 hectares of the Waste Rock Dump was profiled and five hectares re-vegetated using native tree species.

At Bulyanhulu, rehabilitation earthworks continued at the TSF wall where more than 10,000 trees were scheduled to be planted at the beginning of 2019. At North Mara, profiling of the Airstrip PAF dump was done at one of the two cells. In order to enhance biodiversity in the areas we operate only native tree species are used for rehabilitation programmes. The disturbed areas that are not rehabilitated include areas where active operation still takes place. We maintain active rehabilitation programmes for areas as soon as they become available.

Incident Reporting

We keep records of all environmental incidents occurring at our sites. Our Environmental Incident Management standard provides for three classes of incidents, namely: High (reportable incidents), Moderate or Low. The incidents classified as High require a detailed investigation and subsequent reporting to the GoT while Moderate and Low are only recorded internally and are reported to the Government through the annual environmental report submitted to the GoT each year.

One reportable incident was recorded during the year (compared to two in 2017) at Bulyanhulu mine. A total of 103 non-reportable incidents were recorded across our three sites during the year, a 13% increase on 2017. Further awareness programmes will be carried out in 2019 to ensure the necessary preventive measures are put in place to avoid such incidents.

Post year-end our North Mara mine received an Environmental Protection Order (EPO) from the National Environment Management Council (NEMC) requiring payment of a fine of US$130,000 in relation to alleged breaches of environmental regulations in Tanzania. NEMC's reported findings allege discharges of a hazardous substance at the North Mara mine. The mine has not received any supporting reports, findings or testing data in relation to the matters set out in the EPO. Pending further factual clarification from the GoT and NEMC, however, and to dispose of all regulatory or other legal action, North Mara mine has decided to pay the fine. At the same time the GoT issued a directive to the mine to construct a new tailings storage facility ("TSF"). North Mara has commenced planning and design for a new TSF, and is working with the Government to progress the construction of a new TSF to support its future mine production plans.

On 8 March 2019 the GoT directed the North Mara mine to resolve an incident that had resulted in the spillage of water into the local environment. The spillage resulted from a security incident in which sections of the pipe used to transport water from the polishing pond to the TSF were either vandalised or stolen.

The incident led to the switching off of the pump used to transport water to the TSF, and the water level in the polishing pond subsequently overflowed. Following North Mara mine's remedial actions, the temporary overspill from the pond was stopped. North Mara mine welcomed the support of the GoT on resolving the issue, and is working closely with the authorities to implement improvements to security measures around the polishing pond in order to help prevent any reoccurrence.

The Mine's technical team is currently working with the GoT within an agreed timeframe to address their concerns regarding seepage from the TSF. North Mara has undertaken to manage all seepage through the use of additional pumps and construction of other containment facilities to return any seepage to the TSF and ensure it is confined to the mine site.

All seepage will be contained on the site, not flow into the surrounding environment or present a risk of contamination to any public water source. Operations at North Mara mine remain unaffected.

Case study

Looking to the Future: Training Tomorrow's Talent in the Mining Industry

During 2018 we further developed our relationships with two renowned academic institutions in Tanzania as part of our commitment to the future of the mining industry in the country as well as our ongoing efforts to boost the skills of Tanzanians studying or working in the sector.

Acacia signed a new Memorandum of Understanding with Muhambili University for Health and Applied Sciences.

This year we have sponsored a post-graduate student from the University of Dar es Salaam to pursue a Masters' degree in Mining Engineering at the University of Alberta in Canada. The study bursary is worth US$60,000 over two years and forms part of an ongoing partnership with the University of Dar Es Salaam that is now in its tenth year. Meanwhile in August we extended our relationship with Muhimbili University for Health and Allied Sciences (MUHAS) for another two years, enabling us to continue to provide structured support to the university's students and graduates in the field of Environmental and Occupational Health (EOH).

Each year we provide practical industrial training to approximately 70 second and third year Mining Engineering and Mineral Processing Engineering students at the University of Dar es Salaam. The focus of our eight-week programmes is to expose students to operational activities, including working as trainees within the mine or the process plant itself. In addition, a further 30 final year students conduct work placements and complete their academic projects at one of our three mines.

Under the programme with MUHAS – which began in 2008 – students benefit from internships at our mine sites in the Lake Zone where they are equipped with the right technical capabilities and gain a unique understanding of occupational health and safety and environmental health within the mining sector.

Our partnership with MUHAS and the University of Dar es Salaam is part of our drive to advance the mining industry in Tanzania and up-skill Tanzanians with a firm eye on the future of the sector. The Company's efforts in this regard over the last ten years seek to help create a platform for the country's economic advancement and the realisation of its development goals, including Development Vision 2025.

Employees

We continued to make noticeable progress across a variety of employee initiatives throughout 2018, although due to the continuation of reduced operations at Bulyanhulu and with the planned closure date of our Buzwagi mine approaching we saw Group-wide annual turnover of 33.9% (2017: 55%).

One of our key focus areas over the last six years has been on reducing the number of expatriate employees and contractors within our business and ensuring that our Tanzanian assets are increasingly led and operated by Tanzanian employees. Since 2013, we have reduced the number of expatriate employees within our business by 87.5%; currently 96.2% of our people are Tanzanian (2017: 96.2%). In terms of leadership, approximately 70% of management positions are held by Tanzanians.

Since the third quarter of 2017 we have been conducting life skills and entrepreneurship training for employees affected by the movement to reduced operations at Bulyanhulu, and the planned closure of Buzwagi in mid-2021. The training is aimed at enabling our employees to manage change during their transition to other companies or while setting up self-employment, as well as how to manage personal finances during a potential period of unemployment.

The Group's Life Beyond Buzwagi training programme was recognised for a continent-wide award, winning the Reward and Recognition prize at the 2018 *Employee Engagement Awards* that took place in Johannesburg in June 2018.

We continued to invest in training and development programmes throughout the year, notably through the launch of our Future Leaders programme where in 2018 two of its members completed a leadership training programme and one completed her Msc. Environment Degree.

We maintained our focus on longer-term training initiatives, such as our Rainbow Leadership Training programme for first line leaders which we first launched in 2016. To date, 307 employees have completed the training. A further 19 apprentices graduated from the Group's Integrated Mining Technical Training ("IMTT") programme during the year. We have jointly run IMTT since 2009 alongside the GoT through the Vocational Education Training Authority (VETA) and the Tanzania Chamber of Minerals.

The latest crop of graduates brought the total number of apprentices who have completed the training since its inception to 382.

Approximately 11% of our overall workforce are women (2017: 10%), something which is reflective of gender diversity generally within the mining industry. We are focused on continuing to grow the proportion of women in our workforce, and the proportion of management roles held by women.

Our staff on the ground:

Name: *Sarah Cyprian*

Job title: *Environmental Officer at North Mara*

Tenure: *4 years*

Role with Acacia: *Sarah is part of the team that oversees the Environmental Management System and Compliance programme at North Mara. She is a qualified Environmental Engineer and is currently working towards her registration as a professional engineer with the Engineers Registration Board.*

Safety

The group-wide Total Recordable Injury Frequency Rate (TRIFR) was 0.19 compared to 0.45 in 2017, a 58% improvement. There was a significant reduction in the number of recordable injuries from 45 in 2017 to 13 in 2018. The number of Lost Time Injuries (LTI) decreased from 18 in 2017 to 4 in 2018, a 78% improvement. The injury severity rate decreased by 46%. Our safety vision is to have every person going home safe and healthy every day. Regrettably, however, on 11 June 2018, Sadock Crispin Tindahenile, an operator for one of our contractors at North Mara, passed away as a result of an accident which involved a reversing vehicle at the Gokona deposit. We completed an investigation into the incident and have implemented the relevant recommendations at all our operations.

Acacia's 11 Critical Risk Control Standards have now been fully implemented at all sites and contributed to a reduction in the occurrence of High Potential Incidents during the year (these are incidents that could under slightly different circumstances have led to a fatality or permanent disability). The number of High Potential Incidents fell from 36 in 2017 to 23 in 2018.

We continued to build a positive safety culture which is essential to improving our overall safety performance. The safety interactions process (visible felt leadership) was further enhanced during the year with more than 100,000 safety interactions recorded across our three mines. The safety interactions and stop-and-fix philosophy is now well embedded as part of our safety culture and is successfully practised by all our employees on a daily basis. Every person is empowered and encouraged to stop any potentially unsafe activity.

Each site has a detailed Industrial Hygiene Monitoring Programme in place which is reviewed at least annually. A noticeable improvement was observed in compliance to the annual periodic medical process and industrial hygiene monitoring, both of which are key to being proactive in identifying potential health-related concerns at an early stage.

Our Malaria prevention strategies were reviewed and well-managed during the year, resulting in significantly fewer Malaria cases and days lost due to sickness. There was a 39% decrease in the number of Malaria cases reported and a 63% reduction in the number of days lost due to Malaria in 2018.

Case study

North Mara Helps Train Local Health Workers

In late 2018 North Mara sponsored a training programme for approximately 60 health workers from six health centres and dispensaries near the mine.

The workshop was part of North Mara's efforts to support improvements to service delivery in the health sector.

The three-day workshop supported ongoing efforts by local government to improve maternal health and reduce child mortality rates and complemented the Tanzanian administration's efforts to improve services in the health sector in line with the national Development Vision 2025.

Training participants benefited from an opportunity to boost their knowledge within their field of expertise, including learning best practice around feeding and vaccinations for infants. Anita, a health worker from Nyarwana, noted the benefits for both her and her colleagues.

"The training was an eye-opener for us, especially for maternal risk factors," she said on completing the workshop. "Being new to this field, there are some things I have learnt from the training and I will apply them in my day-to-day activities."

Representatives of the local health authority also noted the value of the training and thanked North Mara for its support.

"This is a unique opportunity and I believe health practitioners will acquire more skills to enhance their service delivery," said Neema Alphonse, the acting medical officer for Tarime District. "We thank the mine for sponsoring this training programme."

Tarime's district health coordinator, Beatrice Loumba, who was one of the facilitators of the training, said the programme was a timely one since the district is currently focused on improving local health services and, in particular, reducing maternal and child mortality rates.

"Our training modules focus on quality improvement. After the training, we will be visiting various health centres and dispensaries and make a follow-up on whether participants put in practice what they have learnt from the training," Loumba said.

In recent years North Mara has invested heavily in the development of the health sector in Tarime. Notable projects spearheaded by the mine include the building of the Nyamwaga Health Centre at a cost of US$1 million, the upgrading of Sungusungu Hospital and Genkuru Dispensary, the renovation of the Kerende medical clinic and an upgrade of the dispensary in Matongo.

Case study

Buzwagi Embarks on Agricultural Improvement Programme

Agriculture is an important economic mainstay for our local communities and is a key priority within the company's Sustainable Communities strategy.

At our Buzwagi mine, where 75% of the local population are farmers, we have developed and begun implementing a three-year US$1.1 million agricultural improvement project in partnership with the non-governmental organisation Farm Concern International (FCI). As the country's largest employer, agriculture accounts for 29% of the country's gross domestic product and contributes 65% of Tanzania's export earnings.

The project will support over 3,000 farmers (50% of whom are women) and will not only help to create jobs in the community but also seeks to substantially increase farmers' incomes through greater productivity and improved links to market.

Under the project Buzwagi mine will help local farmers develop private sector partnerships and train Government extension officers to assist in the project's sustainability. The project will also provide farmers with an irrigation assistance programme and establish two model farms and resource centres locally.

With the imminent closure of Buzwagi in mid-2021, the initiative is designed to strengthen the community's social and economic development through job creation and improved incomes to ensure sustainable livelihoods. In line with our strategy, the project contributes to the development of communities that enjoy a thriving local economy, have good access to social infrastructure and, live in safe, inclusive and equitable environments.

Our staff on the ground:

Name: *Andrew Lutalagula (40)*

Job title: *Section Leader, Management Accounting at North Mara*

Tenure: *6 years*

Role with Acacia: *Andrew is a qualified accountant and graduated from the Institute of Finance Management in 2003. He has completed Acacia's Rainbow Leadership Programme and implemented a range of cost-savings for the business since he joined the team at North Mara.*

Our staff on the ground:

Name: *Joash Nyambaya (29)*

Job title: *Electrician at Buzwagi*

Tenure: *5 years*

Role with Acacia: *Joash joined Acacia having graduated from the company's Integrated Mining and Technical Training (IMTT) course in 2013. In his role Joash maintains the functioning power supply to all mining and processing operations as well as to key support facilities on site.*

Our staff on the ground:

Name: *Mwanaisha Mosha (27)*

Job title: *Organisational Effectiveness Officer at Bulyanhulu*

Tenure: *3 years*

Role with Acacia: *Mwanaisha is a human resources professional who has undertaken a range of projects to recruit and retain the best talent at our Bulyanhulu mine. She has a Law Degree from Mzumbe University in Dar es Salaam and is a graduate of Acacia's future leaders – "Rainbow" – programme.*

Human Rights

We seek to respect human rights throughout our organisation. We have established and maintained governance and policy frameworks to guide our approach to identifying and mitigating our salient human rights risks. We have our own Human Rights Policy and Procedures and Code of Business Conduct and Ethics, as well as a Supplier Code of Business Conduct and Ethics. We also encourage the governments of the countries where we are active to protect human rights in accordance with the international human rights treaties to which they are parties. We have made voluntary commitments to the Voluntary Principles on Security and Human Rights (VPSHR) through our majority shareholder and our approach to human rights is consistent with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Our most salient human rights issues can be best addressed in collaboration with government and include those relating to security; land access and resettlement; environment, including access to water; labour rights; and impacts on local communities and infrastructure, such as access to health services, education and employment. In 2018, we continued to work with the GoT to improve security and human rights awareness and training of members of the police force who maintain law and order in the communities surrounding our mines. We also engaged with civil society and community members on issues related to our operations, as well as those of other parties linked to our operations.

We seek to ensure that our operations do not cause or contribute to any negative human rights impacts on neighbouring communities and to provide appropriate access to remedies when negative impacts are alleged to have occurred. We recognise that feedback from our own people and external stakeholders helps to identify and manage the risk of potential negative human rights impacts. Processes are in place at each of our mines for the reporting of suspected violations of our code of conduct or human rights policy to management. Each of our mine sites also operates a grievance process designed to comply with the effectiveness criteria for company grievance mechanisms set out in the UNGPs, as discussed further below.

We seek to apply our standards, policies and procedures as they pertain to human rights at all of our operations, while we also require our suppliers and contractors to do the same. Our employees are required to undergo human rights training as part of our code of conduct training, and employees in higher risk positions are required to undergo bespoke human rights training.

Security and human rights
In 2018, we continued to review our safety and security arrangements, as we seek to mitigate the risk of any human rights incidents. We continued to support the NGO Search for Common Ground in providing extensive human rights training for the Tanzanian police in the Tarime district (including on international standards on the use of force and firearms, sexual violence and treatment of vulnerable groups). The police face challenges in maintaining law and order in the remote area around the North Mara mine, which is prone to violent crime and mine intrusion, and North Mara continued to engage directly with the regional police to convey our expectations about respect for human rights.

The number of times to which the police or mine security were required to respond to security threats, violence and theft by intruders on our mine sites continued its year-on-year decline. The number of illegal incursions onto the mining lease (including waste dumps) at North Mara decreased by 25% and incursions into the active mining areas further decreased by 42% in 2018, compared with 2017. There was a minor increase in illegal mining incursions at Bulyanhulu while Buzwagi remained flat year-on-year.

At North Mara, there were four incidents involving the police on or in the vicinity of the mine that raised, or were alleged by others to raise, possible human rights impacts (two more than in 2017). We forwarded information about these alleged incidents to the authorities for investigation and requested follow-up. One police officer was removed from his post near North Mara on account of conduct that appeared not to comply with international standards for policing. Another was removed for involvement in a fatal traffic accident while driving without an appropriate licence; we understand an investigation of whether he was driving recklessly is ongoing. There were no reported accidents or use of force incidents resulting in injury involving mine security guards.

During 2018, three individuals tragically lost their lives while illegally mining at North Mara. In three separate incidents the illegal mine workings they were excavating caved in on them. We will continue to review our security and safety arrangements, and seek to further reduce the risk of incidents occurring and towards eliminating such incidents altogether.

Community grievance process at North Mara
In 2018, we conducted further extensive consultations in relation to North Mara's modified Community Grievance Process (CGP), which was piloted in 2017 and described in our 2017 Annual Report. In total 38 consultation sessions have been held at and around North Mara, including 10 one-day sessions for government officials from Tarime district, local non-governmental organisations, village and clan leaders, as well as company employees and contractors. A further 28 theatre performances and community consultations were delivered in 13 villages as part of our efforts to build awareness of the CGP within our zone of influence around the mine. In total an estimated 14,400 people have attended consultation and awareness-raising events on the modified CGP. A consultation event was also held in London during 2018 with international experts and interested observers on company-led grievance processes and security and human rights, and interested non-governmental organisations. The full range of stakeholders provided valuable feedback on the CGP and made important recommendations for improvement.

The CGP and the various consultation mechanisms are part of a process of continuous learning. North Mara continues to incorporate feedback from consultations and lessons learned into the grievance process, to continue to enhance its effectiveness in line with the UNGPs. The current versions of the Standard Operating Procedure and a Handbook for Grievants that explain the process are both available on the Acacia website. The mine has appointed a Grievance Team Leader to oversee and administer the process.

North Mara's new Community Grievance Process admits all types of community grievances, including grievances about security and human rights, the environment, enjoyment of land or other property, housing and livelihoods, or health and safety. Apart from grievances regarding rights to land and resettlement (which require State involvement and go to the mine's Land Department), grievances are resolved through the Community Grievance Process through a two stage process. First, the mine and the grievant seek to resolve the grievance through facilitated engagement and dialogue; and then, if engagement and dialogue do not resolve the grievance, an independent three-member Grievance Committee reviews the grievance and makes a determination.

Grievances in 2018
In 2018, a total of 40 new grievances were received at North Mara, one at Bulyanhulu, and none at Buzwagi. Following the implementation of a new grievance process at our exploration sites we registered a total of seven new grievances in relation to our licences in western Kenya. The total number of new grievances represents an increase of 10 compared to 2017; largely a direct result of our engagement with the community at North Mara around the new Community Grievance Process which has led community members to register grievances that relate to historical incidents that occurred prior to 2018. Of the 40 new grievances at North Mara, 24 relate to incidents that occurred prior to 2018.

Of these new grievances, 11 relate to land and property, an increase of one compared to 2017. A further 18 relate to security and human rights, an increase of one from 17 in 2017. Of these 18, only eight relate to incidents that occurred during 2018. Three grievances relate to a public order incident involving the Tanzanian Police

Force at the mine site entrance over three days in July 2018. One grievance relates to damage to a house that resulted from the actions of the Tanzanian Police Force. There were no grievances related to mine security personnel, compared to five such cases lodged in 2017. A further four accident-related grievances were also recorded in 2018, regarding accidents on the mine site without any allegation of mine involvement.

North Mara's new Community Grievance Process admits a range of community grievances as part of the mine's corporate social responsibility commitments including to the principles of the UNGPs. North Mara also raises concerns with the Tanzanian State about credible allegations regarding conduct by the Tanzanian Police Force, and will provide access to remedies through the Grievance Process to members of the North Mara community in respect of police actions only to the extent that such remedies are not forthcoming from the State itself.

In 2018 the new Community Grievance Process considered 38 security-related human rights grievances, of which a total of 22 cases remained under consideration at year-end.

The process of engagement and dialogue successfully produced an agreement between the mine and grievants about whether there had been a human rights impact in one case. In a further eight cases an agreement was not reached and these cases were referred to the Community Grievance Committee for determination.

The Community Grievance Committee, which independently reviews grievances that are not resolved through engagement and dialogue, heard a total of 15 security-related grievances in 2018, compared to 28 cases in 2017. The mine does not refer grievances to the Committee where the mine accepts that there has been a human rights impact, however the requirement of delivering greater transparency under the new CGP has led to a fall in the rate at which cases are resolved. Of the 15 security-related grievances, nine requested the Committee to consider whether there had been a human rights impact and the Committee determined that there appeared to have been a human rights impact in one case. In the other six cases the Committee was asked to consider the remedy that had been previously provided to the grievants. In three cases the Committee declined to increase the previous remedy. In a further two cases the Committee agreed with the mine's increased remedy proposal and in the final case the Committee determined that the mine should increase its revised remedy proposal.

Remediation plans were established in 19 cases, 16 of which were from past years, with the remedies designed to provide effective reparation in accordance with local and international human rights standards.

The average turn-around time was seven and a half months from the time of lodging the grievance to its resolution through engagement and dialogue. The resolution of grievances through engagement and dialogue or through the Community Grievance Committee can be delayed for several reasons, including the volume of grievances that are being processed at any given time, the adoption of new processes under the new CGP, as well as the location and availability of documents, witnesses and grievants.

CORPORATE GOVERNANCE REPORT
OVERVIEW

Rachel English
Interim Chair of the Board

Dear shareholders,

During 2018, the ongoing operating challenges in Tanzania have continued to provide the backdrop to the Board's discussions.

The Strategic Report contains details of steps that the Company has taken, overseen by the Board, to ensure its ongoing resilience during this period and to optimise its mine plans in preparation for when full operations are able to recommence. From a strategic perspective the Board, through the Independent Committee, also continues to monitor closely the ongoing discussions between Barrick and the Government of Tanzania ("GoT"), and our position with respect to pursuing arbitration claims against the GoT.

I was appointed as Interim Chair with effect from 1 September 2018 as a result of Kelvin Dushnisky stepping down from the Board following his departure as an executive of Barrick. On behalf of the Directors I would like to thank Kelvin for his contribution to the Company during his five-year tenure as Chair. My priorities since my appointment have included ensuring the Company pursues all available avenues of engagement to resolve these challenges, advancing plans for orderly Board succession and continuing our strong focus on corporate governance.

I am grateful for the support of my fellow Directors in my role as Interim Chair and value the range of skills that the various members of the Board bring. An analysis of those skills brought by Board members, to ensure that these reflect an appropriate range and balance of capabilities, has been a major area of focus for the Board during the latter half of 2018 as part of our wider review and discussion on Board effectiveness, Board composition and succession planning. This review follows changes to the Board during 2017 and 2018, including the departure of Kelvin Dushnisky in 2018.

As a result of this review, the Nomination and Governance Committee recommended, and the Board agreed, that the Board should seek to appoint new Independent Non-Executive Directors in due course, including one with a strong background in technical mining expertise and one with a strong financial background and audit committee experience, to address Audit Committee succession planning requirements. In addition, one of the criteria on which the selection will be based is the extent to which the candidate will enhance the diversity of the Board. Compensation Committee succession planning would also be addressed by virtue of these appointments.

At present, we have not received any indications of Barrick's intentions for future nominee Directors under the Relationship Agreement between Acacia and Barrick. We will continue to engage on this as part of overall Board composition assessments.

Our Board succession planning activities remain ongoing and we will provide a further update prior to the 2019 AGM.

In addition to overall Board succession planning, following my appointment as Interim Chair, the Board specifically assessed the skills and profile requirement for the Chair position going forward. As part of this, a Chair profile was agreed against which various candidates could be assessed. Further information on this profile is set out on page 71.

Throughout the year, the Board continued to be focused on the Group's relationships with all of its stakeholders: including employees, suppliers and local communities, as well as shareholders. The Board continues to recognise the important role the Group plays in supporting both local communities around its existing operations as well as the wider socioeconomic advancement of Tanzania. As well as specific projects as part of our Sustainable Communities initiatives, further details of which are set out on pages 56 to 70, the Group also continues to progress its review of its supply chain with a view to further increasing annual spend with Tanzanian-owned businesses. While the Group has always pursued a policy of sourcing locally first, where viable, we have looked to further increase our commitment here. We plan to increase our annual spend on goods and services with Tanzanian-owned businesses by 10% during the first half of 2019 compared with the equivalent period in 2018. There would be a further significant increase in local spend in the event that an appropriate resolution to the disputes with the GoT is achieved, so as to allow for the resumption of full operations at Bulyanhulu.

The Board remains focused on ensuring that Acacia is as resilient as it can be while continuing to work towards a comprehensive resolution of our disputes with the GoT, and on ensuring our plans are optimised for the resumption of full operations as and when the disputes are resolved.

Rachel English
Interim Chair of the Board

Board structure

Board

Management committees

Further support the Board and comprise the following key committees:

– Disclosure

– Reserves and resources

– Capital allocation

Executive leadership team

Responsible for day-to-day management of our business and operations and for monitoring detailed performance of all aspects of our business

Board committees

Audit Committee

- reviews and monitors financial statements
- oversees relationships with internal and external auditors
- oversees external audit process
- reviews internal audit plans
- compliance matters

2018 Membership

- André Falzon (Chair)
- Rachel English
- Steve Lucas

EHS&S Committee

- oversees the development of strategy and policy on Sustainable Communities, environmental, health and safety and security matters
- reviews the effectiveness of Sustainable Communities, environmental, health and safety and security management programmes and systems

2018 Membership

- Rachel English (Chair)
- Peter Geleta
- André Falzon

Nomination & Governance Committee

- makes recommendations to the Board on its composition and that of its Committees
- reviews and oversees the formulation and adoption of Acacia corporate governance policies and procedures

2018 Membership

- Rachel English (Chair)
- Michael Kenyon
- Steve Lucas

Compensation Committee

- reviews and recommends overall remuneration policy and strategy
- reviews and approves remuneration arrangements for Executive Directors and Executive Leadership Team

2018 Membership

- Michael Kenyon (Chair)
- Rachel English
- Steve Lucas

Independent Committee

- oversees all aspects and implications of the discussions between Barrick and the GoT, and any related proposals

2018 Membership

- Michael Kenyon (Chair)
- Rachel English
- André Falzon
- Steve Lucas

Non-Executive Chair The Chair creates the conditions for overall Board and individual Director effectiveness. The Chair is required to demonstrate the highest standards of integrity and probity, and set clear expectations concerning the Company's culture, values and behaviours, and the style and tone of Board discussions. The Chair's role is wide-ranging and includes: demonstrating ethical leadership; setting a Board agenda which is primarily focused on strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for Board decision; making certain that the Board determines the nature, and extent, of the significant risks the Company is willing to embrace in the implementation of its strategy; regularly considering succession planning and the composition of the Board; making certain that the Board has effective decision-making processes and applies sufficient challenge to major proposals; encouraging all Board members to engage in Board and Committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence; and consulting the Senior Independent Director on Board matters, as necessary in any given context.

Executive Director The CEO is an Executive Director and has responsibility for proposing strategy to the Board, and for delivering the strategy as agreed. The CEO has, with the support of the Executive Leadership Team (ELT), primary responsibility for setting an example to the Company's employees, and communicating to them the expectations of the Board in relation to the Company's culture, values and behaviours. The CEO is responsible for supporting the Chair to make certain that appropriate standards of governance permeate throughout Acacia. The CEO ensures that the Board is made aware, when appropriate, of the views of employees on issues of relevance to the business. In addition, the CEO ensures the Board knows the ELT's views on business issues in order to improve the standard of discussion in the boardroom and, prior to final decision on an issue, explain in a balanced way any divergence of view in the executive team.

Non-Executive Directors Non-Executive Directors have a responsibility to uphold high standards of integrity and probity and are required to have a strong command of the issues relevant to the business in order to make a positive contribution to the Board. Non-Executive Directors support the Chair and the CEO in instilling the appropriate culture, values and behaviours in the boardroom and beyond. All Non-Executive Directors are required to ensure that there is sufficient consideration of business issues prior to, and informed debate and challenge at, Board meetings. In making decisions, they take into account the views of shareholders and other stakeholders, given that such views may provide different perspectives on the Company and its performance.

Our Directors have a broad range of relevant skills and experience to assist Acacia in achieving its strategic goals.

Michael Kenyon (69)

Senior Independent Non-Executive Director

Year appointed: 2010

2018 Committee membership

- Compensation Committee
- Independent Committee
- *Nomination & Governance Committee*

Skills and experience

Mr Kenyon has more than 40 years of experience in the mining and mineral exploration industry and is a geologist by training. He was previously Chairman of the Board of Directors of Detour Gold Corporation for nine years to mid-2018 and then Interim CEO of Detour Gold Corporation for the last six months of 2018. He was also previously Chairman of the Board of Directors of Troon Ventures Ltd, President and Chief Executive Officer at both Canico Resource Corp and Sutton Resources Ltd, and a Director of Cumberland Resources Ltd until their respective acquisition by third parties.

Mr Kenyon holds an MSc degree in Economic Geology from the University of Alberta in Canada. He was also the recipient of the 2005 Developer of the Year award from the Prospector and Developers Association of Canada in recognition of his mining development accomplishments.

Board meetings attended

6

Independent

Yes

Peter Geleta (55)

Interim Chief Executive Officer

Year appointed: 2018

2018 Committee membership

- EHS&S Committee

Skills and experience

Mr Geleta was appointed as Acacia's Interim Chief Executive Officer on 1 January 2018, having previously been Head of People. Mr Geleta joined Acacia in May 2012. He has 36 years of mining industry experience in both operational and corporate leadership positions, and has extensive experience on the African continent. During his time with Acacia he has served as General Manager of the Bulyanhulu mine and helped lead the successful restructuring of the business.

Prior to joining Acacia Mr Geleta held a number of roles at Barrick, including Organisational Effectiveness Director for Barrick Africa, Human Resources Director for the Australia Pacific Region and General Manager for Barrick's Cowal Gold Mine in New South Wales. Before joining Barrick, he worked for AngloGold Ashanti for 25 years, where he held a number of roles including Head of Human Resources and Sustainability for AngloGold Ashanti's Africa Operations and General Manager of the Navachab Mine in Namibia. Mr Geleta holds an Executive MBA qualification from the University of Cape Town.

Board meetings attended

6

Independent

Not applicable

Rachel English (55)

Interim Chair of the Board

Year appointed: 2013

2018 Committee membership

Audit Committee

Compensation Committee

- EHS&S Committee
- Independent Committee
- Nomination & Governance Committee

Skills and experience

Ms English was appointed as the Interim Chair of the Board on 1 September 2018 following the resignation of Kelvin Dushnisky from the Board.

Ms English has held a number of non-executive positions over the past 10 years. Previously, she held senior positions in BG Group and Royal Dutch Shell, with responsibilities spanning finance, corporate strategy, mergers and acquisitions, and business development. She began her career at PricewaterhouseCoopers and subsequently worked for the World Bank Group and European Bank for Reconstruction and Development (EBRD), where she was involved in policy development and lending operations. Currently, Ms English is a Director of Helios Social Enterprise, which she founded to develop renewable energy access projects in rural sub-Saharan Africa and the Private Infrastructure Development Group, a multi-lateral development and finance organisation delivering infrastructure in Africa and Asia.

Ms English holds an MA (Hons) in Politics, Philosophy & Economics from Oxford University and is a Fellow of the Institute of Chartered Accountants.

Board meetings attended

6

Independent

Yes

Stephen Galbraith (47)

Non-Executive Director

Year appointed: 2010

2018 Committee membership

None

Skills and experience

Mr Galbraith has been employed by Barrick since August 2000 in treasury and finance functions, and is currently Managing Director of Barrick International (Barbados) Corporation. Mr Galbraith previously held the role of Audit Manager for PricewaterhouseCoopers.

Mr Galbraith holds a Bachelor of Arts degree in Accountancy from Strathclyde University, is a member of the Institute of Chartered Accountants of Scotland and is a Chartered Financial Analyst Charterholder.

Board meetings attended

6

Independent

No

André Falzon (64)

Independent Non-Executive Director

Year appointed: 2010

2018 Committee membership

- Audit Committee
- EHS&S Committee
- Independent Committee
- Skills and experience

Mr Falzon is a senior finance executive with more than 30 years of international financial and management experience in the mining industry. He brings extensive financial, compliance, and internal audit expertise along with a wealth of experience in business acquisitions, and corporate governance that was built over a more than 23-year career with Barrick Gold Corporation, one of the largest gold mining companies in the world. During his long career at Barrick Gold, Mr Falzon held increasingly senior positions, including Vice President and Controller. Mr Falzon is also a Director of Detour Gold Corporation and was previously a Director and Audit Committee chair of a number of publicly listed gold mining companies.

Mr Falzon was an active member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) production cost reporting committee. He has been an active participant in a number of important industry working groups: advisory panel member for extractive activities of the International Accounting Standards Board (IASB), and member of the Securities and Exchange Commission (SEC) mineral reserves and mining industry working groups.

Mr Falzon is a Chartered Professional Accountant (CPA, CA, and CGA (Canada)) with a Bachelor of Commerce from the University of Toronto.

Board meetings attended

6

Independent

Yes

Steve Lucas (64)

Independent Non-Executive Director

Year appointed: 2013

2018 Committee membership

- Audit Committee
- *Compensation Committee*
- Independent Committee
- Nomination & Governance Committee

Skills and experience

Mr Lucas is a Chartered Accountant with long and wide-ranging financial experience as an executive and non-executive director in the energy and extractive industries. He was finance director at National Grid plc from 2002 to 2010 and previously worked for 11 years at Shell and for six years at BG Group, latterly as group treasurer. He is currently Non-Executive Chairman of Ferrexpo plc and a Non-Executive Director of Tullow Oil plc.

Mr Lucas holds a BA in Geology from Oxford University.

Board meetings attended

6

Independent

Yes

CORPORATE GOVERNANCE REPORT
EXECUTIVE LEADERSHIP TEAM

In addition to Peter Geleta, Interim Chief Executive Officer, the Executive Leadership Team, includes:

Jaco Maritz (43) Chief Financial Officer Year appointed: 2018

Skills and experience

Jaco Maritz was appointed as Chief Financial Officer on 1 January 2018. Jaco has been with Acacia and its predecessor companies since 2001 in a range of increasingly senior finance roles covering all aspects of the finance function. He was initially employed by Placer Dome, which was acquired by Barrick in 2006, and was part of Acacia at its inception. Jaco is a member of the South African Institute of Chartered Accountants.

Charlie Ritchie (49) Head of Legal & Compliance Year appointed: 2017

Skills and experience

Charlie Ritchie joined Acacia as Head of Legal & Compliance in January 2017. Charlie came to Acacia after more than 20 years in corporate and private legal practice across Australia, the UK and the USA. His legal career includes 13 years at the Rio Tinto Group, including considerable experience in the African mining sector.

Until the end of 2016, he served as Rio Tinto's General Counsel Diamonds & Minerals and United States, based initially in London and then Salt Lake City. Prior to this, he was Legal Counsel and Company Secretary for the ASX-listed Energy Resources of Australia Limited (Rio Tinto: 68%) between 2007 and 2010, and he first joined Rio Tinto in 2004 to manage significant disputes and litigation in the Australia-Pacific region. Before joining Rio Tinto, Charlie worked at private law firms in London and Melbourne, specialising in international commercial litigation and dispute resolution. Professionally qualified in both the United Kingdom and Australia, Charlie holds Bachelor of Laws (Hons.) and Bachelor of Arts degrees from the University of Melbourne.

Hannes Henckel (68) Head of Discovery Year appointed: 2018

Skills and experience

Hannes Henckel has been with Acacia and its predecessor companies since 2002 and prior to becoming Head of Discovery was involved in Africa wide target generation, project evaluation and exploration as Chief Geologist Discovery. He has extensive experience in the field of exploration, covering various commodities. After a short stint at the University of Munich he worked at the Chamber of Mines Research Organisation of South Africa doing research on Witwatersrand gold deposits. He then joined Goldfields working on exploration projects in southern Africa. He was seconded for several years to South America as Chief Geologist for Goldfields' Latin American Operations. From 2002 he was part of Placer Dome's Platinum Division which was acquired by Barrick in 2006.

Hannes holds an MSc and PhD in geology from Ludwig Maximilian University of Munich. He is a fellow of the GSSA and SEG.

CORPORATE GOVERNANCE REPORT

Board composition

As at 31 December 2018, the Board comprised a Non-Executive Chair, who was independent upon appointment, one Executive Director and four Non-Executive Directors, of whom three were independent.

Board changes during 2018

There were no new Board appointments during the reporting period. Kelvin Dushnisky resigned from the Board with effect from 31 August 2018 following the announcement of his departure from Barrick.

Retirement and re-election

Given ongoing succession planning activities, full details on Directors' intentions, with respect to potential retirement from and nominations for re-elections to the Board, will be provided prior to the 2019 AGM as part of the AGM materials.

Board leadership

Chair and Chief Executive Officer

In line with best practice, the roles of Chief Executive Officer and Chair, and their related responsibilities, are separated. The divisions of responsibility and the specifications of each role are set out in writing and reviewed periodically as part of annual corporate governance reviews. Responsibilities are divided so as to ensure that the Chair remains principally responsible for the leadership of the Board and ensuring that the Board plays a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives. The Chief Executive Officer is primarily responsible for all executive management matters affecting Acacia and is principally responsible for running the Company's business. All members of the Executive Leadership Team report directly to him.

Senior Independent Director

Michael Kenyon is currently Acacia's Senior Independent Director (SID). The responsibilities and duties of the SID are determined in accordance with the requirements of the UK Corporate Governance Code. In particular, the SID is required to:

- act as a sounding board for the Chair;
- act as an intermediary for other Directors, when necessary;
- ensure that an annual appraisal of the Chair is conducted by the Non-Executive Directors, without the Chair present; and
- be available to shareholders for discussion purposes, in cases where contact between such shareholders and the Chair and/or CEO has been ineffective or is otherwise inappropriate.

Succession planning for the SID position is under consideration as part of overall Board succession planning and composition activities.

Matters reserved

There is a schedule of matters that the Board has specifically reserved for its decision. This schedule was reviewed during the year and includes matters such as setting the Group's strategic aims and objectives, approving significant contractual commitments (including merger and acquisition activity), approving capital-raising, approving changes to the Group's share capital and corporate structure, approving financial reports and ensuring maintenance of a sound system of internal control and risk management.

Delegation of authority

The Board has delegated responsibility for certain matters to five committees: the Audit Committee, the Compensation Committee, the EHS&S Committee, the Nomination & Governance Committee and the Independent Committee. The membership, chairship and activities of each of these Committees during 2018 are set out in each Committee report on pages 80 to 186.

Board effectiveness

Board meetings and attendance

Board decisions are predominantly made by achieving a consensus at Board meetings. In exceptional circumstances, decisions may be taken by the majority of Board members. Questions arising at any meeting are determined by a majority of votes. In the case of an equality of votes, the Company's Articles of Association do not provide the Chair with a second or casting vote. All Directors are required to take decisions objectively and in the best interests of the Company. As part of their duties as Directors, Non-Executive Directors are expected to apply independent judgement to contribute to issues of strategy and performance and to scrutinise the performance of management.

The Board is scheduled to meet at least four times a year, and at such other times as are necessary to discharge its duties. The Board met a total of six times in 2018. Meetings occurred in person and by teleconference. Details of individual attendance are provided in the table overleaf.

Board briefings and development

The Board receives monthly management reports and quarterly reports outlining all material operational, financial and strategic developments. These ensure that Board members remain properly briefed on the performance and financial position of the Group on a continuous basis. Board and Committee papers are circulated prior to all meetings to allow Directors to be briefed in advance of discussions. Board meetings include quarterly operational, financial and exploration project performance reviews to ensure that, in addition to specific scheduled matters and any other business, core business performance is monitored and assessed on a continuous basis. In addition to scheduled Board meetings, all Directors have access to members of the Executive Leadership Team and to whatever further information they need to perform their duties and to satisfy their responsibilities. Acacia's independent Non-Executive Directors and Committee Chairs meet with members of the Executive Leadership Team to receive more in-depth briefings on Board and Committee matters whenever required or requested. In addition, all Directors continue to have free access to visit operations outside scheduled Board arrangements. Board training and development needs are reviewed on an ongoing basis. Directors may take independent professional advice, as necessary, at the Company's expense in the furtherance of their duties. In addition to this, each Board Committee is entitled to seek independent professional advice at the Company's expense, where necessary, to assist or guide the Committee in the performance of its functions.

Internal control

The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. In line with this responsibility, the Board has established ongoing processes and systems for identifying, evaluating and managing principal risks that the Group faces, which have been in place throughout the year and up to the date of approval of the Annual Report.

The Board principally bases its monitoring and review of the effectiveness of risk management and internal control systems on its review of management reports and assessments, and on the quarterly reports it receives on the status of the Group's risk management and internal control environment. This is supported by the risk profile reviews that our internal audit function carries out to help the Board identify and manage the most significant risks and events that could affect the Company's operations, financials and performance on an ongoing basis. Where necessary, the Board is assisted by its Committees in reviewing internal systems and controls, particularly the Audit Committee, which is responsible for reviewing the effectiveness of the Group's internal control and risk management framework systems, as components of the Company's internal control framework.

In compliance with its obligations, the Board conducted a review of the effectiveness of the Company's risk management and internal control systems for the reporting period. The review also covered a review of all material controls, including financial, operational and compliance controls and considered all significant aspects of internal control for the reporting period. During the course of the review the Board did not identify or hear of any failings or weaknesses that it determined to be material. Therefore a confirmation of any necessary actions undertaken is not required.

Additional information regarding the internal control and risk management process specifically in relation to the financial reporting process and the preparation of the consolidated financial statements is provided as part of the Audit Committee report and the notes to the consolidated financial statements.

Further detail as regards the governance structure used for Acacia's approach to risk management and the processes and procedures used in the context of risk management is provided on pages 30 to 36 of this Annual Report. The Company's viability statement is also provided in this context on page 31.

	Board meetings		Audit Committee		Compensation Committee		Nomination & Governance Committee		EHS&S Committee		Independent Committee	
	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible	Number attended	Maximum possible
Current Directors												
Rachel English[1]	6	6	5	5	4	4	2	2	4	4	17	18
Kelvin Dushnisky[1]	1	4	–	–	–	–	1	1	–	–	–	–
Peter Geleta	6	6	–	–	–	–	–	–	4	4	–	–
André Falzon	6	6	5	5	–	–	–	–	4	4	18	18
Michael Kenyon	6	6	–	–	4	4	3	3	–	–	18	18
Steve Lucas	6	6	4	5	3	4	2	3	–	–	15	18
Stephen Galbraith	6	6	–	–	–	–	–	–	–	–	–	–

1 Kelvin Dushnisky stepped down from the Board with effect from 31 August 2018. With effect from 1 September 2018, Rachel English, who was already an independent Non-Executive Director, assumed the role of Interim Chair and also became chair of the Nomination & Governance Committee.

Majority shareholder

Barrick is the Group majority shareholder, holding approximately 64% of Acacia's issued shares as at the date of this report. Acacia's relationship with Barrick is governed by the terms of a Relationship Agreement, the principal purpose of which is to ensure that the Acacia Group is capable of carrying on its business independently of the Barrick Group and that any transactions and relationships with the Barrick Group are conducted at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as Acacia is listed on the London Stock Exchange and Barrick owns or controls at least 15% of Acacia's issued share capital or voting rights.

The Relationship Agreement provides Barrick with certain Director appointment rights in line with a sliding scale, structured as follows:

Barrick percentage shareholding	Barrick Director appointment rights
40% or more	The higher of three Non-Executive Directors and the maximum that may be appointed under the UK Corporate Governance Code
25% up to 40%	The higher of two Non-Executive Directors and one less than the maximum number of Non-Executive Directors that may be appointed under the UK Corporate Governance Code
15% up to 25%	The higher of one Non-Executive Director and two less than the maximum number of Non-Executive Directors that may be appointed under the UK Corporate Governance Code

Kelvin Dushnisky, a Director nominated by Barrick, stepped down from the Board on 31 August 2018 following his resignation as President of the Barrick Group. As a result, the sole Director on the Board appointed by Barrick at the current time is Stephen Galbraith.

In addition to Director appointment rights, and subject to certain exceptions, as part of the terms of the Relationship Agreement, Barrick has undertaken that members of the Barrick Group will not carry on exploration for gold or silver in Africa, or acquire, whether through an asset purchase or the purchase of securities, a gold or silver mining business in Africa without giving Acacia the opportunity to exercise certain rights of first refusal for so long as Barrick holds

30% or more of the issued share capital or voting rights of Acacia (the Pre-emption Right). Acacia has given a reciprocal non-compete commitment to Barrick in this regard.

On 24 September 2018, Barrick and Randgold Resources Limited (Randgold) announced that they intended to merge. At the time, Randgold had a portfolio of gold mines and exploration programmes in West and Central Africa. Accordingly, the transaction triggered the Pre-emption Right in favour of Acacia under the Relationship Agreement. After consideration by the Independent Committee and consultation with its advisers, Acacia concluded that it would not exercise its Pre-emption Right with respect to Randgold. The merger between Barrick and Randgold became effective on 2 January 2019 and the merged entity is known as Barrick. Acacia has reserved its position regarding the exercise of the Pre-emption Right with respect to any future proposals by Barrick to acquire or to increase any African gold or silver mining or exploration rights, irrespective of scale, that Barrick might consider in the future and in respect of which Acacia's Pre-emption Right applies.

Acacia entered into the Relationship Agreement at the time of its initial public offering in 2010. It was amended in 2014 to ensure full compliance with the independence requirements introduced to the Listing Rules, which took effect in November 2014. Following these amendments the Relationship Agreement expressly provides that:

(i) any and all transactions with Barrick (or its associates) shall be conducted at arm's length and on normal commercial terms;

(ii) neither Barrick, nor any of its associates, will take any action that will prevent Acacia from complying with its obligations under the Listing Rules; and

(iii) neither Barrick, nor any of its associates, will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

In addition, the Listing Rules require premium listed companies with controlling shareholders to provide a confirmation in their annual reports that all of the independence provisions contained in their relationship agreements have been complied with. In line with this requirement, the Board has assessed Barrick and Acacia's compliance with the Relationship Agreement's independence requirements as amended, and has sought advice where appropriate from its professional advisers. In this regard, responsibility for monitoring the Company's ongoing compliance with relevant independence requirements in connection with the discussions between Barrick and the GoT has been delegated to the Independent Committee. As such, the Board can confirm that Acacia has complied with the independence requirements stated above since their adoption and, so far as the Board is aware, Barrick and its associates have also complied with these requirements. In this regard, all members of the Board support the giving of this statement and no independent Non-Executive Director has raised any objections in this regard.

Dialogue with the investment community
Acacia has a designated investor relations team which acts as the primary point of contact with the investment community and is responsible for maintaining Acacia's ongoing relations with investors and shareholders. Acacia conducts regular investor meetings and telephone calls with the investment community to discuss results, and participates in mining conferences to meet with current and prospective investors. In addition to its annual and half-year reports, Acacia publishes quarterly reports to the market, which provide further information on production and financial results, and updates on its business and operations. Acacia's investor relations team also arranges operational site tours for members of the analyst community, as and when appropriate.

AGM
Acacia's 2019 AGM will be held on 23 May 2019 at 13.00 BST. The business of the meeting will be conducted in accordance with Companies Act 2006 requirements and standards promoted by the UK Corporate Governance Code. The Chair of the Board and the Chairs of the Audit, Compensation, EHS&S, Nomination & Governance and Independent Committees will be available to answer questions put to them by shareholders at the meeting. The AGM Notice will, in accordance with best practice, be sent to shareholders at least 20 business days prior to the date of the meeting. It will also be made available on the Company's website.

Conflicts of interest
Mr Galbraith is a nominee Director appointed by Barrick, and, during his tenure on the Board, Kelvin Dushnisky was also a nominee Director appointed by Barrick. Mr Galbraith holds (and Mr Dushnisky previously held) a number of cross directorships with members of the Barrick Group which give rise to situations in which these Directors could have a direct or indirect interest that conflicts, or possibly may conflict, with those of Acacia. In addition, as a result of their employment within the Barrick Group, these individuals also hold interests under Barrick's restricted stock unit plan and other employee incentive plans.

The Companies Act 2006 requires directors to avoid situations where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with company interests. However, the Act does allow directors of public companies to authorise conflicts and potential conflicts of interest where a company's articles of association contain a provision to that effect. Acacia's Articles of Association contain such provision and a procedure for this. In accordance with this procedure, the conflicts outlined above were declared and authorised by the Board. The monitoring and, if appropriate, authorisation of any actual or potential conflict of interest is an ongoing process. Directors are required to notify the Company of any material changes in positions or situations that have already been considered and any new situations.

In addition, Directors are required to declare interests in potential or actual transactions and are required to abstain from voting on such transactions, subject to permitted exceptions. If a question arises as to whether any interest of a Director prevents him or her from voting or being counted in a quorum in the context of a potential or actual transaction, the matter is referred to the Chair, whose findings are final and conclusive. In the context of questions relating to any such conflict of the Chair, the question may ultimately be decided by a resolution of the other Directors. The Board reviews conflicts of interest on a periodic basis and maintains a record of all declared conflicts.

Specifically as regards nominee Directors appointed by Barrick, the Relationship Agreement provides that if any transaction or arrangement arises directly between a member of the Barrick Group and a member of the Acacia Group and does or could, in the opinion of a majority of Directors (excluding any Director(s) appointed by Barrick), give rise to a conflict of interest between Acacia and any Director appointed by Barrick, any such matter must be approved and authorised at a duly convened Board meeting or in writing by a majority of Directors (excluding any Director(s) appointed by Barrick) prior to the Company taking further action in relation to such matter. Save for the matters set out on the previous page, no other conflicts of interest were disclosed to the Board during the reporting period.

Performance evaluation and succession
The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement.

In 2018, with the assistance of Lintstock, we developed tailored surveys that reflected the Company's specific circumstances in 2018 and built upon themes and outputs from the review conducted in 2017. All Board members were requested to complete online surveys addressing the performance of the Board and its Committees. The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views.

In early 2019, Lintstock produced a report addressing the following areas of Board performance:

- The appropriateness of the Board's composition and the attributes that ought to be prioritised in any new Non-Executive Director appointments, including in light of the potential retirement from the Board of Michael Kenyon and André Falzon during 2019.
- The Board's understanding of the operating and political environment in the countries in which the Company is active.
- The relationships between Board members and management, and the atmosphere in meetings.
- The Board's oversight of the Company's strategy and its implementation.
- The Board's focus on risk and the effectiveness with which the Board oversees culture and behaviours throughout Acacia.
- The Board's oversight of succession plans for members of senior management.
- In addition, Directors were asked to provide their views as to the top strategic issues facing the company and those matters to prioritise in 2019.

While the Board had continued to operate effectively throughout 2018, some opportunities for improvement and specific priorities were identified of which the top priorities for 2019 were: (i) continuing to review all options available to achieve a resolution to ongoing challenges and disputes affecting the operating environment in Tanzania; (ii) continuing the appropriate management of the Company's relationship with Barrick, particularly in the context of Barrick's discussions with the GoT; (iii) continuing to attract and retain key employees; and (iv) Board succession planning.

In the context of succession planning, in order to determine the overall requirements for composition of the Board, we conducted a Board skills assessment, based on the Company's strategic priorities. This resulted in the production of a skills matrix which assessed the Board's skills across six categories, being:

- The Group's people
- The Group's relationships
- Technical expertise relating to the Group's business
- Non-technical expertise relating to the Group's business
- Financial expertise relating to the Group's business
- Governance/Executive experience.

The analysis took into account the potential retirement from the Board during 2019 of Michael Kenyon and André Falzon. The principal finding was that an additional appointment should be made to enhance the technical mining expertise available to the Board. It was also recognised that an appointee with a strong financial background and audit committee experience should be identified to replace André Falzon as chair of the Audit Committee. In addition, one of the criteria on which the selection of the successful candidate will be based is the extent to which the candidate will enhance the diversity of the Board. As noted above, the process for the selection of additional non-executive directors remains ongoing and we will provide a further update prior to the AGM.

In addition, following the resignation of Kelvin Dushnisky from the Board and the appointment of Rachel English as Interim Chair, work was undertaken by Lintstock to support the Board in assessing skills required for any potential permanent appointees to the position as Chair. As part of this process, each member of the Board was interviewed to obtain their views on the skills and attributes that should be prioritised in making this appointment, as well as their views on the top priorities for the Chair upon taking on the position, as well as any other recommendations for ensuring an effective appointment. In terms of the attributes to be prioritised, proficiency in the following areas was highlighted: (i) dealing with complexity and building consensus, recognising the operational challenges currently faced by Acacia, and the related geopolitical issues; (ii) negotiation and communication skills, in the context of the discussions with the GoT; and (iii) management of the Company's relationship with Barrick.

Corporate governance compliance

For the year under review, as a UK company with a premium listing on the Main Market of the London Stock Exchange, Acacia is required to make certain statements regarding the way it is governed, as required by the 2016 edition of the UK Corporate Governance Code, which is available at www.frc.org.uk. Accordingly, this report explains how Acacia has applied the Main Principles of the UK Corporate Governance Code during 2018.

Generally, Acacia seeks to comply with all relevant provisions of the UK Corporate Governance Code wherever possible and for the reporting year it is the Board's view that Acacia has complied with all such provisions, save for the following:

- Mr Dushnisky, who was Chair of the Board until 31 August 2018, was not independent on appointment as Chair and an external search consultancy was not used in connection with his appointment. Given Mr Dushnisky's experience within the mining sector, his skill set and his familiarity with the operating and geographical environment in which the Company's assets are located, the Board believed his appointment to be in the best interests of the Company irrespective of this (Provisions A.3.1 and B.2.4). The Interim Chair of the Company, Rachel English, is independent. Accordingly, from 1 October 2018, Acacia complied with this provision of the UK Corporate Governance Code.

- The Company has not adopted a formal diversity policy. As a Group we remain committed to diversity. In particular, we are committed to increasing Tanzanian representation in senior positions within the Group. However, given the current climate in Tanzania, and in particular following the arrest in October 2018 of a senior manager of Acacia's Tanzanian businesses who was a Tanzanian national, we are highly conscious of the increased risk to which senior managers in Tanzania are currently exposed. Accordingly, the Board's view is that adoption of the policy should be deferred pending resolution of the issues with the GoT. That will also enable the policy to be aligned with the Group's growth strategy following that resolution. As a Company we will continue to base all recruitment on the premise that we strive to attract a broad mix of individuals from both the traditional and non-traditional mining labour markets in order to create a diverse workgroup and maintain a unique company culture. (Provision B.2.4) In connection with our current process for identifying and appointing new non-executive directors as part of our succession planning activities (as discussed in more detail on page 70), one of the criteria on which the selection of the successful candidates will be based is the extent to which the candidate will enhance the diversity of the Board.

- Rachel English, who became Interim Chair on 1 September 2018, has remained as a member of the Audit Committee. This reflects the need to maintain appropriate depth of expertise on the Audit Committee for the time being, as well as Rachel's appointment to the Chair being on an interim basis. The composition of the Audit Committee will be reassessed following conclusion of the current Board succession planning activities. (Provision C.3.1)

The UK Corporate Governance Code requires that the Board provides a fair, balanced and understandable assessment of Acacia's position and prospects in its external reporting. Accordingly, the Directors were responsible for the preparation and approval of this Annual Report and consider the Annual Report and Accounts for 2018, taken as a whole, to be fair, balanced and understandable and believe that it provides the information necessary for shareholders to assess Acacia's position and performance, business model and strategy.

In addition to compliance with the UK Corporate Governance Code, as part of commitments given in connection with Acacia's secondary listing on the Dar es Salaam Stock Exchange, the Board has undertaken to comply with the Corporate Governance Guidelines issued by the Tanzanian Capital Markets and Securities Authority to the extent that these requirements are equivalent to applicable UK corporate governance standards. In the case of any conflict between the two, the requirements of the UK Corporate Governance Code prevail.

Acacia's external auditors have reviewed those parts of this statement which they are required to review under the UK Listing Rules.

AUDIT COMMITTEE

André Falzon
Committee chair

Members	Meetings attended	Percentage of meetings attended
André Falzon (Chair)	5	100%
Rachel English	5	100%
Steve Lucas	4	80%

Introduction

I am the Chair of the Committee and a CPA, CA, CGA (Canada), with over 30 years of financial and management experience within the mining industry. During the year, Rachel English and Steve Lucas acted as the other members of the Committee. Details of members' experience and qualifications are provided as part of the Board of Directors' biographies.

The composition of the Audit Committee, whose members have a wide range of experience with an emphasis on financial and audit committee experience across the extractive industry, meets the enhanced requirements of the 2016 edition of the UK Corporate Governance Code and of the revised FRC Audit Committee Guidance published during 2016 which became effective during 2017.

Our terms of reference require us to meet at least four times a year, and in 2018 we met five times, holding meetings in person and by conference call. The Chief Executive Officer, the Chief Financial Officer, the Head of Legal and Compliance, the Chief Compliance Officer, the Head of Risk and Internal Audit, members of the Company's finance function and the external auditors also attend Committee meetings on a regular basis by invitation.

We also hold individual meetings with Acacia's external auditors and the Head of Risk and Internal Audit without management present to discuss matters within our remit of responsibilities.

Key responsibilities

Our key responsibilities include oversight of financial reporting and internal controls over financial reporting, overseeing the Group's relationship with its external auditors and Acacia's internal audit function, overseeing the external and internal audit processes generally and reviewing the effectiveness of the Group's systems of internal control, including its risk management framework. In addition, we receive reports from the Chief Compliance Officer as regards anti-fraud, anti-bribery and anti-corruption compliance programmes, these being directly related to our oversight of whistleblowing arrangements and related policy reviews.

Activities in 2018 and plans for 2019

Our activities during the year were wide ranging, and comprised the following in particular:

Objective	Achieved
Reviewing Committee composition based on succession planning, skill set and qualification requirements.	yes
Reviewing our terms of reference and our remit of responsibilities in light of corporate governance developments.	yes
Reviewing the external auditors' terms of engagement, plans, scope of work, compensation, the findings arising from all external audit work and external auditor performance.	yes
Reviewing Acacia's periodic financial reporting.	yes
Reviewing key accounting policies and developments in financial reporting and regulatory environment.	yes
Reviewing the internal audit plan together with internal audit reports, findings and monitoring related action plans.	yes
Reviewing enterprise risk registers, tax disputes and other litigation.	yes
Reviewing the progress of the annual anti-corruption compliance programme.	yes
Reviewing whistleblowing arrangements to support reporting requirements under Acacia's Code of Conduct and Anti-Fraud and Anti-Corruption policies and other reports from the Company's compliance function.	yes
Receiving periodic risk management reports and updates as regards the principal risks for which the Committee has delegated oversight on behalf of the Board.	yes
Participating in the Committee's annual performance assessment.	yes
Review of carrying value of assets, in light of, among other things, ongoing uncertainty arising from the continuing operational challenges in Tanzania	yes
Review of appropriate measures to be taken to preserve cash and to protect the Company's balance sheet, in light of continuing operational challenges in Tanzania.	yes

In 2019, the Committee will continue to focus on the majority of the above matters, these being core to its remit of responsibilities.

Significant issues considered by the Committee in 2018

Impact of mineral concentrate export ban and negotiations with the Government of Tanzania ("GoT")
The Committee has considered the ongoing impact of the mineral concentrate export ban in Tanzania on Acacia's assets, liabilities and cash flows. The Committee has also considered the status of negotiations with the GoT, the prospect, timing and final terms of any comprehensive negotiated settlement that might be agreed with the GoT and approved by the Company, and the possible impact of the terms of any such settlement.

Carrying value review
Management identified a number of potential triggers for impairment testing of the carrying value of the Company's assets, including the ongoing uncertainty surrounding a potential resolution of the disputes with the GoT, the revised Bulyanhulu business model, the updated geological models at North Mara and Bulyanhulu, and the fact that Acacia's market capitalisation has been lower than its carrying value during the 2018 reporting period. As a result, management has undertaken a carrying value review of the Group's affected Cash Generating Units (CGUs), being Bulyanhulu, North Mara and Buzwagi, based on an assessment of their recoverable value, and long life intangible assets.

The determination of recoverable value was based on the higher of value in-use, being the net present value of future cash flows expected to be generated by the asset, and fair value less costs to dispose. There is no active market for the CGUs. Consequently, fair value less costs to dispose was derived using discounted cash flow techniques (net present value of future expected cash flows of a CGU), which incorporate market participant assumptions. Cost to dispose was based on management's best estimates of future selling costs; costs attributable to the disposal of a CGU are not considered significant.

For the purpose of carrying value assessments, management based its calculation of future cash flows of the affected CGUs by reference to the key terms of the framework announcements by Barrick and the GoT in October 2017. Based on Barrick's announcements, and absent any changes in its position in discussions and exchanges with Acacia, Acacia understands that it remains Barrick's belief that it will be able to agree with the GoT a detailed proposal for a comprehensive settlement of the situation, and that this will be in a form that Barrick could recommend to Acacia for review. Key assumptions applied by management in these calculations include a 50% share of future economic benefits for the GoT in the form of taxes, royalties and a 16% free carry interest in the CGUs, as well as a US$300 million payment in relation to historical tax claims paid in instalments as concentrate sales recommence. In addition, the framework announcements provided for Acacia to contribute certain monies to fund specific projects in Tanzania. With no updated information from Barrick, management had to make a best estimate of what can reasonably be assumed for timing of conclusion of discussions between Barrick and the GoT and an agreement of a proposal to be put to Acacia for review, with consequent timing for the commencement of concentrate sales and potential resumption of underground mining at Bulyanhulu. Management considered that it is reasonable for review purposes to assume a six month prolongation (to the end of H1 2019) of the discussions between Barrick and the GoT, and that in these circumstances there would be a further three to six months delay thereafter for the resumption concentrate sales and exports, with concentrate revenues recommencing in Q1 2020 and the resumption of production from underground mining at Bulyanhulu in late 2020. VAT refunds were assumed by management to recommence and historic carried forward tax losses assumed to continue to be available to offset against future taxable profits from 1 January 2020.

Management considered that, in conducting the review of carrying values in accordance with applicable accounting standards as at 31 December 2018, the discount rate used should: (a) reflect the uncertainty around the final terms of any comprehensive settlement that might be agreed or whether settlement will be reached at all, and (b) best reflect the potential reduction in value as a result of the proposed 16% free carry interest for the GoT which cannot otherwise be included in calculations of value at a CGU level conducted on a 100% basis. Therefore, for the purposes of the carrying value review of the affected CGUs, management used a discount rate of 11% compared to Acacia's calculated weighted average cost of capital of 6.5%.

In light of these assessments by management, as well as management's assessment of variables such as future commodity prices and timing and approval of future capital and operating expenditure, management estimated that the recoverable amounts for each of the CGUs supported the carrying value for those assets as at 31 December 2018. Accordingly, no impairment charge was considered necessary.

The Committee has reviewed and examined key assumptions used by management for impairment testing. In particular, the Committee has reviewed and challenged in this context the assessment as to the likelihood of a settlement being reached with the GoT, and as to the terms of such settlement, given that Acacia has not yet received for review and approval a detailed proposal that has been agreed between Barrick and the GoT, and no conclusions can be made by Acacia as to whether any particular terms of settlement would be approved by Acacia, in the event that any proposal is received in the future. In addition, the Committee has reviewed other assumptions used, such as the long-term average gold price, and the discount rate used and the factors relevant to this selection, such as operating cash cost levels and related factors underpinning relevant mine planning, budgets and forecasts. Views and contributions of the external auditors as regards the impairment testing procedures and key assumptions used formed part of the Committee's review of these matters. Following these reviews, the Committee satisfied itself that the process used to ascertain the carrying value of the Company's CGUs had been appropriately reviewed and challenged and that the resulting assessments of such carrying value were therefore sufficiently robust for use. The Committee also reviewed the disclosures contained in this Annual Report, including the disclosure contained in the notes to the consolidated financial statements relating to the sensitivities provided with respect to the CGUs, in order to satisfy itself of the accuracy and suitability of the disclosures so made.

Uncertain deferred tax positions
The Group has material deferred tax balances which include prior year tax loss assessments that continue to be in dispute with the Tanzania Revenue Authority (TRA). The Group also has US$300 million of provisions for uncertain deferred tax positions, on the basis it is more probable than not that this amount may be paid to settle outstanding assessments as part of a broader negotiated settlement with the GoT. This is based on a review undertaken by the Company in 2017 of its position in light of Barrick's announcement in October 2017 that Barrick had increased its provision with respect to historical uncertain tax positions from US$128 million to US$300 million.

The Committee has reviewed and examined the key assumptions used by management for the purposes of assessing the deferred tax balances and the provision for uncertain deferred tax. In particular, the Committee has reviewed and challenged in this context the assessment as to the likelihood of a settlement being reached with the GoT, and as to the terms of such settlement, given that Acacia has not yet received for review and approval a detailed proposal that has been agreed between Barrick and the GoT, and no conclusions can be made by Acacia as to whether any particular terms of settlement would be approved by Acacia, in the event that any proposal is received in the future. Views and contributions of the external auditors as regards the key assumptions used by management formed part of the Committee's review of these matters.

Based on this review the Committee concluded that the Company has sufficiently provided for any uncertain tax positions. The Committee is also satisfied with the suitability of the related disclosures contained in this Annual Report. In addition, the Committee reviewed the amount of deferred tax recognised with respect to losses incurred in previous periods and was comfortable with the amounts recognised. Once a formal detailed proposal is received regarding the framework between Barrick and the GoT, the Company will conduct a further assessment of the potential impact of the arrangements on the Company's historical tax position.

Indirect tax recoverability
As part of ongoing monitoring and review of taxation matters, the Committee has reviewed the status, recoverability and classification of the Group's indirect tax receivables relating to VAT charged on imports and the domestic supply of goods and services. In this regard, the Committee has received reports from management on the status of discussions and negotiations of such matters between management and the TRA. We have also reviewed management's ongoing calculations of amounts so outstanding, the procedure established to recover refunds and amounts due under the escrow account established to fund refunds due in respect of portions of the receivable, the audit process followed to confirm such refunds, and the overall time frame for the receipt of such refunds against amounts outstanding under the receivable from time to time. The Committee has also taken into account the views and contributions of the external auditors regarding recoverability and classification of relevant indirect tax receivables. Based on the foregoing, the Committee has satisfied itself that the Group's indirect tax receivables remain recoverable and appropriately classified in the circumstances and is satisfied with the suitability of the related disclosures contained in this Annual Report.

Going concern review
In addition to the matters stated above, all of which are relevant to the Board's assessment of Acacia's position as a going concern, the statement relating to which is provided on page 55, the Committee also reviewed other matters relevant to Acacia's liquidity, namely the ongoing availability of net cash balances, mine plans, the cash flow impact of an extended concentrate export ban, the potential impacts of any comprehensive settlement with the GoT, including payments relating to historical tax matters, gold prices and Acacia's hedging strategy and policy, capital expenditure and financing plans, and material contingent liability exposure and various cash optimisation opportunities, the latter also being a focus for the Board. Management reported to the Committee on each of these matters and was questioned accordingly. In this regard, the Committee has also taken into account the views of the external auditors in order to satisfy itself of the position taken by the Board as regards to the appropriateness of the going concern assumption contained in this Annual Report.

Risk reviews
Throughout the year, the Committee has continued to have delegated oversight of certain financial-related principal risks and the Company's risk management framework itself, as a component of internal controls systems generally. Further information regarding risk management and risk governance is provided and the principal risks for which the Committee retains oversight are identified on pages 30 to 35. In this regard our risk monitoring activities involve receipt of periodic risk reports and the monitoring of trends and development relevant to risk environment, as supported by management's oversight and implementation of day to day risk management across our operations.

Fair, balanced and understandable review
At the request of the Board, the Committee has also reviewed the narrative content of the Annual Report in order to make a recommendation that the report satisfies the narrative reporting requirements in that the Annual Report, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In this regard the Committee has taken advice from the Company's legal function to satisfy itself of the relevant legal and regulatory framework underpinning this disclosure standard.

Internal and external audit reviews
Throughout the year, the Committee received regular reports on matters under review by the internal audit function, and has reviewed such matters and raised questions with the Head of Risk and Internal Audit accordingly. We also reviewed the internal audit charter, mandate and performance in order to assess ongoing effectiveness, following which the Committee concluded that the internal audit function remains effective and performs in accordance with requirements of the business. We have also assessed the effectiveness of the external audit process via responses to surveys received from the Chief Financial Officer, members of the finance and treasury function, and in particular members of the Company's financial reporting team and the Company secretariat. The survey comprised a range of factors including the following:

- Progress achieved against the agreed external audit plan
- Competence with which the external auditors handled key accounting and audit judgements and communication of the same between management, the Committee and the external audit team
- Compliance with relevant regulatory, ethical and professional guidance on rotation of lead audit partners
- Qualifications, expertise, resources and the external auditors' own assessment of their quality control procedures
- The stability and continuity provided to the business as a result of the continued appointment of PricewaterhouseCoopers LLP (PwC) as external auditors. Based on this assessment, the Committee concluded that the external auditors remain effective and we will be recommending the reappointment of the external auditors at the forthcoming AGM in light of this assessment. As regards external audit tender considerations, PwC have acted as external auditors for the Group since its listing on the London Stock Exchange in March 2010. The Committee has reviewed the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (Order), which requires mandatory tendering of audit services every ten years by FTSE 350 companies, and determined that an audit tender will be required in respect of the 2020 financial year at the earliest. We are therefore compliant with the requirements of the Order. We intend to conduct our first audit tender in 2019.

With respect to non-audit services provided by the external auditors, the Committee reviews the status of all non-audit services on a quarterly basis and is required to consider, and where appropriate provide prior approval for, the provision of all non-audit work by the external auditors to ensure that any such work can be conducted without adversely affecting auditor independence. The Committee also reviews the proposed provision of non-audit services against the backdrop of UK and EU prohibitions regarding the provision of non-audit services to ensure the Company complies with all restrictions and requirements applicable to it.

The auditors are precluded from engaging in non-audit services that would compromise their independence, objectivity or violate any professional requirements or regulations affecting their appointment as auditors. The auditors may, however, provide non-audit services which do not impair their independence, and where their skills and experience make them a logical supplier, subject to pre-approval by the Committee. For example, this may include the conduct of certain matters relating to Tanzanian taxation assessments, given PwC's expertise and knowledge locally in Tanzania and their understanding of the historical issues. The Company's procedures require that any non-audit services proposed to be provided by the auditors be supported by a justification as to why the appointment of the external auditors to provide the services is in the Company's best interests, and how auditor independence would be safeguarded in the specific context of the proposed services. In addition to this, the lead audit partner rotates at least every five years. The current lead auditor partner Jonathan Lambert began his tenure for the financial year ended 31 December 2014 and has therefore completed his five years. Simon Morley, will replace Jonathan Lambert having shadowed him through the 2018 audit.

Fees for non-audit services incurred during the year amounted to approximately US$0.3 million (2017: approximately US$0.3 million) representing 19% of the 2018 audit fees. Audit related and non-audit services provided by the external auditors included their review of the Company's half-year report. Further information on audit and non-audit fees paid to PwC can be found in Note 10 to the consolidated financial statements.

As a Company we also maintain a strict discipline on the recruitment of any former employees of the external auditors to ensure independence is not undermined. The Committee has adopted a formal written policy regarding the recruitment of former employees of the external auditor. The policy prohibits the hiring of any former member of the external audit team into any financial oversight role or as an officer of the Company for a period of two years following *their association with the audit*, save in instances where the appointment has been pre-approved by the Committee. Between meetings, the Committee Chair has delegated authority to deal with such appointments at his discretion. Any such interim approval must be ratified at the next meeting of the Committee. In addition, any employee of the external auditor who accepts employment with the Acacia Group whatever the role must cease all audit activity immediately and tender their resignation to the audit firm.

EHS&S COMMITTEE

Rachel English Committee chair

Members	Meetings attended	Percentage of meetings attended
Rachel English (Chair)	4	100%
André Falzon	4	100%
Peter Geleta	4	100%

Introduction

I am the Chair of the Committee, with extensive experience of corporate social responsibility and Sustainable Communities from my work with the World Bank Group, as well as Helios Social Enterprise, which I founded to develop renewable energy access projects in rural sub-Saharan Africa. Peter Geleta was appointed to the Committee upon becoming Interim Chief Executive Officer with effect from 1 January 2018.

Details of members' experience and qualifications are provided as part of the Board of Directors' biographies. Our terms of reference require us to meet at least twice a year. In 2018 we met four times. Those involved in the Company's environmental, health, safety and security (EHS&S) and Sustainable Communities (SC) functions also attend Committee meetings on a regular basis by invitation, in order to report on EHS&S/SC developments and performance.

Key responsibilities

Our key responsibilities focus on the oversight and review of activities that are of core importance to Acacia's social licence to operate. These include Acacia's strategy and policy on environmental, occupational health and safety, SC and security matters; reviewing the effectiveness of Group EHS&S systems and controls; and generally overseeing management's monitoring and evaluation of emerging SC issues to assess the potential impact on Acacia's business and operations. In addition, we also have delegated oversight of human rights from the Board, in line with similar oversight responsibilities assumed by EHS&S Committees or their equivalent in peers across the mining industry.

Activities in 2018 and plans for 2019

Our activities during the year were wide ranging, and comprised the following in particular:

Objective	Achieved
Reviewing Committee composition, based on succession planning, skill set and qualification requirements.	yes
Reviewing our terms of reference and our remit of responsibilities in light of ongoing developments within the Company's business and operating environment.	yes
Reviewing Group-wide EHS&S and SC strategies and priorities, performance, metrics, trends and incident reports.	yes
Overseeing the development of our SC strategy and programme as a driving component of our approach to strategic social investment.	yes
Reviewing key risks in the Group's operating environment regarding EHS&S and SC.	yes
Reviewing key regulatory and other developments relevant to the EHS&S and SC operating environment.	yes
Reviewing and monitoring the status of occupational, health and safety targets and systems.	yes
Identifying and reviewing specific focus areas in the context of performance and strategic reviews, as relevant to EHS&S and SC matters.	yes
Receiving periodic risk management reports and updates regarding the principal risks for which the Committee has delegated oversight on behalf of the Board.	yes
Participating in the Committee's annual performance assessment.	yes

In light of the tragic fatality suffered by an operator of one of our contractors in a vehicle-related accident at North Mara during the first half of 2018, the Committee has monitored the investigation into the incident, has reviewed and challenged the findings from that investigation, and has monitored the implementation of the recommendations arising from that investigation. The Group continues to target zero injuries, and a key role of the Committee is to ensure that Acacia's culture and operational procedures create an environment in which this target is achieved.

In 2019, the Committee will continue to focus on the majority of the above matters, these being core to its remit of responsibilities. From a risk management and oversight perspective, the specific EHS&S-related principal risks for which the Committee has delegated oversight are identified as part of the principal risks and uncertainties table on pages 32 to 35. In this regard our risk monitoring activities involve receipt of periodic risk reports and the monitoring of trends and developments relevant to risk environment, as supported by management's oversight and implementation of day-to-day risk management across our operations.

We have not changed our commitment to Corporate Social Responsibility notwithstanding the ongoing challenges faced in our operating environment and the continuation of reduced operations at Bulyanhulu during 2018. Acacia recognises the important role that it plays in supporting local communities around its existing operations. Hence the EHS&S Committee takes great care to ensure that the SC programme is appropriately shaped, implemented and monitored. During this year the Committee has also been involved in establishing the Group's initiative to increase further our commitment to sourcing locally first, where viable. We plan to increase our annual spend on goods and services with Tanzanian-owned businesses by 10% during the first half of 2019 compared with the equivalent period in 2018. There would be a further significant increase in local spend in the event that an appropriate resolution to the disputes with the GoT is achieved, so as to allow for the resumption of full operations at Bulyanhulu. The Committee will continue to monitor these activities during 2019 to ensure that they are appropriately executed.

NOMINATION & GOVERNANCE COMMITTEE

Rachel English Committee chair

Members	Meetings attended	Percentage of meetings attended[1]
Rachel English (Chair)[2]	2	100%
Kelvin Dushnisky[2]	1	100%
Michael Kenyon	3	100%
Steve Lucas	2	67%

1 Based on the number of meetings held during the relevant individual's period of membership of the Committee.
2 Kelvin Dushnisky stepped down from the Committee upon his resignation from the Board with effect from 31 August 2018. With effect from 1 September 2018, Rachel English was appointed to the Committee in the role of Chair.

Introduction

I act as Chair of the Nomination & Governance Committee since my appointment as Interim Chair of the Board with effect from 1 September 2018. Michael Kenyon and Steve Lucas act as the other members of the Committee.

Details of members' experience and qualifications are provided as part of the Board of Directors' biographies. Our terms of reference require us to meet at least twice a year. In 2018 we met three times. The Chief Executive Officer and members from the Company secretariat also attend Committee meetings by invitation to discuss matters within our remit of responsibilities.

Key responsibilities

We play a leading role in reviewing the structure, size and composition of the Board and in reviewing prospective new Board appointments and succession planning requirements. We also have primary responsibility for making recommendations to the Board on the composition of Board Committees and we manage recommendations for the retirement and replacement of Directors. In addition, our remit of responsibilities includes delegated authority from the Board to oversee and review Acacia's corporate governance policies and procedures, including independence reviews and the monitoring of Company procedures for the management of actual and/or potential conflicts of interest.

Activities in 2018 and plans for 2019

Our activities during the year were wide ranging, and comprised the following in particular:

Objective	Achieved
Reviewing Committee composition based on succession planning, skill set and qualification requirements.	yes
Reviewing our terms of reference and our remit of responsibilities in light of ongoing developments within the Company's business and operating environment and developments within a corporate governance context.	yes
Reviewing the Board's structure, size and composition in the context of the Company's strategic and business objectives.	yes
Reviewing the Company's core corporate governance policies in line with best practice developments and recent trend developments.	yes
Participating in the Committee's annual performance assessment.	yes
Providing oversight and review of the Board's and Board Committees' annual performance evaluation and overseeing the adoption of recommendations for 2019 work plans. (An overview of the 2018 performance evaluation is provided on page 78.)	yes
Reviewing and mapping the skills brought by Board members, in light of anticipated departures, to assist with succession planning.	yes
Recommending the appointment of Rachel English as Interim Chair following the resignation of Kelvin Dushnisky as Chair.	yes
Reviewing periodic training and development requirements for Directors.	yes

In 2019, the Committee will continue to focus on the majority of the above matters, these being core to its remit of responsibilities.

An overview of the succession planning activities overseen by the Committee is provided on pages 17 and 70. As noted, an update on these activities will be provided prior to the 2019 AGM.

During early 2019 the terms of reference for the various board committees and the Group's various corporate governance policies have been reviewed and, where appropriate, revised to reflect the requirements of the 2018 edition of the UK Corporate Governance Code, which applies from 1 January 2019, as well as other recent *trends and developments in corporate governance best practice.*

As a Group we continue to base all recruitment on the premise that we strive to attract a broad mix of individuals from both the traditional and non-traditional mining labour markets in order to create a diverse workgroup and maintain a unique company culture. We recognise the value of a diverse workforce and the creative potential that individuals of different backgrounds and abilities bring to their work, to increase and leverage diversity of thought, enhance our risk management capability, drive innovation and remove barriers to success. In connection with our current process for identifying and appointing new non-executive directors as part of our succession planning activities, one of the criteria on which the selection of the successful candidates will be based is the extent to which the candidate will enhance the diversity of the Board.

We have employment policies in place which demonstrate the Group's commitment to equal opportunities for all employees, workers and applicants for employment, and to ensuring that they will not be subject to any discrimination, bullying, harassment or victimisation on the grounds of age, colour, disability, ethnic or national origin, gender, gender expression, gender identity, marital status, pregnancy, race, religion or belief, or sexual orientation. These policies are supported by appropriate harassment, disciplinary and grievance procedures.

Save for appointments made by Barrick under nomination rights contained in the Relationship Agreement, Board appointments are made on the basis of pre-determined job descriptions which include, as regards independent Non-Executive Directors, estimates of time commitment requirements. From a recruitment and candidate search perspective, our existing Directors provide access to a wide network of potential Board appointment candidates, particularly within the extractive industry, as a result of their collective experience and standing within the extractive sector. In addition to this, we look to retain external search consultants to assist us in identifying potential candidates for Board positions, when appropriate to do so. We did not make any new appointments to the Board in 2018, however, Heidrick & Struggles have been engaged by the Company to assist with the process for appointing a permanent Chair and the process for appointing new independent non-executive directors. Heidrick & Struggles have no other connection with Acacia or with any of the Directors. In addition, we have satisfied ourselves that Heidrick & Struggles take active steps as part of their process to identify a diverse range of credible candidates.

INDEPENDENT COMMITTEE

Michael Kenyon Committee chair

Members	Meetings attended	Percentage of meetings attended
Michael Kenyon (Chair)	18	100%
Rachel English	17	94%
André Falzon	18	100%
Steve Lucas	15	83%

Introduction

The Independent Committee was formed by the Board during 2017 as a result of the commencement of discussions between Barrick and the Government of Tanzania ("GoT") regarding the issues impacting the Company's operations in Tanzania.

The Committee comprises the Independent Directors of the Company. Details of members' experience and qualifications are provided as part of the Board of Directors' biographies. Meetings are held at such frequency as I consider appropriate. During 2018 we met 18 times. The Chief Executive Officer, the Chief Financial Officer and other members of senior management and external advisers may also attend Committee meetings by invitation to discuss matters within our remit of responsibilities.

Key responsibilities

We are responsible for overseeing all aspects and implications of the discussions between Barrick and the GoT, and any related proposals.

This includes responsibility for ensuring that due consideration is taken of Acacia's interests with regard to Barrick's discussions with the GoT and any related proposals. In discharging its role, the Committee must ensure that due consideration is given to the Board's overall responsibility to promote the long-term success of Acacia, and the responsibility of the Board to exercise its independent judgement in the context of Barrick's discussions with the GoT and any related proposals.

The Committee reports back to the Board and shall make recommendations as it sees fit as regards any deliberations and decisions that the Board may consider in the context of this process. The Committee is entitled to communicate directly with third parties (including Barrick) or any of their advisers.

In my role as Chair, I provide leadership to the Committee and preside over Committee meetings. I also facilitate the flow of information to and from the Committee and foster an environment in which Committee members may ask questions and express their viewpoints. My responsibilities also include reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee.

During 2018, the Committee considered the implications of the merger between Barrick and Randgold with respect to Acacia's rights under the Relationship Agreement between Acacia and Barrick. Under the Relationship Agreement, Barrick has undertaken that members of the Barrick Group will not carry on the exploration of gold or silver in Africa, or acquire, whether through an asset purchase or the purchase of securities, a gold or silver mining business in Africa that competes with Acacia, without giving Acacia the option to exercise certain rights of first refusal for so long as Barrick holds 30% or more of the issued share capital or voting rights of Acacia (the Pre-emption Right).

Randgold had a portfolio of gold mines and exploration programmes in West and Central Africa. Accordingly, the transaction triggered the Pre-emption Right in favour of Acacia under the Relationship Agreement. After consideration by the Committee and consultation with its advisers, Acacia concluded that it would not exercise its Pre-emption Right with respect to Randgold. Acacia has reserved its position regarding the exercise of the Pre-emption Right with respect to any future proposals by Barrick to acquire or to increase any African gold or silver mining or exploration rights, irrespective of scale, that Barrick might consider in the future and in respect of which Acacia's Pre-emption Right applies.

Activities in 2018 and plans for 2019

Our activities during the year included the following in particular:

Objective	Achieved
Monitoring the nature and extent of engagement by the Company in the discussions between Barrick and the GoT.	yes
Reviewing the disclosure of information by the Company to Barrick, having due regard, among other things, to the Relationship Agreement between the Company and Barrick.	yes
Reviewing the Company's strategy in connection with the operational challenges in Tanzania, including strategies and actions that may be appropriate in light of these challenges.	yes
Communicating with Barrick regarding the discussions between Barrick and the GoT.	yes
Monitoring the need for disclosure to the market in connection with developments in the discussions of which the Company becomes aware.	yes
Communication with shareholders regarding the discussions between Barrick and the GoT.	yes
Monitoring ongoing compliance with the independence requirements of the Listing Rules and other applicable regulations in connection with the discussions between Barrick and the GoT.	yes
Assessing the implications of the announced merger between Barrick and Randgold Resources Limited with respect to Acacia's rights under the Relationship Agreement between the Company and Barrick.	yes

In 2019, the Committee will continue to focus on the majority of the above matters. As and when any detailed proposal is provided to the Company for a comprehensive resolution of the Company's disputes with the GoT, the Independent Committee will be responsible for reviewing and evaluating these arrangements, including the terms of any document or agreement proposed to be entered into by the Company. We will then provide a recommendation to the full Board of Acacia on the appropriate course of action. In considering its strategy, the Committee will consider all of Acacia's alternatives including its rights under its existing contracts with the GoT, the existing contractual international arbitration claims and proceedings brought in respect of the Bulyanhulu and Buzwagi mines, and Acacia's position with respect to pursuing arbitration claims against the GoT under the bilateral investment treaty between the United Republic of Tanzania and the United Kingdom.

Any proposal for a resolution of Acacia's disputes with the GoT will require Acacia's approval.

REMUNERATION REPORT

Michael Kenyon
Compensation committee chair

Dear shareholders,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

Implementation of Remuneration Policy during 2018
Peter Geleta was appointed to the role of Interim Chief Executive Officer with effect from 1 January 2018 and received a salary of £400,000 per annum. The Committee reviewed the Chief Executive's remuneration during the year, taking into account Peter's progression in the role, the performance of the Company and with an eye to market data for other international miners. As a result of this review, the Committee approved an increase to Peter's salary to £425,000 and an increase in his target annual bonus from 75% of salary to 100% of salary, each effective 1 November 2018.

The annual bonus for 2018 paid out at 78.1% of maximum (equivalent to 124% of Peter's average salary across the year), reflecting performance against the stretching financial, operational and individual targets set at the start of the year. Across the year, the Group significantly exceeded its free cash flow targets, ended between stretch and wall for production and exceeded budget on AISC. Safety performance, as measured by TRIFR, saw a Group-wide improvement of 58% during the year, however as a result of a fatality at North Mara in June, the Committee and management unanimously agreed that there should be no reward under this element of the bonus. Our sincere condolences go out to the family and colleagues of Mr. Tindahinile. Further details as regards the CEO's 2018 bonus assessment are provided on pages 96 to 98.

On long-term incentives, PRSUs granted to senior executives in February 2016 – including to Peter Geleta in his prior role of Head of People – were tested for performance in February 2019. Vesting of these awards was based on Acacia's TSR performance against the constituents of the EMIX Global Gold Index. Over the relevant performance period, Acacia's TSR was below the median of constituents and accordingly these awards lapsed in full.

As noted last year, and in accordance with the current Remuneration Policy, Peter was granted an LTIP award in the form of nil-cost options representing 400% of base salary on 28 February 2018, with vesting subject to five-year relative TSR performance against a group of listed gold miners. Further details on this award are included later in this report.

Implementation of policy for 2019
Peter will be eligible for an STI award of up to 150% of salary based on a combination of Group and individual performance, weighted 80% and 20% respectively. The Committee will continue to adopt strenuous performance requirements for the vesting of bonus awards to ensure that vesting levels remain focused on the achievement of target and above target performance, with further details to be provided in next year's Annual Report on Remuneration. In line with the change adopted effective 1 November 2018, Peter's target bonus opportunity for 2019 will be 100% of salary, this being consistent with the approved Remuneration Policy, the previous CEO bonus structure and reflecting Peter's progression in the CEO role.

In 2019, Peter will be granted an LTIP award over nil-cost options representing 400% of salary, with vesting subject to five-year relative TSR performance against a group of listed gold miners.

Remuneration Policy considerations
The Committee last submitted the Remuneration Policy to shareholders at the 2017 AGM, receiving 88% support for the relevant resolution. Payments made during 2018 were made in accordance with this new policy which is repeated on pages 88 to 92 of this report for ease of reference.

The 2020 AGM will mark the third anniversary of the adoption of the current Remuneration Policy and, in line with UK reporting regulations, we will need to submit a new Policy to shareholders for approval at that time. Given this, the Committee will be conducting a detailed review of the existing remuneration arrangements over the course of 2019 and will seek to engage major shareholders to seek their input as part of this process. The review will take into account recent market trends and developments in best practice – including recent changes to the UK Corporate Governance Code and investor voting guidelines – with the ultimate aim of ensuring the Company's remuneration arrangements are able to attract, motivate and retain executives of the calibre required to continue to deliver against Acacia's longer-term strategy.

As required under the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the remaining content of this Remuneration Report is divided into the Directors' Remuneration Policy (pages 88 to 92) and the Annual Report on Remuneration for 2018 (pages 93 to 101).

Michael Kenyon
Chair of the Compensation Committee

This section of the report sets out the Policy for Executive Directors, which shareholders approved at the 2017 Annual General Meeting on 20 April 2017, and which came into effect from that date. No changes have been made to the Policy since the 2017 AGM but the disclosure below has been enhanced to provide more details around the malus and clawback framework available to the Compensation Committee.

Summary table for Executive Directors' Remuneration Policy

	Base salary	Pension	Benefits
Fixed remuneration			
Purpose	To provide an appropriately competitive level of base salary with due regard to the size and nature of the responsibilities of each role, as well as an individual executive's experience.	To help provide for an appropriate retirement benefit.	To provide benefits which are competitive in the market in which the individual is employed.
Operation	Reviewed annually, with any adjustments effective 1 January and made at the discretion of the Compensation Committee. Salaries are benchmarked against international gold mining, general mining and FTSE listed companies of similar size and complexity. The Compensation Committee also takes into account corporate and individual performance and experience; general market conditions; and salary increases applied within the Company as a whole.	Executive Directors receive contributions into a personal pension scheme of their choice, or a cash supplement of commensurate value. The Group does not operate any defined benefit schemes.	Executive Directors receive benefits, which usually include the provision of a company car or cash alternative, health and life insurance, liability insurance, fitness club membership and professional membership; however, the Compensation Committee retains discretion to approve any other form of benefit that it deems appropriate to award depending on individual circumstances. For example, relocation allowances and international transfer-related benefits are often provided for, when required, in line with general industry practices for the recruitment of international employees.
Opportunity	To avoid setting expectations of Executive Directors and other employees, no maximum salary is set under the Remuneration Policy. It is not anticipated that salary increases for Executive Directors will exceed those of the wider workforce over the period during which this Remuneration Policy is effective. Where increases are awarded in excess of the wider employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Executive Directors receive pension contributions or an equivalent cash supplement equal to a percentage of gross base salary in line with market norms at the relevant point in time.	The value of benefits will generally be assessed on the basis of market norms at the relevant point in time. The Compensation Committee retains the discretion to approve a higher total cost of benefits in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in medical coverage inflation).
Short-Term Incentive ("STI")			
Purpose	To reinforce the delivery of key short-term operational objectives on an annual basis in order to promote performance as regards business priorities for each financial year in the context of individual and Company performance.		
Operation	Performance measure weightings and targets are set at the start of the year and weighted to reflect business priorities. At the end of the year, the Compensation Committee determines the extent to which targets have been achieved, taking into account Company-wide performance and the individual performance of each Executive Director. STI payments are delivered in cash and are subject to appropriate clawback provisions, further details of which are included as a note to the policy table.		
Opportunity	The STI provides Executive Directors with an annual bonus opportunity in the range of 0% to 150% of base salary, with target bonus opportunity of up to 100% of base salary, unless otherwise determined by the Compensation Committee.		
Performance measures	Bonus outcomes are assessed by the Compensation Committee on a scorecard assessment, based on the achievement of the targets set for each performance measure and the Committee's broad assessment of Company performance. Performance measures are based on challenging budget and stretch targets for Company-wide financial and operational performance and, where appropriate, individual performance. Performance measures may include financial, operational, growth, production, cost and capital expenditure control and sustainability metrics. Performance measures are selected annually to reflect key strategic initiatives and matters underpinning the key financial and non-financial performance indicators used to manage performance across the Acacia Group. Performance measures will be weighted appropriately each year according to the business plan. Weightings of performance measures may vary, typically up to 10% and 50%, with the range of performance required under each measure calibrated to reflect the Company's annual published guidance range, particularly as regards production, cash costs and capital expenditure. Whilst performance measures, weightings and targets for any given year will not be disclosed on a prospective basis due to commercial sensitivities, the Compensation Committee aims to provide such details retrospectively as part of the Annual Report on Remuneration, unless ongoing commercial sensitivities discourage such disclosures.		
Long-Term Incentive Plan ("LTIP")			
Purpose	To reinforce an enterprise culture that promotes and protects shareholders' long-term interests, so as to reward long-term decision making and performance that support the delivery of shareholder returns and drive shareholder value over the long term.		
Operation	Awards of conditional shares, nil-cost options or restricted stock units ("RSUs") may be granted annually, with the maximum value that may be awarded to each Executive Director defined as a percentage of base salary at the date of grant. Vesting is based on Acacia's corporate performance over a period of not less than three years. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table.		
Opportunity	The LTIP permits a maximum award with a value equal to 400% of base salary at the time of grant to be made each year under normal circumstances. The Committee may exceed this limit in exceptional circumstances only. Such circumstances would include, for example, specific recruitment or retention scenarios. The exercise of this discretion would be assessed in each case on the circumstances in question. The level of LTIP awards granted to Executive Directors each year is determined by the Committee, within the limits set out above, with reference to a range of factors including individual performance ratings. Dividends accrue on unvested LTIP awards over the vesting period and are released, to the extent the LTIP award vests, on the date of release.		
Performance measures	Subject to continued employment and Acacia's relative TSR performance over the performance period when compared to a relevant listed index (currently comprising the constituents of the EMIX (formerly Euromoney) Global Gold Index). TSR performance must be at least equal to that of the TSR comparator group in order to receive any payment under LTIP awards, at which level 25% of the maximum award will vest. If no entitlement has been earned at the end of the performance period, awards will lapse. The Compensation Committee reviews the comparator group of international gold miners against which TSR performance is measured from time to time to ensure it remains appropriate. The Compensation Committee has the discretion to determine the treatment of comparators in		

	the event of their delisting or otherwise in any event which, in the opinion of the Committee, compromises the suitability of a company as a comparator for Acacia. Additionally, the Committee may, at its discretion, reduce the number of awards vesting in the event that the achievement against the performance condition is not a genuine reflection of the underlying performance of the Company. More generally, the performance measures applied to LTIP awards are reviewed periodically to ensure they remain aligned with shareholder interests and, in this regard, the Committee retains discretion to employ performance measures other than TSR to the LTIP in order to allow for performance assessments to evolve over time.
Share Option Plan ("SOP")	
Purpose	To reinforce an enterprise culture that promotes and protects shareholders' long-term interests, so as to reward long-term decision making and performance that support the delivery of shareholder returns and drive shareholder value over the long term.
Operation	Whilst the LTIP is expected to be used as the main long-term incentive for Executive Directors going forward, the Committee retains the ability to grant stock options under the SOP where appropriate, such as in recruitment or retention scenarios. The Compensation Committee will set a vesting period for SOP awards appropriate to the circumstances at the time of grant. Historically, this has included vesting in equal parts over four years or vesting after three years. All awards expire seven years from the date of grant. There are no clawback provisions included under the SOP.
Opportunity	The SOP permits a maximum share option award with a value equal to 200% of base salary at the time of grant to be made each year under normal circumstances. The Committee may exceed this limit in exceptional circumstances only. Such circumstances would include, for example, specific recruitment or retention scenarios. The exercise of this discretion would be assessed in each case on the circumstances in question. In the event that a stock option award was used for annual incentive purposes, such awards would ordinarily be granted at a target level equal to 150% of base salary at the time of grant. In this regard, the Committee would look to use an appropriate valuation model, for example, the Black-Scholes model, for purposes of ascertaining the fair value of any award made.
Performance measures	The Compensation Committee determines the performance metrics applying to share option awards as appropriate to the circumstances at the time of grant, based on the purpose of making such award, i.e. whether for recruitment, retention or as a matter of annual performance incentive. Generally, in the event that the Committee were to grant an SOP award as an incentive, it would look to apply an appropriate performance condition.
Shareholding guidelines	
Purpose	To align the interests of Executive Directors with shareholders through the building up of a significant shareholding in the Company.
Operation	Executive Directors are required to establish a shareholding equivalent to four times base salary by retaining 50% of vested awards (net of tax) until the guideline has been met.

Pay-for-performance: scenario analysis

The chart below provides an estimate of the potential future reward opportunity for the Interim CEO, and the potential split between the different elements of remuneration under three different performance scenarios: Minimum, On-target and Maximum.

Potential reward opportunities are based on the Remuneration Policy. In each scenario, the STI and LTIP are based on the maximum opportunities in 2019 applied to the CEO's 2019 salary. From 2017 onwards, the LTIP awards granted in a year will not normally vest until at least the fifth anniversary of the date of grant, and the projected value excludes the impact of share price movement.

The minimum scenario reflects the 2019 base salary, pension and estimated benefits (i.e. fixed remuneration) which are the only elements of the Chief Executive Officer's remuneration package not linked to performance.

The on-target scenario reflects fixed remuneration as above, plus target STI (100% of salary) and half of the LTIP vesting (200% of salary).

The maximum scenario reflects fixed remuneration, plus maximum payout under all incentives – 150% of salary under the STI and full vesting of an LTIP award (400% of base salary).

Use of Compensation Committee discretions

Generally, it is not possible for any remuneration policy to pre-empt every possible scenario and for this reason the Compensation Committee has been provided with the ability to apply various discretions and judgements in order to ensure the achievement of fair outcomes and to maintain the flexibility required to balance the interests of individuals and those of the Company. For example, the Compensation Committee may be required to exercise discretion when determining whether or not the outcomes of performance measures and targets applicable to incentive plans are fair in context, or if realities encourage the use of upward or downward adjustments. By means of illustration, this may be the case as a result of the impact of wider socio-economic or political factors or market-wide developments that were generally unforeseeable or remote at the time of setting performance measures, but nonetheless occur during a performance period. It is for such reasons that the Compensation Committee retains a number of discretions for the operation of all incentive schemes (STI, LTIP and SOP) including, but not limited to, the ability to determine the following:

- Scheme participants.
- The timing of grant and size of awards.
- Appropriate treatment of vesting of awards in the context of restructurings and/or takeovers.
- Appropriate adjustments to awards in the event of variations to the Company's share capital.
- Absent specific bad leaver scenarios, the ability to determine and designate leavers as good leavers in order to determine appropriate treatment of awards in exit scenarios.
- Treatment, size and grant of awards in a recruitment context.

The application, scope, weighting and targets for applicable performance measures and performance conditions from time to time, including any amendments to existing performance measures/conditions and related targets.

Whilst it may not be possible to give an exhaustive list of Compensation Committee discretions, the exercise of discretions and the rationale underpinning their use, if any, will generally be provided in context, as part of the Annual Report on Remuneration.

Malus and clawback

Awards under the STI and the LTIP are subject to clawback and, in respect of the LTIP from 2017, malus provisions which can be applied to both vested and unvested awards. Clawback provisions will apply for a period of up to one year from the end of the performance period. Circumstances in which malus and clawback may be applied include misconduct and misstatement. The Company has determined a specific framework to help ensure the consistent assessment and application of malus and clawback, including: (i) the process by which trigger events and culpable individuals are identified, (ii) categorisation of the materiality of the trigger event, (iii) calculating the appropriate adjustment to remuneration in terms of quantum and practical application, and (iv) the process by which an affected employee may appeal a decision.

Approach to recruitment of Executive Directors
When determining the remuneration package for a new Executive Director the Compensation Committee aims to offer a package that is sufficiently competitive, to attract, motivate and retain candidates of the calibre and experience required to run our business. This will generally be determined in each case not only in the context of the skills required for a position and those of each candidate, but also on the basis of recruitment trends within the global mining industry and any additional considerations relevant to the recruitment of executives. In addition, our approach to recruitment will also depend on whether we use external recruitment or internal promotion routes.

External recruitment
In determining appropriate remuneration for an external candidate, the Compensation Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and the jurisdiction the candidate was recruited from) to ensure that arrangements are in the best interests of the Company and its shareholders. For such purposes, the Compensation Committee may make use of all of the existing components of the Remuneration Policy as follows:

	Component	Approach	Maximum annual grant value
Fixed remuneration	Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to their development in the role.	N/A
	Pension	New appointees will receive pension contributions or an equivalent cash supplement, which is equivalent to that received by existing executives and in line with market norms.	N/A
	Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses.	N/A
Variable remuneration	STI	The STI described in the Summary Table for Executive Directors' Remuneration Policy will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored towards the executive.	150% of salary
	LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the Summary Table for Executive Directors' Remuneration Policy.	400% of salary[1]
	SOP	New appointees may be granted awards under the SOP, as described in the Summary Table for Executive Directors' Remuneration Policy.	200% of salary[1]

1 Award can be higher in circumstances deemed by the Committee to be exceptional, i.e. where it is necessary to buy out incentive arrangements or make offers equivalent to sign-on bonuses.

The Compensation Committee may also make an award under the terms of one of the Company's incentive plans outlined above in respect of a new appointment to buy out incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the term remaining to their vesting. In addition, where candidates are recruited from overseas, the Committee may be required to consider additional benefits received in the home jurisdiction or arrange for a form of substitution of such benefits in addition to the payment of suitable relocation allowances. The Compensation Committee may also consider it appropriate to grant an award under a structure not included in the Remuneration Policy, exercising the discretion available under Listing Rule 9.4.2 R where necessary. Such an award would include, for example, a sign-on payment. The Compensation Committee confirms that any arrangement specifically established to recruit an individual would take the form of performance-related variable remuneration. On recruitment, the value of this remuneration would be capped at the limits contained in the LTIP and SOP or the value of awards which the individual had to surrender in order to be recruited, whichever is the greater. The policy that exists for current Executive Directors would then apply to the balance of the individual's remuneration package. In addition, the Compensation Committee does not envisage that a cash payment such as a "golden hello" would be offered.

Internal promotion
In cases of appointing a new Executive Director by way of internal promotion, the Committee will be consistent with the policy used for external appointees detailed above. Where an individual has contractual commitments made prior to his or her promotion to Executive Director level, the Company will continue to honour these arrangements even in instances where they would not otherwise be consistent with the prevailing Remuneration Policy at the time of appointment.

Approach to Executive Director exit arrangements
Executive Director service contracts, including arrangements for early termination, are carefully considered by the Compensation Committee and are designed to recruit, retain and motivate directors of the quality required to manage the Company. The Committee considers appointments of an indefinite term and with a notice period of one year to be appropriate. The service contract used for the Company's current Interim CEO, being the sole Executive Director at present, provides for compensation of 12 months' salary in the event of early termination.

The Company has the discretion to pay such compensation in instalments, requiring the Executive Director to mitigate loss (i.e. by gaining new employment) over the relevant period, or in a lump sum. In respect of the Interim CEO, this discretion is not included in his legacy contract.

If notice to terminate is served by either the Executive Director or the Company, the Executive Director can continue to receive basic salary, benefits and pension for the duration of his/her notice period during which the Company may require the individual to continue to fulfil his/her current duties or may assign a period of garden leave, depending on the circumstances in question. The service contract used for any new hire would be based on similar terms. The Interim CEO's service contract is available for inspection at the Company's registered office.

Generally, in an exit scenario the Company will honour all contractual entitlements, this being a matter required by the operation of law, and for individuals who relocated from overseas, reasonable relocation costs will be considered as appropriate in the circumstances.

The treatment of incentive arrangements in exit scenarios is considered on a case-by-case basis, taking into account the relevant contractual terms of the individual, the circumstances of the exit and any applicable duty to mitigate. Generally, the payment of incentives as part of exit arrangements is determined on the basis of good leaver/bad leaver and change of control scenarios, subject to Committee discretions, as follows:

STI

There is no automatic eligibility for payment under the STI. The Committee may exercise discretion to award a bonus for the performance year. Such discretion would generally only be used in good leaver scenarios. If an award is made, the award will be made on a pro-rata basis for the period of time served to the agreed termination date. Any STI payment would be subject to applicable STI performance measure and target assessments for the year in question.

LTIP (pre-2017) and SOP

In the event of a Director's resignation, all outstanding awards will lapse. For good leavers, vesting of LTIP awards is typically calculated based on performance to the end of the relevant performance period with awards pro-rated to reflect time employed, although the Committee may exercise discretion to waive time pro-rating of awards in certain circumstances. Stock options for good leavers vest in full subject to the vesting schedule determined at grant. Any stock options which remain unexercised six months following the vesting date will lapse.

LTIP (2017 onwards)

As executive LTIP awards made from 2017 onwards have five-year performance and vesting periods, the treatment of awards held by leavers will depend on the period elapsed from the date of grant. These leaver conditions are drafted to ensure broad consistency of leavers with market norms for a more traditional LTIP with a three-year performance period, and two-year holding period.

If a Director leaves the Group during the first 36 months from the date of grant and is a bad leaver, awards will lapse. For good leavers within the first 36 months from the date of grant, vesting of LTIP awards will typically be calculated based on performance to the end of the relevant performance period with awards pro-rated to reflect the proportion of the first 36 months from grant elapsed at the time of leaving and released at the normal date, unless otherwise determined by the Committee.

Awards for which more than 36 months have elapsed will lapse only in the event of misconduct on the part of the Director. In all other scenarios, awards will continue in the plan with no time-based reduction, but with vesting based on performance to the end of the relevant performance period and released at the normal date, unless otherwise determined by the Committee.

On a change of control, outstanding LTIP awards will vest according to performance up to the date of the event and be subject to a time-based reduction if such awards are less than 36 months from the grant date, unless the Committee determines otherwise. Alternatively, Acacia awards may be exchanged for new equivalent awards in the acquirer where agreed.

Summary termination, termination for misconduct or gross negligence or termination in circumstances which would justify summary termination are all examples of bad leaver scenarios. Good leavers include individuals who have left the Company as a result of retirement, injury, disability or death. In addition, the Compensation Committee retains the discretion to determine any leaver that is not a bad leaver as a good leaver. This discretion is viewed as necessary by the Company given the vast range of scenarios in which an individual may leave the Company where conduct is not at issue. Whilst it is not possible to provide an exhaustive list of such scenarios, examples would include circumstances in which the Board determines a need to change the Company's strategic direction or focus, or is required to review Board and management composition generally, as a result of operational or market developments, or other developments in the business, such as entry into new markets or a restructuring of the business. In any event, when exercising such discretion the Compensation Committee would always recognise and take into account the balance of shareholder interests and those of the departing individual.

Executive Director external appointments

It is the Board's policy to allow Executive Directors to accept non-executive directorships of other quoted companies for which they would normally be allowed to retain fees. Any such directorships must be formally approved by the Chair of the Board. Currently, no such positions are held by the Company's sole Executive Director.

Approach to Non-Executive Director remuneration

The Board aims to recruit Non-Executive Directors of a high calibre with broad commercial, international and other experience relevant to mining operations. Non-Executive Directors are appointed by the Board on the recommendation of the Nomination & Governance Committee.

Their appointment is for an initial term of three years, subject to annual re-election by shareholders at each AGM in accordance with the requirements of the UK Corporate Governance Code. Upon the recommendation of the Nomination & Governance Committee, they may be re-appointed for two additional terms of three years, subject to their continuing to satisfy requirements for continuing appointment and, again, subject to annual re-election by shareholders. The terms of engagement of the Non-Executive Directors are set out in a letter of appointment. These letters do not contain any provision for compensation for early termination of office. Requirements for notice periods are reviewed on a case by case basis. All letters of appointment for Non-Executive Directors are available for inspection at the Company's registered office.

Non-Executive Director remuneration primarily focuses on the payment of fees. Non-Executive Directors are not entitled to participate in any of the incentive plans available to Executive Directors. However, Non-Executive Directors may participate in the Company's DSU Plan. This plan provides Non-Executive Directors with the option to receive some or all of their annual fees in return for a deferred right to a cash payment, payable only after a participant ceases to hold office with the Company. Broadly, cash payments under this plan are calculated by reference to the fair market value of the Company's shares at the time of payment and remain subject to market fluctuations in the context of the Company's share price until the time of payment. This plan was adopted by the Company in 2012 to address certain equivalent practices and trends of North American mining companies to ensure that our practices for Non-Executive Director compensation structures remain flexible and competitive against our global peers. DSUs are granted annually, usually in April of each year. In addition, to align Non-Executive Director interests with shareholders, the Company has adopted Non-Executive Director shareholding guidelines for its independent Non-Executive Directors, which require relevant individuals to acquire a minimum shareholding equivalent to their annual base fee within five years from election to the Board, which may be satisfied through the purchase of Acacia Ordinary Shares or by DSUs holdings.

Details as regards current outstanding awards under the DSU Plan and Acacia Ordinary Shares currently held by Non-Executive Directors are provided on page 100.

Summary table for Non-Executive Director Remuneration Policy

Fees	
Purpose	To attract and retain candidates with the required skill and experience to form part of the Board and to ensure fees paid to the Non-Executive Directors are competitive and comparable with other companies of equivalent size and complexity operating within the global mining industry.
Operation	The base fee for Non-Executive Directors is reviewed annually, with any adjustments effective 1 April each year. Fees payable to the Chair are determined by the Compensation Committee, while the base fee and any other fee payable to the other Non-Executive Directors are determined by the Chair of the Board on behalf of the Board. In addition to the base fee, additional fees are payable for acting as Senior Independent Director and as Chair of any of the Board's Committees (Audit, Compensation, EHS&S, Nomination & Governance) and for individual membership of such Committees. These additional fees are also reviewed annually, with any adjustment effective 1 April each year. In the event that the Board requires the formation of an additional Board Committee, fees for the Chair and membership of such Committee will be determined by the Board at the time. No base fee or fee for membership of Board Committees is payable to Non-Executive Directors appointed by Barrick pursuant to the nomination rights contained in the Relationship Agreement. Non-Executive Director fee levels are benchmarked against international gold mining, general mining and FTSE listed companies of similar size and complexity. Time commitment, responsibility, and technical skills required to make a valuable contribution to an effective Board are taken into account when reviewing fee levels.
Opportunity	Non-Executive Director fee increases are set in response to the outcome of the annual fee review. Fees for the year ending 31 December 2018 are set out in the Annual Report on Remuneration. The maximum aggregate annual fee for all Directors provided in the Company's Articles of Association is £3,000,000.
Deferred Share Unit Plan ("DSU Plan")	
Purpose	To ensure Acacia Non-Executive Director compensation structures remain flexible and competitive against global peers.
Operation	Non-Executive Directors can receive some or all of their annual fees in return for a deferred right to a cash payment under the DSU Plan. The value of additional DSUs is credited to reflect dividends paid on Acacia Ordinary Shares over the period of participation. Cash payments become payable only after a participant ceases to hold office with the Company. Cash payments are calculated by reference to the fair market value of Acacia's Ordinary Shares at the time of payment and remain subject to market fluctuations in Acacia's share price until payment. Awards lapse in the event that an individual is summarily terminated for: (i) breach of contract; (ii) breach of Director's duties; or (iii) misconduct, or if an individual resigns in circumstances justifying summary termination.
Opportunity	Non-Executive Directors can waive up to 100% of their annual fee.

Approach to recruitment of Non-Executive Directors

In the case of appointing a new Non-Executive Director, the Board will utilise the Remuneration Policy summarised in the table entitled Summary Table for Non-Executive Director Remuneration Policy, above. A base fee which is aligned with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as Chair of any of the Board's Committees and for individual membership of such Committees. Non-Executive Directors would also be eligible to waive some or all of their annual fees in return for a deferred right to a cash payment under the DSU Plan.

Approach to Non-Executive Director exit arrangements

As regards Non-Executive Director resignation, retirement or termination, base fee and any additional fees would be payable to the resignation/retirement/termination date. In respect of DSU awards, save in the case of summary termination, termination for gross misconduct or termination in circumstances which would justify summary termination, DSU awards vest in full on leaving office, whereby the relevant cash payment made in respect of awards is determined by reference to the fair market value of an Acacia Ordinary Share at the time of payment.

Annual Report on Remuneration for 2018

Compensation Committee membership in 2018

As of 31 December 2018, the Compensation Committee comprised three Non-Executive Directors, all of whom were, and remain, independent:

- Michael Kenyon (Chair)
- Steve Lucas
- Rachel English

The following individual also attended meetings by invitation during the year and provided information to the Committee to enable it to make informed decisions:

- Peter Geleta, Interim Chief Executive Officer

No Director is present when his or her own remuneration is being determined. The Compensation Committee met four times during the year and details of members' attendance at meetings are provided on page 76. An overview of Committee activities during the year is provided as part of the Committee Chair's introduction to this report.

Advisers

During the year, the Committee received independent advice on executive compensation matters from Mercer which forms part of the MMC group of companies. Mercer was first appointed by the Compensation Committee in 2010 and retained during the year. The Compensation Committee evaluates the support provided by its advisers annually and is comfortable that the Mercer team provides independent remuneration advice to the Committee and does not have any connections with the Company that may impair its independence. Mercer is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com

In 2018, Mercer provided independent advice on trends and developments and reporting regulations, and attended the Compensation Committee meetings. Mercer does not advise the Company on any issues outside compensation and governance thereof. Mercer's total fees for the provision of remuneration services in 2018 were £67,910 on the basis of time and materials. Other than advice on remuneration, no other services were provided by Mercer (or any other part of the MMC group of companies). The Committee also received legal advice from Travers Smith LLP as regards certain remuneration practices during the year, the total fees for which equalled £17,260.

Details of Directors' service contracts and letters of appointment

As at 31 December 2018, Directors' current appointments were as follows:

	Date of current service contract/letter of appointment	Unexpired term as of 31 December 2018
Executive Director		
Peter Geleta	01 January 2018	N/A
Non-Executive Directors		
Rachel English	23 October 2016	10 months
André Falzon	18 April 2016	4 months
Stephen Galbraith	18 April 2016	4 months
Michael Kenyon	18 April 2016	4 months
Steve Lucas	23 October 2016	10 months

Further details on the Interim CEO service contract

Details of exit arrangements included in the Interim CEO's service contract are outlined on page 91. In addition to these arrangements, and reflecting that the Interim CEO is subject to contractual commitments made prior to his promotion to Executive Director level, Peter Geleta's service contract includes an entitlement to a severance payment in the event of a Change of Control, as outlined below.

The Interim CEO will be entitled to a severance payment in the event that he is dismissed without cause or resigns for good reason in the 12 months following a Change of Control of the Company. As of 1 January 2019, such payment would be equal to two times the combined value of:

- his annual base salary immediately prior to the Change of Control;
- The greater of: his target annual bonus and the average over the last two completed financial years immediately preceding the Change of Control;
- the annual employer pension contribution immediately prior to the Change of Control;
- the annual fair value of company vehicle-related benefits prior to the Change of Control

Additionally, the Company will pay for any costs relating to job relocation counselling services incurred within 18 months following his termination of employment (capped at £10,000 plus VAT) and for his continued participation (for up to 30 months) in any and all life insurance, medical, dental, health and accident and disability plans in which he participated prior to the termination of his employment (or an equivalent cash lump sum).

Single total figure of remuneration for Directors (audited)

The table below sets out a single figure for the total remuneration received by each Director for the financial years ending 31 December 2018 and 31 December 2017.

	Salary/fees[1]		*Taxable benefits*[2]		*STI benefits*[3]		*LTIs*[4]		*Pension*		*Total*[5]	
	2018 £	2017 £	**2018 £**	2017 £	**2018 £**	2017 £	**2018 £**	2017 £	**2018 £**	2017 £	**2018 £**	2017 £
Executive												
Peter Geleta[6]	**404,167**	N/A	**43,538**	N/A	**500,500**	N/A	**0**	N/A	**60,625**	N/A	**1,008,830**	N/A
Non-Executive												
Kelvin Dushnisky[7]	–	–	–	–	–	–	–	–	–	–	–	–
André Falzon	**149,833**	144,875	–	–	–	–	–	–	–	–	**149,833**	144,875
Michael Kenyon	**200,647**	159,875	–	–	–	–	–	–	–	–	**200,647**	159,875
Steve Lucas	**123,833**	119,625	–	–	–	–	–	–	–	–	**123,833**	119,625
Rachel English[7]	**194,500**	131,875	–	–	–	–	–	–	–	–	**194,500**	131,875
Stephen Galbraith	–	–	–	–	–	–	–	–	–	–	–	–

Notes:

1 Non-Executive Director fees payable include all base fees paid in respect of the appointment as a Non-Executive Director and additional fees payable in respect of appointments as SID, Chair and/or members of Board committees. An overview of fees payable for 2018 is provided on page 92. In addition, Non-Executive Directors can elect to receive all or some of their annual fees in DSUs, pursuant to the terms of the Company's DSU Plan. Further details of this plan are provided on page 92. Non-Executive Directors appointed pursuant to Barrick's nomination rights under the Relationship Agreement do not receive any fees in respect of their appointment.

2 A breakdown of 2018 taxable benefits is provided below:

	Car allowance (£)	Medical (£)	Total (£)
Peter Geleta	38,128	5,410	43,538

3 This represents the short-term incentive payable in cash for annual performance. Details as regards the performance assessment applicable to the CEO 2018 STI award are provided on page 96. In addition, the retention award granted to Peter Geleta in 2017 when he was Head of People, prior to being appointed Interim CEO, was £425,000 which fully vested during 2018.

4 PRSUs granted in February 2015 lapsed in February 2018. No other long-term incentive awards were eligible to vest during the year.

5 No DSU elections were made by any Non-Executive Directors in 2018.

6 Peter Geleta was appointed to the Board as Interim Chief Executive Officer in January 2018.

7 Kelvin Dushnisky stepped down from the Board on 31 August 2018. Rachel English was appointed as Interim Chair on 1 September 2018.

Executive Director salaries

Peter Geleta was appointed to the role of Interim Chief Executive Officer on 1 January 2018 on a salary of £400,000 per annum. The Committee reviewed the Chief Executive's salary during the year, taking into account Peter's progression in role, the performance of the company and with an eye to market data for other international miners. As a result, the Committee approved an increase to his salary to £425,000 effective 1 November 2018.

Non-Executive Director fees

For the year ending 31 December 2018, no fees were paid to Non-Executive Directors appointed by Barrick pursuant to its nomination rights under the Relationship Agreement.

Non-Executive Director fees are typically assessed in April each year, however for 2018, the fee review was postponed until September which coincided with the appointment of the Interim Chair, Rachel English.

Noting the significant increase in time commitment being asked of the Non-Executive Directors given the ongoing challenges for the Company in recent years, the Interim Chair and Interim Chief Executive proposed a fee structure to better compensate Non-Executive Directors for this increased workload and to help ensure the Company's ability to attract talent to the Board. Effective 1 November 2018, Non-Executive Directors will now receive a base fee for their roles on the Board and in chairing or acting as members of the various Board Committees. In addition, for any meetings held in excess of the scheduled number of meetings each year, Non-Executive Directors will receive an additional 'per meeting' fee as outlined below.

The Non-Executive Directors, excluding the Interim Chair, similarly proposed a fee structure for the Interim Chair of the Board consisting of a base fee and additional 'per meeting' fee for Board meetings held in excess of the scheduled number each year. Fees for the Interim Chair – a role which had previously been undertaken by Directors appointed by Barrick – were set taking into account market practice at international gold mining, general mining and FTSE listed companies of similar size and complexity to Acacia.

Fees payable effective 1 November 2018 (1 September 2018 in respect of the Interim Chair) are as follows:

		Fee for scheduled meetings		Per meeting fee for additional meetings	
	Scheduled meetings per year	Chair	Non-Executive Director	Chair	Non-Executive Director
Board	5	£200,000	£95,000	£3,500	£2,500

		Fee for scheduled meetings		Per meeting fee for additional meetings	
	Scheduled meetings per year	Chair of Committee	Member of Committee	Chair of Committee	Member of Committee
Audit Committee	4	£20,000	£8,000	£3,000	£1,500
Compensation Committee	4	£16,000	£8,000	£2,500	£1,500
Nominations & Governance Committee	2	£10,000	£6,000	£2,500	£1,500
EHS&S Committee	4	£16,000	£6,000	£2,500	£1,500
Independent Committee	N/A	(SID) £30,000	N/A	£3,000	£1,500

In addition, Non-Executive Directors are eligible for a £1,000 per day travel allowance in respect of attendance at meetings held outside their countries of domicile.

Fees payable prior to 1 November 2018 were as follows.	
Fee component	Amount
Base fee	£85,000
Senior Independent Director fee	£25,000
Chair of Audit Committee fee	£20,000
Chair of Compensation Committee, EHS&S Committee, and Nomination & Governance Committee fee	£15,000
Board Committee membership fee	£5,000
Chair of Independent Committee fee	£2,200 per meeting
Member of Independent Committee fee	£1,500 per meeting

Executive Directors' Short-Term Incentive awards

For the year ending 31 December 2018, Executive Director STI awards were earned on the basis of Company-wide performance (80%), this being representative of the overall leadership, management and performance of an individual holding this position and also include a component to assess individual performance (20%). Company-wide performance measures continue to focus on the core metrics which we use to assess performance as regards safety, production, cost control and profit generation. These performance metrics were assessed on the basis of individual weightings and in line with a range of performance targets to provide for base (threshold), target, wall and stretch (maximum) performance, as outlined in the table opposite. The Committee has given careful consideration to the retrospective disclosure of annual bonus targets and has concluded that it does not consider the 2018 targets to be commercially sensitive at this time. Consequently, the targets set for the 2018 annual bonus are disclosed below. Disclosure of the 2017 annual bonus targets, which in the opinion of the Committee remained commercially sensitive at the publication of last year's report, are included at the end of this report on page 101.

Despite an increasingly challenging operating environment and a number of factors outside management's control, performance during the year was pleasing. 2018 gold production came in significantly ahead of initial guidance for the year, with strong operating performance at all three mines. Similarly, 2018 AISC was below the full year guidance range, helped by a higher production base, lower capital allocation and strong cost discipline. In respect of free cash flow, 2018 performance significantly exceeded the stretch targets set at the start of the year, driven by the Group's return to cash flow generation in the second quarter of the year and sustained performance during H2 2018.

Safety performance during 2018 demonstrated significant progress on the previous year, with the Company recording a Group-wide TRIFR of 0.19 compared to 0.45 in 2017, a 58% improvement. Alone, this result would have been sufficient to have delivered a full payout under this element of the STI, however, as a result of a fatality at North Mara in June, the Committee and management unanimously agreed that there should be no reward under this element of the STI.

As in previous years, the Committee elected to make a number of adjustments to the production, cash flow and AISC outturns to ensure the targets were of broadly equivalent difficulty to those set at the start of the year and remained motivational for participants. Adjustments were based on material, unforeseen deviations to Acacia's 0+12 forecasts on which targets were set at the start of the year, and included, for example, normalisation for arbitration legal fees, deferred capital expenditure and regulatory spend. Against these adjusted figures, and reflecting no payment in respect of the TRIFR element of the STI, Company-wide performance was assessed as 157.7% overall. The Committee is satisfied that this overall outcome reflects what was a strong year for Acacia, despite the circumstances and its belief that the Company enters 2019 in good shape.

2018 Company STI scorecard assessment

Strategic focus	KPI	Weighting	Performance assessment		2018 Outcome*	Overall Scorecard Rating (%)
Safety	Total Reportable Injury Frequency Rate ("TRIFR") [1]	10%	Base (50%):	0.35	N/A	0%
			Target (100%):	0.32		
			Stretch (150%):	0.29		
			Wall (200%):	0.26		
Production	Ounces of gold produced (oz)[2]	30%	Base (30%):	444,982	512,232	58.07%
			Target (50%):	468,402		
			Stretch (150%):	491,823		
			Wall (200%):	515,243		
Profit generation	Free cash flow [3]	40%	Base (30%):	26,066	36,227	80.00%
			Target (50%):	27,438		
			Stretch (150%):	30,181		
			Wall (200%):	32,925		
Cost control	All-in sustaining cost per ounce sold ("AISC") [4]	20%	Base (30%):	978	927	19.63%
			Target (50%):	949		
			Stretch (150%):	902		
			Wall (200%):	855		
			Sum of Company scorecard ratings			**157.7%**

Notes to Company STI scorecard table:
1 Please refer to page 26 of this Annual Report for an explanation of how TRIFR is measured and its relevance to safety performance.
2 Please refer to page 26 of this Annual Report for an explanation of how gold production is measured and its relevance to our productivity levels.
3 For STI KPI purposes, free cash flow is calculated as: (gold revenue, copper revenue, silver revenue) – (all costs including sustaining capital, corporate social responsibility costs, finance leases relating to operations and exploration) + dividends +/– working capital.
4 Please refer to page 26 of this Annual Report for an explanation of how AISC is measured and its relevance to cost control achievements across the business.

*Please note that 2018 outcomes for STI purposes were adjusted as explained in the accompanying narrative.

The remaining 20% of the STI for 2018 was based on individual performance. Following year end, the Committee reviewed Peter's performance against a number of objectives linked to the Group's strategic pillars and concluded that overall he had exceeded expectations for the year (equivalent to a 4.5 rating on the Group's grading scale, or 150% of target) in terms of Group leadership, continuing to maintain operational performance despite ongoing challenges and continuing to maintain relationships with the communities within the localities of the operations, notwithstanding wider challenges in the operating environment.

Taking into account all of the above, the overall outcome of the CEO's 2018 STI assessment (Company and individual performance) was as follows:

Element	Weighting	Assessment	Outcome (£)
Company-wide performance	80%	157.7%	£405k
Individual performance	20%	150.0%	£96k
Total	–	**156.2%**	**£501k**

In line with the change adopted effective 1 November 2018, Peter's target/maximum STI opportunity for 2019 will be 100/150% of salary, consistent with the approved Remuneration Policy, the previous CEO bonus structure and reflecting Peter's progression in the role. Performance measures for 2019 will continue to focus on production, costs, safety and profitability and will be assessed on broadly the same basis as in 2018. Company performance will continue to account for 80% of the total bonus opportunity, with individual performance accounting for the remaining 20%.

Executive Director LTIP awards vesting in 2018 (audited)
PRSU awards made to senior executives in February 2015 – including to Peter Geleta in his prior role as Head of People – were tested for performance in February 2018. Over the three-year performance period, Acacia's TSR was below the median of the constituents of the EMIX Global Gold Index, which resulted in the award lapsing in full. Details of the lapsed award held by Peter Geleta are as follows:

Award date	*Form of award*	*Shares over which awards held*	*Market price at date of award*	*Performance period*	*Vesting date*	*Vesting %*
17 February 2015	PRSU	149,404	£2.73	17 February 2015 to 16 February 2018	17 February 2018	nil

Executive Director LTIP awards existing as at 31 December 2018 (audited)
As at 31 December 2018, Peter Geleta had the following outstanding awards under the LTIP. Save for the February 2018 awards, each of these awards were made prior to his appointment to the Board.

Award date	Form of award	Shares over which awards held as of 01 January 2018	Shares over which awards granted during the year	Market price at date of award	End of performance period	Vesting date
Peter Geleta						
16 February 2016	PRSU	224,772	–	£2.27	15 February 2019	15 February 2019
26 April 2017	NCO	195,163	–	£4.21	25 April 2022	25 April 2022
26 February 2018	**NCO**	**–**	**1,077,731**	**£1.48**	**25 February 2023**	**25 February 2023**

Following year end, the 16 February 2016 award was tested for performance in February 2019 which resulted in the award lapsing in full. Further details will be included in next year's report.

Executive Director LTIP awards to be granted in respect of 2018 (audited)
On 26 February 2019 Peter Geleta received an LTIP award in the form of nil cost options over 696,664 Acacia shares (equivalent to 400% of base salary). The market value of an Acacia share at the time of grant was 244.02 pence per share.

The award will be subject to a five-year performance period, with the vesting date being the fifth anniversary of the date of grant. The award will be subject to the assessment of the Company's TSR performance against the constituents of the EMIX Global Gold Index as follows:

Acacia's TSR % outperformance of comparator group median over five years	% of interests transferred
+50%	100%
+16%	50%
0%	25%
Below 0%	0%

Note: Straight-line vesting between points

Percentage change in CEO remuneration
The table below shows the percentage change in CEO remuneration from the prior year compared to the average percentage change in remuneration for ELT members. Given that the Company operates across a number of diverse economies with pay levels and structures reflecting local market conditions, the Compensation Committee believes that using the ELT as a subset for the purposes of comparing CEO remuneration provides a more meaningful comparison than using pay data for all employees.

The CEO's remuneration includes base salary, taxable benefit and STI payments. Figures reflect the remuneration of the former CEO, Brad Gordon, for 2017 and the current Interim CEO, Peter Geleta, for 2018. ELT data is based on an average of such individuals' remuneration. For 2018 purposes there was a reduction in the number of ELT members.

	CEO			ELT members		
	2018 £	2017 £	% change 2017–2018	**2018 £**	2017 £	% change 2017–2018
Base salary	**404,167**	489,250	-17%	**230,746**	295,405	-22%
Taxable benefits	**43,538**	42,762	2%	**29,593**	21,219	39%
STI Benefits	**925,500**	362,045	156%	**326,197**	156,089	109%
Total	**1,373,205**	894,057	54%	**586,536**	472,713	24%

Relative importance of spend on pay
The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for the financial years ended 31 December 2017 and 31 December 2018, along with the percentage change in both. Further details of the Company's economic contribution, including the economic value we add by paying our employees, Governments, suppliers, shareholders, contractors and communities, is included in the sustainability review of this Annual Report.

	2018 (£'000)	2017 (£'000)	% change 2017–2018
Shareholder distributions	–	26,450	-100%
Total employee expenditure	78,426	93,895	-16.5%

Comparison of Company performance
The following graph shows Acacia's TSR performance for the period from the IPO to 31 December 2018 (calculated in accordance with the regulations) against the FTSE 350 and Acacia's LTIP comparator group. The FTSE 350 was chosen on the basis of it being a recognised broad equity market index, of which Acacia was a member for the majority of the reporting period. The CEO remuneration table below details the Chief Executive Officer's "single figure" remuneration over the same period.

CEO remuneration table

	Individual	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure of remuneration (£'000)	Greg Hawkins	£774	£936	£1,282	£1,171	N/A	N/A	N/A	N/A	**N/A**
	Brad Gordon	N/A	N/A	N/A	£317	£931	£919	£11,650	£967	**N/A**
	Peter Geleta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**£1,433**
STI payout as % of maximum opportunity	Greg Hawkins	60%	50%	43%	90%	N/A	N/A	N/A	N/A	**N/A**
	Brad Gordon	N/A	N/A	N/A	90%	36%	17%	63%	74%	**N/A**
	Peter Geleta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**78%**
LTIP/RSU vesting as % of maximum opportunity	Greg Hawkins	N/A	N/A	N/A	44%	N/A	N/A	N/A	N/A	**N/A**
	Brad Gordon	N/A	N/A	N/A	N/A	N/A	N/A	100%	N/A	**N/A**
	Peter Geleta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**0%**
Option vesting as % of maximum opportunity	Greg Hawkins	N/A	100%	100%	N/A	N/A	N/A	N/A	N/A	**N/A**
	Brad Gordon	N/A	N/A	N/A	N/A	100%	100%	100%	0%	**N/A**
	Peter Geleta	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**

Executive Director exit arrangements (audited)
There were no payments to past Directors during 2018.

Brad Gordon stepped down as Chief Executive Officer on 31 December 2017. Details of his leaver arrangements, were included in the 2017 Directors' Remuneration Report.

Directors' interests in Acacia Ordinary Shares and shareholding requirements (audited)
Following approval of the 2017 Remuneration Policy, Executive Directors are required to acquire a minimum holding in Acacia Ordinary Shares equivalent to four times base salary by retaining 50% of vested awards (net of tax) until the guideline has been met. Independent Non-Executive Directors are required to acquire a minimum holding equivalent to their annual base fee within five years of election to the Board, which may be satisfied via the acquisition of Acacia Ordinary Shares or by the receipt of DSU awards under the Acacia DSU Plan. The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2018 along with the form of their interests in Acacia Ordinary Shares.

	Shares held	Options held	Options held	RSUs held	DSUs held			
	Owned outright or vested	Vested but not exercised	Unvested and subject to performance condition [1]	Unvested and subject to performance condition [1]	Unvested [2]	Shareholding requirement % salary/fee	Current shareholding % salary/fee [3]	Requirement met? [4]
Executive Director								
Peter Geleta	–	–	1,272,894	224,772	–	400%	0	N/A
Non-Executive Directors [5]								
Rachel English	17,383	–	–	–	14,156	100%	106%	Yes
André Falzon	9,000	–	–	–	15,559	100%	119%	Yes
Michael Kenyon	–	–	–	–	41,683	100%	159%	Yes
Steve Lucas	–	–	–	–	12,570	100%	42%	N/A
Stephen Galbraith	–	–	–	–	–	N/A	N/A	N/A

Notes:
1 Options and RSUs vest subject to a relative TSR performance condition. Following year end, the unvested RSU award was tested for performance in February 2019 which resulted in the award lapsing in full. Further details will be included in next year's report.
2 The Company's DSU Plan for Non-Executive Directors provides Non-Executive Directors with the option to receive some or all of their annual fees in return for a deferred right to a cash payment, payable only after a participant ceases to hold office with the Company. Broadly, cash payments under this plan are calculated by reference to the fair market value of Acacia's Ordinary Shares at the time of payment and remain subject to market fluctuations in the context of Acacia's share price until the time of payment. No DSUs were allocated for 2018.
3 As regards Executive Directors this is calculated by reference to annual base salary at the time of the relevant individual's appointment against the value of relevant awards at the time of grant. As regards existing Independent Non-Executive Directors, this is calculated by reference to either: (i) the annual Non-Executive Director base fee at the time of adopting the guidelines, if appointed to the Board at that time; or (ii) the annual Non-Executive Director base fee at the time of appointment, assessed against the higher of: (i) the number of shares multiplied by the mid-market price on the last trading day before the valuation date; or (ii) the number of shares multiplied by the share price on the date of acquisition of each relevant interest during the applicable five-year acquisition period.
4 The reduction since 2017 in the level of shares held by the Non-Executive Directors as a % of their fees is primarily as a result of the increase in the base fee paid to the Non-Executive Directors during 2018 as a result of the significant additional time commitment associated with managing the ongoing challenges around the Tanzanian concentrate ban. The Committee and Board will take into account the frequency of closed periods impacting the Group in any review of Directors compliance with applicable ownership requirements, and reserves the right to extend the period over which the relevant shareholding is to be acquired.
5 As at his cessation date, Kelvin Dushnisky held no Acacia shares.

There have been no other changes in Directors' shareholdings between 31 December 2018 and 28 March 2019.

Summary of shareholder voting at the 2018 AGM

The following table shows the results of the advisory vote on the 2017 Annual Report on Remuneration at the 2018 AGM:

	Annual Report on Remuneration 2017	
	Total number of votes	% votes cast
For	300,675,151	81.31
Against	69,124,575	18.69
Votes cast (excluding withheld votes)	369,799,726	
Votes withheld	597,019	
Total votes cast (including withheld votes)	370,396,745	

The Directors' Remuneration Policy was last subject to a binding vote at the 2017 AGM, when 87.69% of shareholders voted in favour of the relevant resolution. It is currently intended that the Directors' Remuneration Policy will next be put to a binding vote at the 2020 AGM.

2017 STI target disclosure

The 2017 Company scorecard STI targets have not been provided to date as they have been considered to be commercially sensitive. We indicated in last year's report that retrospective disclosure of those targets would be given where this is no longer the case, and in any event within two years. Targets applying to the 2017 Company scorecard are now included in the table below for reference:

Strategic focus	KPI	Weighting	Performance assessment	Target	2017 Outcome*
Safety	Total Reportable Injury Frequency Rate ("TRIFR")[1]	10%	Base (50%):	0.61	0.45
			Target (100%):	0.55	
			Stretch (150%):	0.49	
			Wall (200%):	0.43	
Production	Ounces of gold produced (oz)[2]	30%	Base (30%):	751,996	775,883
			Target (50%):	791,575	
			Stretch (150%):	815,322	
			Wall (200%):	839,069	
Profit generation	Free cash flow [3]	40%	Base (30%):	164,909	146,234
			Target (50%):	173,588	
			Stretch (150%):	190,947	
			Wall (200%):	208,305	
Cost control	All-in sustaining cost per ounce sold ("AISC") [4]	20%	Base (30%):	960	887
			Target (50%):	932	
			Stretch (150%):	905	
			Wall (200%):	877	

1 Please refer to page 26 of this Annual Report for an explanation of how TRIFR is measured and its relevance to safety performance.
2 Please refer to page 26 of this Annual Report for an explanation of how gold production is measured and its relevance to our productivity levels.
3 For STI KPI purposes, free cash flow is calculated as: (gold revenue, copper revenue, silver revenue) – (all costs including sustaining capital, corporate social responsibility costs, finance leases relating to operations and exploration) + dividends +/– working capital.
4 Please refer to page 26 of this Annual Report for an explanation of how AISC is measured and its relevance to cost control achievements across the business.

*The 2017 outcomes for STI payment purposes were subject to adjustments as disclosed in the 2017 Annual Report

Approval of Directors' Remuneration Report

The Directors' Remuneration Report has been approved by the Board and signed on its behalf by

Michael Kenyon
Chair of the Compensation Committee

OTHER INFORMATION

The Companies Act 2006 requires Acacia's Directors to prepare a Directors' Report for the financial year under review. The UKLA's Listing Rules and Disclosure Guidance and Transparency Rules also require Acacia to make certain other disclosures. The information contained on pages 102 to 105 (inclusive) (together with all other information in the Annual Report which has been specifically incorporated into these pages by reference) constitutes Acacia's Directors' Report.

Legal form of the Company

Acacia is a public listed company incorporated and domiciled in the United Kingdom with the registered number 7123187. It conducts limited business activities itself and trades principally through its subsidiaries and subsidiary undertakings in various jurisdictions. Further information as regards Acacia's *subsidiaries is provided in Note 1 to the consolidated financial statements on page 124.*

Strategic report

The requirements of the Companies Act 2006 as regards the production of a strategic report are satisfied in the Strategic Report contained at pages 10 to 35. The Strategic Report provides an overview of the development and performance of Acacia's business for the financial year ended 31 December 2018 and also provides information relevant to likely future developments in the business.

In addition, for purposes of compliance with the Disclosure Guidance and Transparency Rules, the required content for the management report (as referred to in the Disclosure Guidance and Transparency Rules) can be found in the Strategic Report and the Directors' Report.

Directors

The names and biographies of the Directors serving as at 31 December 2018 are provided on pages 72 and 73. An overview of Directors' appointments, by *reference to current terms under appointment letters, is provided on page 94. Details of Director re-election requirements are provided on page 75.*

Directors' indemnity and insurance

In accordance with Acacia's Articles of Association and to the extent permitted by the Companies Act 2006, Acacia may indemnify its Directors out of its own funds to cover liabilities incurred as a result of their office. The relevant provision contained in the Articles can be categorised as a "qualifying third-party indemnity provision" under the Companies Act 2006. Acacia has adopted Directors' and Officers' liability insurance, which provides insurance cover for any claim brought against Directors or officers for wrongful acts in connection with their positions. The insurance provided does not extend to claims arising from fraud or dishonesty and it does not provide cover for civil or criminal fines or penalties imposed by law.

Global Greenhouse Gas (GHG) emissions data for period 1 January 2018 to 31 December 2018 (unaudited)

According to the GHG Protocol developed by the World Business Council for Sustainable Development and the World Resources Institute, GHG emissions are classified as either direct or indirect, and from there are divided further into Scope 1, Scope 2 and Scope 3 emissions. Direct GHG emissions are emissions from sources that are owned or controlled by the reporting entity. Indirect GHG emissions are emissions that are a consequence of the activities of the reporting entity but that occur at sources owned or controlled by another entity. Each scope is classified as follows:

- Scope 1 emissions: direct emissions from sources owned or operated by our Company.
- Scope 2 emissions: indirect emissions attributable to our Company due to its consumption of purchased electricity, notably our consumption of electricity from TANESCO.
- Scope 3 emissions: all other indirect emissions associated with activities that support or supply our Company's operations.

For 2018, we have calculated Acacia's Scope 1 and Scope 2 emissions footprint on the basis of carbon dioxide equivalent (CO_2e) emissions.

	Total tonnes of CO_2e		**Percentage of total emissions (%)**		**Year-on-year percentage, change (%)**	
	2018	**2017**	**2018**	**2017**		
Scope 1 emissions	127,123	189,321	72	76		-4
Scope 2 emissions	49,816	59,791	28	24		+4
Total	**176,939**	**249,112**	**100**	**100**		

Total CO_2e emissions for 2018 amounted to 176,939 tonnes CO_2e, a 29% decrease on 2017 (249,112 tonnes CO_2e). The decrease is principally due to the ongoing reduction in operational activity at Bulyanhulu but with the static power stabilising station at Bulyanhulu also enhancing the utilisation of low carbon electricity from the national grid.

CO_2e emission intensity for the year was 0.0191 per tonne of ore milled, this being a 33% decrease on 2017 (0.0284). Further information as regards our GHG emissions reporting for 2018 is provided on page 62 and 63.

Directors' interests

Details of the interests of Directors and their connected persons in Acacia's Ordinary Shares or in related derivatives or financial instruments are outlined in the Directors' Remuneration Report.

Employee share schemes

Details of Acacia's employee share plans and long-term incentive plans are provided in the Directors' Remuneration Report.

Employee diversity
An overview of female representation percentages across our workforce is provided on page 64. In addition, the total breakdown of male and female employees as at 31 December 2018 was as follows:

	Female	Male
Board of Directors	1	5
Executive Leadership Team	0	3
Other employees	146	1,185

An overview of the Group's workforce is provided on page 64. 96.2% of our workforce is Tanzanian. The remainder of the workforce is non-Tanzanian. Our non-Tanzanian workforce comprises individuals with nationalities from across the world including: Australia, Burkina Faso, Canada, Ghana, Mali, New Zealand, South Africa, the United Kingdom and the United States of America.

Dividends
As a result of ongoing cash flow impact of the ban of exporting concentrate from Tanzania, no interim dividend was paid during 2018, in line with Acacia's cash flow based dividend policy. The Board will not recommend the payment of any final dividend for the year ended 31 December 2018.

Share capital
As at 31 December 2018, the Company's issued share capital comprised 410,085,499 Ordinary Shares of 10 pence each. The voting rights of all Acacia Ordinary Shares are identical, with each share carrying the right to one vote. The Company holds no Ordinary Shares in Treasury and does not have any class of share other than its Ordinary Shares. Further details on voting rights and rights relating to the transfer of shares are provided overleaf.

Acacia's Articles of Association provide the authority for the Company to purchase its own shares (including any redeemable preference shares), provided that it complies with any applicable requirements contained in the Companies Act 2006, the CREST regulations or any other applicable law. As part of resolutions passed at the 2018 AGM, the Company obtained shareholder approval to make market purchases of up to 41,005,550 of its Ordinary Shares, equivalent to 10% of the issued share capital at the time of approval. The authority was granted subject to stated upper and lower limits in accordance with Listing Rule requirements and expires at the forthcoming AGM. The authority was not exercised during the year under review. An equivalent shareholder resolution will be sought as a matter of ordinary business at the forthcoming AGM. Details of Acacia's issued share capital and any movements during the year are included in Note 24 to the consolidated financial statements on page 150.

Major shareholdings
The following persons as at 31 December 2018 are interested in the following percentages of Acacia's issued Ordinary Share capital:

	Number of shares	Percentage of issued share capital (%)
Name		
Barrick International (Barbados) Corp[1]	179,609,530	43.80
PDG Sona (Cayman) Ltd[1]	45,258,970	11.04
PDG Bank Limited[1]	37,378,450	9.11
Blackrock Inc	24,546,326	5.99
Total	286,793,276	69.94

1 Members of the Barrick Group.

As at 28 March 2019, we have not been notified of any changes to the interests of major shareholders from those notified above.

Relationship with major shareholder
An overview of Acacia's relationship with Barrick and the Relationship Agreement that has been executed in respect of their ongoing relationship is provided on page 77.

Political and charitable donations
Acacia does not make political donations. Information as regards Acacia's social and community contributions for the year is provided as part of our Sustainability and Financial reviews.

Information required by LR 9.8.4R
There is no information required to be disclosed under LR 9.8.4R save in respect of LR 9.8.4R (10) (Contracts of significance with controlling shareholder/in which director interested), LR 9.8.4R (11) (Contracts for the provision of services by a controlling shareholder) and LR 9.8.4R (14) (Relationship Agreement with controlling shareholder) which can be found on page 77 of this Annual Report. Details of interest capitalised by the Group are provided in Note 8 of the consolidated financial statements on page 141.

Policy on derivatives, financial instruments and financial risk management

Acacia's policies on financial risk management, derivatives, financial instruments and information on its exposures to foreign currency, commodity prices, credit, equity, liquidity and interest rates can be found in Note 32 to the consolidated financial statements contained on pages 156 and 162 of this Annual Report. All such information is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Material agreements containing change of control provisions/significant agreements with Directors/Controlling Shareholders
The Directors consider the following as material agreements/arrangements for Acacia's business and operations, which alter or terminate on a change of control of Acacia and/or significant agreements with Directors/Barrick:

- Relationship Agreement: see page 77 of this report for an overview of the Relationship Agreement. In addition to the Relationship Agreement, Acacia entered into a Services Agreement with Barrick in February 2010 as part of arrangements for the IPO, under which Barrick provides certain services to the Acacia Group for the ongoing operation of the business. These services include support for information technology, technical services and other administrative and corporate functions. The agreement's termination events include a basis for either party to terminate the agreement with immediate effect in the event of specified breaches of the agreement, insolvency, analogous events or a change of control. Whilst this agreement remains in force, limited services are provided under it and no services provided are deemed to be material or significant.
- Credit Agreement: an overview of the Credit Agreement between, among others, the Company and Citibank International plc as administrative agent, is provided in Note 9 to the consolidated financial statements on page 142. A change of control is a mandatory prepayment event under the Credit Agreement and, subject to certain exceptions, a termination event.

Acacia's mining concessions are held by its operating companies in Tanzania. Under applicable law, a change of control of the operating companies requires the consent of the Minister of Energy and Minerals in Tanzania. In addition, each Acacia Group operating mine has a Mineral Development Agreement (MDA) with the Government of Tanzania ("GoT"). The material terms and conditions of each MDA are substantially similar and include provisions governing royalty payments, taxes and other charges, banking arrangements, local procurement obligations, and import rights. The MDAs also provide for no expropriation or nationalisation rights. Broadly, these rights provide that the GoT will not nationalise or compulsorily acquire the whole or any part of the Acacia Group's interest in the applicable special mining licences or any of its property or its contractors' or subcontractors' property used for the purpose of mining operations or in relation to the applicable special mining licences, without adequate compensation. Each MDA is governed by Tanzanian law. Adherence to the terms and conditions of the MDAs is of significant importance to Acacia's business, given the agreements' overall importance to our operations. Acacia is carefully monitoring its rights under relevant MDAs in the context of the legislative changes and tax assessments made in Tanzania during 2017 and 2018 and both Bulyanhulu Gold Mine and Pangea Minerals Limited have commenced arbitrations to safeguard their rights under their respective MDAs in light of the ongoing disputes.

Employment contracts for the Interim CEO and the CFO contain change of control provisions, which provide entitlements to severance payments in the event of being dismissed without cause or resigning for good reason in the 12 months following a change of control. Any payment made under these arrangements would replace the entitlement to receive payment under applicable contractual notice periods in each case. Special provisions also allow the early exercise of awards made under the Company's Stock Option Plan (SOP) and early vesting of awards made under the Long-Term Incentive Plan (LTIP) in the event of a takeover, reconstruction or winding up. In such circumstances, the Compensation Committee determines whether and to what extent options or awards become exercisable, by taking into account all relevant facts and circumstances including, but not limited to, satisfaction of any applicable performance conditions. When determining the vesting of LTIP awards or options, the Compensation Committee may proportionately reduce the award depending on the time which has elapsed between the first day of the performance period and the date of the change of control.

Alternatively, awards may be exchanged for new equivalent awards where appropriate.

Going concern
The Directors' statement on going concern is contained on page 55 of this Annual Report.

Corporate governance compliance
The corporate governance statement as required by Rule 7.2.1 of the UKLA's Disclosure Guidance and Transparency Rules is set out in the corporate governance report on pages 75 to 79 of this Annual Report.

All information detailed in the corporate governance statement is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Articles of Association
The Company's Articles of Association may be amended by special resolution of the shareholders.

Shareholder rights
The rights and obligations attaching to the Ordinary Shares contained in the Articles of Association are as follows:

Voting rights
Subject to any special rights or voting restrictions contained in the Articles of Association for any class of share, at any general meeting every member who is present in person or by proxy shall, on a show of hands, have one vote and every member present in person or by proxy shall, on a poll, have one vote for each share of which he or she is the holder. A resolution put to a vote of the meeting shall be decided on a show of hands, unless a poll is duly demanded. Subject to the provisions of the Companies Act 2006, a poll may be demanded by the Chair; by at least five members who have the right to vote at the meeting; by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or by a member or members holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. Unless the Directors otherwise determine, a shareholder is not entitled to vote at a shareholders' meeting, either in person or by proxy, or to exercise any other right conferred by membership in relation to a shareholders' meeting, unless and until all calls or other sums presently payable by him or her in respect of that share with interest and expenses (if any) have been paid to the Company or if he/she or any other person appearing to be interested in shares has been issued with a notice pursuant to Section 793 of the Companies Act 2006 (requiring disclosure of interest in shares) and has failed to provide the required information within 14 days from the service of the notice.

Dividend rights
The Board may declare and pay dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates and may from time to time pay interim dividends as it thinks fit. Final dividends shall be declared by Ordinary Shareholder resolution, in accordance with Board recommendations. No dividend declared by shareholders shall exceed the amount recommended by the Board. Provided that the Board acts in good faith, it shall not incur any liability to shareholders for any loss that they may suffer by the lawful payment of any fixed or interim dividend on any shares ranking after or pari passu with those shares. Except as otherwise provided by the rights attached to shares, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall

rank for dividend as from a particular date, it shall rank for dividend accordingly. No amount paid up on a share in advance of the date on which a call is payable shall be treated as paid up on the share.

Payment of any dividend declared may be satisfied wholly or partly by the distribution of specific assets, and in particular of paid up shares or debentures of the Company, with shareholder approval. The Directors may retain any dividend or other money payable on or in respect of a share on which the Company has a lien and may apply the same towards satisfaction of the monies payable to the Company in respect of that share.

Unless the Directors otherwise determine, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld, and the Company shall have no obligation to pay interest on it, if such shares represent at least 0.25% of the nominal value of the issued share capital of their class and the holder, or any other person appearing to be interested in those shares, has been issued with a Section 793 notice and has failed to supply the information required by such notice within 14 days. Furthermore, such a holder shall not be entitled to elect to receive shares instead of a dividend.

The payment by the Board of any unclaimed dividend or other monies on or in respect of a share into a separate account shall not constitute Acacia a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and shall revert to Acacia.

Transfer of shares
Subject to any applicable restrictions, each member may transfer all or any of his or her shares, which are in certificated form, by instrument of transfer in writing in any usual form or in any other form acceptable to the Board and may be under hand only. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register in respect of it.

All transfers of shares which are in uncertificated form shall, unless the CREST regulations otherwise provide, be effected on a relevant system.

The Directors may, in their absolute discretion and without giving any reason, refuse to register any transfer of a share in certificated form (or renunciation of a renounceable letter of allotment) unless:

- it is in respect of a share which is fully paid up;
- it is in respect of only one class of shares;
- it is in favour of not more than four joint transferees;
- it is lodged duly stamped (if so required) at the transfer office;
- it is accompanied by the relevant certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor and the due execution of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so; and
- in the case of partly paid shares listed on the London Stock Exchange, such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been issued with Section 793 shares in respect of shares representing at least 0.25% of their class and the relevant information has not been supplied within 14 days. This restriction on transfer will not automatically apply if the member is not personally in default as regards supplying the information required and the proposed transfer is only part of the member's holding, provided that certain requirements are satisfied at the time of presenting the transfer for registration.

Division of assets on a winding up
If the Company is wound up the liquidator may, with the sanction of a shareholder special resolution, divide the whole or any part of the Company's assets between shareholders. In such circumstances the liquidator may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholder. Subject to certain requirements, the liquidator may also vest any part of the assets in trustees on such trusts for the benefit of the shareholders, but no shareholder shall be compelled to accept any assets on which there is a liability.

Variation of rights
If at any time the share capital of the Company is divided into shares of different classes, rights attached to a class may only be varied in such manner (if any) as may be provided by prescribed rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held.

Powers of Directors
Managing the business
Acacia's business is managed by the Board, and the Articles of Association permit the Board to exercise all of the Company's powers in this regard. These powers may be exercised by any meeting of the Board at which a quorum of two Directors is present. The power of the Board to manage the business is subject to any limitations imposed by the Companies Act, the Articles of Association or any directions given by special resolution of the shareholders applicable at a relevant time. The Articles contain an express authority for the appointment of Executive Directors and provide the Directors with the authority to delegate or confer upon such Directors any of the powers exercisable by them upon such terms and conditions and with such restrictions as they see fit. The Articles contain additional authorities to delegate powers and discretions to Board committees and subcommittees.

Borrowing powers
Subject to the provisions of the Companies Act 2006, and any other applicable law, the Directors may exercise all the powers of the Company to borrow money, guarantee, indemnify, mortgage or charge its undertaking, property (present and future) and uncalled capital or any part or parts thereof and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Acacia or of any third party up to a maximum amount of two times the aggregate of the Group's adjusted total equity, calculated in accordance with the procedure contained in the Articles of Association. Borrowings in excess of this amount require prior shareholder approval.

New issues of shares
Subject to the provisions of the Companies Act 2006, the CREST regulations and every other enactment for the time being in force relating to the Directors' authority to allot shares and/or the disapplication of pre-emption rights and to any resolution of the Company in general meeting regarding the same, the Directors may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think appropriate.

Acacia's shareholders passed the following resolutions relating to the allotment and pre-emption right disapplications at the 2018 AGM:

- The Directors were granted authority to allot new shares (or grant rights to subscribe for or convert securities into shares) up to a nominal value of £13,532,821, equivalent to approximately 33% of the total issued Ordinary Share capital of the Company, exclusive of treasury shares, at the time of passing the resolution. In addition to this, the Directors were also granted authority to allot additional new shares (or grant rights to subscribe for or convert any security into shares) up to a further nominal amount of £13,532,821, but only in connection with a rights issue.
- Pre-emption rights were disapplied over new shares allotted for cash pursuant to the authority granted at (i) above, but only: (a) in connection with a pre-emptive offer or rights issue; or (b) otherwise up to a nominal value of £2,050,427 (equivalent to approximately 10% of the Company's total issued Ordinary Share capital at the time of passing the resolution).
- These authorities have not been exercised during the reporting period and will expire on the date of the 2019 AGM. Equivalent resolutions for a renewal of these authorities will be put to the shareholders at the forthcoming AGM. The resolution sought as regards pre-emption right disapplication reflects the requirements of the Pre-Emption Group's revised Statement of Principles that provide for certain non-pre-emptive allocations in the context of acquisitions and specified capital investments.

Appointment and replacement of Directors
Shareholders may appoint any person who is willing to act as a Director by ordinary resolution and may remove any Director by ordinary resolution. The Board may appoint any person to fill any vacancy or as an additional Director, provided that they are submitted for re-election by the shareholders at the AGM following their appointment.

Specific conditions apply to the vacation of office, including cases where a Director becomes prohibited by law or regulation from holding office, or is persistently absent from Directors' meetings, or if three-quarters of appointed Directors request his or her resignation or in the case of mental incapacity or bankruptcy. Barrick's rights to appoint Directors are summarised on page 77 Additional information regarding Director re-election requirements is provided on page 75 as part of the corporate governance report.

Related party transactions
Details of related party transactions undertaken during the year are contained in Note 35 on page 161 of the consolidated financial statements.

Post-balance sheet events
Particulars of any important events affecting the Company or the Group since the year-end are contained in Note 37 on page 163 of the consolidated financial statements. Such information is incorporated into this Directors' Report and is deemed to be part of it.

Audit information
Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the auditors are unaware and each Director has taken all steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors
The Company's auditors are PricewaterhouseCoopers LLP (PwC). A resolution to reappoint PwC as auditors will be proposed at the forthcoming AGM. *Refer to page 112 as part of the consolidated financial statements for the Independent Auditors' report on such statements.*

DIRECTORS' RESPONSIBILITIES STATEMENT

Under applicable UK law, the Directors are responsible for preparing the Annual Report, the consolidated financial statements and parent company financial statements in accordance with applicable law and regulation.

Responsibility for financial statements
The Companies Act 2006 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group's consolidated financial statements, Article 4 of the IAS Regulations. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and 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 Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement required by Disclosure Guidance and Transparency Rules
The Directors, whose names and functions are set out on pages 72 and 73 of this Annual Report, confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Management report, which is comprised of the Strategic report and the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face.

Approval of Strategic report and the Directors' Report
The Strategic report and the Directors' Report have been approved by the Board and signed on its behalf by

Charlie Ritchie
Company Secretary

RESERVES AND RESOURCES (UNAUDITED)

Mineral Reserve and Mineral Resource estimates contained in this Report have been reported as at 31 December 2018 in accordance with National Instrument 43-101 as required by Canadian securities regulatory authorities and Canadian Institute of Mining, Metallurgy and Petroleum ('CIM') definitions unless otherwise stated. The estimates have been reviewed, verified (including estimation methodology, sampling, analytical and test data) and compiled by Acacia personnel under the supervision of Acacia Qualified Persons: John Haywood, Chief Geologist – Operations and David Blamires, Manager - Long Term Planning. The figures stated are estimates and no assurances can be given that the indicated quantities of metal will be produced. The Mineral Resources are reported exclusive of those converted to Mineral Reserves. In addition, totals stated may not add up due to rounding.

The Mineral Reserves have been derived using an assumed long-term average gold price of US$1,200 per ounce, silver price of US$17.00 per ounce and copper price of US$2.75 per pound. The Mineral Reserves reflect the current and/or expected mine plans and cost levels at each property. Mineral Resources at the operating mines have been calculated using an assumed long-term average gold price of US$1,400 per ounce, silver price of US$19.00 per ounce and copper price of US$3.00 per pound and reflect contained metal.

Mineral Resources at the exploration properties have been derived using an assumed long-term average gold price of US$1,500 per ounce for Tankoro; whilst Nyanzaga is a foreign estimate reported using the JORC Code 2012 and above a lower cut-off grade of 1.5g/t. Both the Tankoro and Nyanzaga project interests are currently in the process of sale; but at 31st December 2018 these transactions had not been completed, and thus are maintained in the statement. The Mineral Resource estimate for the Liranda Project in Kenya is reported above varying lower cut-off grades appropriate for the mineralisation. Mineral Resources have been estimated using varying cut-off grades, depending on the type of mine or project, its maturity and ore types at each property.

Mineral Reserve estimates are dynamic and are influenced by changing economic conditions, technical issues, environmental regulations and any other relevant new information and therefore these can vary from year to year. Mineral Resource estimates can also change and tend to be influenced mostly by new information pertaining to the understanding of the deposit and secondly the conversion to Mineral Reserves. In addition, estimates of Inferred Mineral Resources may not form the basis of an economic analysis and it cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Therefore, investors are cautioned not to assume that all or any part of an Inferred Mineral Resource can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be upgraded to Mineral Reserves.

Definitions

A Mineral Resource
A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Material of economic interest refers to diamonds, natural solid inorganic material, or natural solid fossilised organic material including base and precious metals, coal, and industrial minerals. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource. An Exclusive Mineral Resource is part of the Mineral Resource that has not been included in or converted to the stated Mineral Reserve.

An Inferred Mineral Resource
The part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings and drill holes. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

An Indicated Mineral Resource
The part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

A Measured Mineral Resource
The part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

A Mineral Reserve
The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

Modifying Factors
These are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

A Probable Mineral Reserve
The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve. Probable Mineral Reserve estimates must be demonstrated to be economic, at the time of reporting, by at least a Pre-Feasibility Study.

A Proven Mineral Reserve

The economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors. Proven Mineral Reserve estimates must be demonstrated to be economic, at the time of reporting, by at least a Pre-Feasibility Study.

Mine gold mineral reserves and mineral resources

		2018			2017		
Mine		**Tonnes ('000s)**	**Grade Au (g/t)**	**Ounces ('000s)**	Tonnes ('000s)	Grade Au (g/t)	Ounces ('000s)
Bulyanhulu – Underground	Proven and probable	**7,634**	**10.70**	**2,627**	14,500	9.70	4,522
	Mineral resource	**7,952**	**8.36**	**2,138**	14,409	9.04	4,188
	Inferred	**15,004**	**11.76**	**5,672**	24,208	9.75	7,587
Bulyanhulu – Tailings	Proven and probable	**2,702**	**1.23**	**107**	5,186	1.05	175
	Mineral resource	**–**	**–**	**–**	–	–	–
	Inferred	**–**	**–**	**–**	–	–	–
Buzwagi	Proven and probable	**10,669**	**0.90**	**308**	14,254	0.92	421
	Mineral resource	**4,504**	**1.04**	**150**	4,524	1.04	152
	Inferred	**49,918**	**0.77**	**1,236**	49,918	0.77	1,236
North Mara – Surface	Proven and probable	**20,068**	**1.65**	**1,066**	19,836	1.55	991
	Mineral resource	**7,451**	**1.83**	**438**	6,664	1.95	417
	Inferred	**446**	**1.26**	**18**	447	1.20	17
North Mara – Underground	Proven and probable	**6,182**	**5.62**	**1,117**	6,652	6.26	1,338
	Mineral resource	**5,299**	**3.54**	**604**	5,563	3.70	662
	Inferred	**3,992**	**5.27**	**677**	5,988	4.36	840
Total	**Proven and probable**	**47,254**	**3.44**	**5,225**	60,429	3.83	7,448
	Mineral resource	**25,207**	**4.11**	**3,330**	31,161	5.41	5,420
	Inferred	**69,359**	**3.41**	**7,603**	80,561	3.74	9,679

Exploration property gold reserves and mineral resources[1]

		2018			2017		
Mine		**Tonnes ('000s)**	**Grade Au (g/t)**	**Ounces ('000s)**	Tonnes ('000s)	Grade Au (g/t)	Ounces ('000s)
Tankoro (50%)	Proven and probable	**–**	**–**	**–**	–	–	–
	Mineral resource	**–**	**–**	**–**	–	–	–
	Inferred	**21,500**	**1.52**	**1,050**	21,500	1.52	1,050
Nyanzaga (85%)	Proven and probable	**–**	**–**	**–**	–	–	–
(Tusker/Kilimani)	Mineral resource	**17,680**	**4.06**	**2,308**	17,680	4.06	2,308
	Inferred	**2,465**	**3.84**	**304**	2,465	3.84	304
Liranda	Proven and probable	**–**	**–**	**–**	–	–	–
	Mineral resource	**–**	**–**	**–**	–	–	–
	Inferred	**2,889**	**12.61**	**1,171**	2,889	12.61	1,171
Total Exploration	**Proven and probable**	**–**	**–**	**–**	–	–	–
	Mineral resource	**17,680**	**4.06**	**2,308**	17,680	4.06	2,308
	Inferred	**26,854**	**2.92**	**2,525**	26,854	2.92	2,525
Total Acacia	**Proven and probable**	**47,254**	**3.44**	**5,225**	60,429	3.83	7,448
	Mineral resource	**42,887**	**4.09**	**5,638**	48,841	4.92	7,727
	Inferred	**96,213**	**3.27**	**10,128**	107,416	3.53	12,204

1 Exploration property gold resources have been estimated using a gold price of US$1,500 for Tankoro, and reported above a 1.5g/t lower cut-off for Nyanzaga. Acacia's interest in both the Tankoro and Nyanzaga projects is subject to finalisation of sale agreements. Liranda has been reported at variable lower cut-off grades

Contained copper reported within gold mineral reserves and mineral resources

		2018			2017		
Mine		**Tonnes ('000s)**	**Grade Cu (%)**	**Pounds ('000s)**	Tonnes ('000s)	Grade Cu (%)	Pounds ('000s)
Bulyanhulu – Underground	Proven and probable	**7,634**	**0.55**	**92,002**	14,500	0.54	172,798
	Mineral resource	**7,952**	**0.36**	**62,561**	14,409	0.44	138,961
	Inferred	**15,004**	**0.62**	**204,422**	24,208	0.63	337,251
Bulyanhulu – Tailings	Proven and probable	–	–	–	–	–	–
	Mineral resource	–	–	–	–	–	–
	Inferred	–	–	–	–	–	–
Buzwagi	Proven and probable	–	–	–	–	–	–
	Mineral resource	**4,504**	**0.11**	**10,820**	4,524	0.11	10,971
	Inferred	**49,918**	**0.08**	**89,116**	49,918	0.08	89,116
Total	**Proven and probable**	7,634	0.55	92,002	14,500	0.54	172,798
	Mineral resource	12,456	0.27	73,381	18,934	0.36	149,932
	Inferred	64,922	0.21	293,538	74,126	0.26	426,367

Contained silver reported within gold reserves and resources

		2018			2017		
Mine		**Tonnes *('000s)***	**Grade Ag *(g/t)***	**Ounces *('000s)***	Tonnes *('000s)*	Grade Ag *(g/t)*	Ounces *('000s)*
Bulyanhulu – Underground	Proven and probable	**7,634**	**7.05**	**1,731**	14,500	7.87	3,668
	Mineral resource	**7,952**	**5.73**	**1,466**	14,409	6.61	3,062
	Inferred	**15,004**	**9.01**	**4,347**	24,208	6.96	5,416
Bulyanhulu – Tailings	Proven and probable	–	–	–	–	–	–
	Mineral resource	–	–	–	–	–	–
	Inferred	–	–	–	–	–	–
Total	**Proven and probable**	7,634	7.05	1,731	14,500	7.87	3,668
	Mineral resource	7,952	5.73	1,466	14,409	6.61	3,062
	Inferred	15,004	9.01	4,347	24,208	6.96	5,416

Mine gold mineral reserves

Mine	Classification	Tonnes	Grade Au (g/t)	Contained Au (oz)
Bulyanhulu – Underground	Proven	2,412,000	11.01	854,000
	Probable	5,221,000	10.56	1,773,000
	Total (P+P)	**7,634,000**	**10.70**	**2,627,000**
Bulyanhulu – Tailings	Proven	–	–	–
	Probable	2,702,000	1.23	107,000
	Total (P+P)	**2,702,000**	**1.23**	**107,000**
Buzwagi	Proven	39,000	1.83	2,000
	Probable	10,630,000	0.90	306,000
	Total (P+P)	**10,669,000**	**0.90**	**308,000**
North Mara – Surface and stockpiles	Proven	901,000	2.43	70,000
	Probable	11,523,000	1.96	727,000
	Total (P+P)	**12,424,000**	**2.00**	**797,000**
North Mara – Underground	Proven	1,385,000	5.86	261,000
	Probable	4,796,000	5.55	856,000
	Total (P+P)	**6,182,000**	**5.62**	**1,117,000**
Total mine gold mineral reserves	Proven	4,738,000	7.79	1,187,000
	Probable	34,872,000	3.36	3,768,000
	Total (P+P)	**39,611,000**	**3.89**	**4,955,000**

Contained copper reported within gold mineral reserves

Mine	Classification	Tonnes	Grade Cu (%)	Contained Cu (lbs)
Bulyanhulu – Underground	Proven	2,412,000	0.53	28,089,000
	Probable	5,221,000	0.56	63,913,000
	Total	**7,634,000**	**0.55**	**92,002,000**
Bulyanhulu – Tailings	Proven	–	–	–
	Probable	–	–	–
	Total	**–**	**–**	**–**
Buzwagi	Proven	–	–	–
	Probable	–	–	–
	Total	**–**	**–**	**–**
Total copper reported within gold mineral reserves	Proven	2,412,000	0.53	28,089,000
	Probable	5,221,000	0.56	63,913,000
	Total	**7,634,000**	**0.55**	**92,002,000**

Contained silver reported within gold reserves

Mine	Classification	Tonnes	Grade Ag (g/t)	Contained Ag (oz)
Bulyanhulu – Underground	Proven	2,412,000	8.91	691,000
	Probable	5,221,000	6.19	1,040,000
	Total	**7,634,000**	**7.05**	**1,731,000**
Bulyanhulu – Tailings	Proven	–	–	–
	Probable	–	–	–
	Total	**2,702,000**	**–**	**–**
Total silver reported within gold mineral reserves	Proven	2,412,000	8.91	691,000
	Probable	7,923,000	4.08	1,040,000
	Total	**10,336,000**	**5.21**	**1,731,000**

Mine gold mineral resource (measured & indicated, exclusive of mineral reserves)

Mine	Classification	Tonnes	Grade Au (g/t)	Contained Au (oz)
Bulyanhulu – Underground	Measured	566,000	13.49	245,000
	Indicated	7,387,000	7.97	1,893,000
	Total (M+I)	**7,952,000**	**8.36**	**2,138,000**
Bulyanhulu – Tailings	Measured	–	–	–
	Indicated	–	–	–
	Total (M+I)	**–**	**–**	**–**
Buzwagi	Measured	–	–	–
	Indicated	4,504,000	1.04	150,000
	Total (M+I)	**4,504,000**	**1.04**	**150,000**
North Mara – Surface and stockpiles	Measured	1,831,000	2.22	130,000
	Indicated	5,620,000	1.70	307,000
	Total (M+I)	**7,451,000**	**1.83**	**438,000**
North Mara – Underground	Measured	120,000	3.43	13,000
	Indicated	5,180,000	3.55	591,000
	Total (M+I)	**5,299,000**	**3.54**	**604,000**
Total mine resource (M+I)	Measured	2,516,000	4.81	389,000
	Indicated	22,691,000	4.03	2,941,000
	Total (M+I)	**25,207,000**	**4.11**	**3,330,000**

Contained copper reported within gold mineral resources

Mine	Classification	Tonnes	Grade Cu (%)	Contained Cu (lbs)
Bulyanhulu – Underground	Measured	566,000	0.61	7,602,000
	Indicated	7,387,000	0.34	54,959,000
	Total (M+I)	**7,952,000**	**0.36**	**62,561,000**
Bulyanhulu – Tailings	Measured	–	–	–
	Indicated	–	–	–
	Total (M+I)	**–**	**–**	**–**
Buzwagi	Measured	–	0.00	–
	Indicated	4,504,000	0.11	10,820,000
	Total (M+I)	**4,504,000**	**0.11**	**10,820,000**
Total copper reported within gold mineral resources	Measured	566,000	0.61	7,602,000
	Indicated	11,891,000	0.25	65,780,000
	Total (M+I)	**12,456,000**	**0.27**	**73,381,000**

Contained silver reported within gold mineral resource

Mine	Classification	Tonnes	Grade Ag (g/t)	Contained Ag (oz)
Bulyanhulu – Underground	Measured	566,000	10.43	190,000
	Indicated	7,387,000	5.37	1,276,000
	Total (M+I)	**7,952,000**	**5.73**	**1,466,000**
Bulyanhulu – Tailings	Measured	–	–	–
	Indicated	–	–	–
	Total (M+I)	**–**	**–**	**–**
Total silver reported within gold mineral resources	Measured	566,000	10.44	190,000
	Indicated	7,387,000	5.37	1,276,000
	Total (M+I)	**7,952,000**	**5.73**	**1,466,000**

Exploration property mineral resource (M+I)

Mine	Classification	Tonnes	Grade Au (g/t)	Contained Au (oz)
Tankoro (50%)	Measured	–	–	–
(South Houndé)	Indicated	–	–	–
	Total (M+I)	**–**	**–**	**–**
Nyanzaga (85%)	Measured	3,936,000	4.96	627,000
(Tusker/Kilimani)	Indicated	13,745,000	3.80	1,680,000
	Total (M+I)	**17,680,000**	**4.06**	**2,308,000**
Golden Ridge	Measured	–	–	–
	Indicated	–	–	–
	Total (M+I)	**–**	**–**	**–**
Total	Measured	3,936,000	4.95	627,000
	Indicated	13,745,000	3.80	1,680,000
	Total (M+I)	**17,680,000**	**4.06**	**2,308,000**

Exploration property mineral resource (Inferred)

Mine	Classification	Tonnes	Grade Au (g/t)	Contained Au (oz)
Tankoro (50%)	Inferred	21,500,000	1.52	1,050,000
(South Houndé)	**Total Inferred**	**21,500,000**	**1.52**	**1,050,000**
Nyanzaga (85%)	Inferred	2,465,000	3.84	304,000
(Tusker/Kilimani)	**Total Inferred**	**2,465,000**	**3.84**	**304,000**
Golden Ridge	Inferred	–	–	–
	Total Inferred	**–**	**–**	**–**
Total	Inferred	26,854,000	2.92	2,525,000
	Total Inferred	**26,854,000**	**2.92**	**2,525,000**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACACIA MINING PLC

Report on the audit of the financial statements

Opinion

In our opinion, Acacia Mining plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's and the parent company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and parent company income statement and the consolidated statement of comprehensive income for the year then ended; the consolidated and parent company balance sheet as at 31 December 2018, the consolidated and parent company statement of changes in equity, and the consolidated and parent company statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 10 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 January 2018 to 31 December 2018.

Emphasis of matter – Group and parent company – Impact of mineral concentrate export ban and negotiation with the Government of Tanzania

In forming our opinion on the group financial statements, which is not modified, we draw attention to Notes 2, 6 and 34 to these financial statements, which describe the material uncertainties related to the impact of the mineral concentrate export ban and negotiations with the Government of Tanzania on the Group's and parent company's assets, liabilities and cash flows. Our opinion is not modified in respect of these matters.

Material uncertainty relating to going concern – Group and parent company

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern.

The impact of the mineral concentrate export ban and negotiation with the Government of Tanzania, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Explanation of material uncertainty

Note 2 to the financial statements details the directors' disclosures of the material uncertainties relating to going concern. In addition, the disclosures included in Note 6 to the financial statements provide further detail relating to the status and potential impact of the ongoing mineral concentrate export ban and negotiation with the Government of Tanzania on the going concern status of the Group and parent company.

In forming their conclusions regarding going concern of the Group and parent company, and as described in Note 2, the directors have considered, but not limited to, the following matters:

- the impact of the ban on-ongoing operations;
- the current cash position;
- the latest mine plans and a range of scenarios around the various options under these circumstances, including the cash flow impact of an extended concentrate export ban; and the potential impacts of the timing and final terms of any comprehensive settlement which might be approved by the parent company, including the lifting of the concentrate export ban and staged payments of US$300 million relating to historical tax matters;
- the short-term gold prices and market expectations for the same in the medium-term; and
- Acacia Group's capital expenditure and financing plans.

In addition, the directors have assumed that the Group will not be required to settle its current outstanding borrowing obligations and will repay these in accordance with the current terms of the relevant agreements. Given the risks associated with the impact of the mineral concentrate export ban and negotiations with the Government of Tanzania, the directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the Annual Report.

Our audit approach

Overview

- Overall group materiality: USD$6.4 million (2017: USD$7.0 million), based on 5% of profit before tax, before tax excluding the impairment of $24.2 million.
- Overall parent company materiality: USD$6.4 million (2017: USD$7.0

- We identified two mine sites located in Tanzania which, in our view, required an audit of their complete financial information.
- We conducted other audit procedures in London, South Africa, Tanzania and Kenya.
- Taken together, the territories and functions where we performed our audit work accounted for 100% of revenue and approximately 84% of absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant territories and functions).

- Impairment assessments of intangible assets and property, plant & equipment (Group).
- Taxation including provisions for uncertain deferred tax positions and the recoverability of indirect taxes (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and parent company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules and mining licence compliance within Tanzania. Our tests included, but were not limited to, inquiry of management, consideration of management's external advice and review of mining licence documentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud in revenue recognition. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty relating to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of intangible assets and property, plant & equipment – Group Refer to page 80 (Audit Committee report), page 125 (principal accounting policies), page 126 (critical accounting estimates and judgements), and note 6. Acacia Mining has indefinite-lived intangible assets of USD$32.8 million and property, plant and equipment of USD$761.2 million as at 31 December 2018 primarily contained within the Bulyanhulu, North Mara, and Buzwagi cash generating units ("CGUs"). Management determined that the on-going uncertainty surrounding a potential resolution of the disputes with the Government of Tanzania, the optimisation study and updating of the geological and resource models at Bulyanhulu, and the fact that the Company's market capitalisation has been lower than its carrying values during the current reporting period, are impairment indicators for all CGUs. Management has therefore performed impairment assessments for all CGUs, on the underlying assumption that a negotiated settlement with the Government of Tanzania is the most likely outcome of the export ban. While impairment indicators were noted for all CGUs, the carrying values of the Bulyanhulu, Buzwagi and North Mara CGUs of $588 million, $195 million and $277 million respectively were supported by their recoverable value under management's impairment assessment. The determination of recoverable amount was based on the higher of value-in-use and fair value less costs to dispose, which requires judgement on the part of management in valuing the relevant CGUs. Recoverable amounts are based on management's understanding of the potential outcome of Barrick Gold's negotiations with the Government of Tanzania (which will also require independent approval from the Acacia Board and Acacia shareholders), and variables such as future commodity prices, the most appropriate discount rate and timing and approval of future capital and operating expenditure.	We considered management's impairment trigger analysis and agreed that impairment indicators existed. In assessing the valuation of the CGUs, we evaluated management's future cash flow forecasts for each CGU, and the process by which they were drawn up, including verifying the mathematical accuracy of the cash flow models and agreeing future capital and operating expenditure to the latest Board approved budgets and the latest life of mine plans. Management's future cash flow forecasts are underpinned by key assumptions regarding their current estimation of the timing and form of a resolution of the export ban. With regards to the outcome, we have made inquiries of management and considered publically available information from the Government of Tanzania and Barrick Gold. Whilst we consider management's best estimate to be consistent with the information made available to them, significant uncertainty remains. For each CGU we used our valuation specialists to assist us in evaluating the appropriateness of key market related assumptions in management's valuation models, including both short term and long term gold prices, and discount rates. We assessed the reasonableness of management's future forecasts of capital and operating expenses included in the cash flow forecasts in light of the historical accuracy of such forecasts and the current operational results. We performed sensitivity analysis around the key assumptions within the cash flow forecasts using a range of discount rates and lower long-term gold prices based on what, in our view, a market participant may apply. With regards to the Bulyanhulu, North Mara and Buzwagi CGUs, management's estimated recoverable amounts supported the carrying value of these assets as at 31 December 2018. Consequently, no impairment charge was considered necessary, although the estimate of recoverable amount remains sensitive to changes in these key assumptions and remain at risk should a negotiated settlement not eventuate or the form of a negotiated settlement is different from management's estimate. We validated the appropriateness of the related disclosures in note 6 of the financial statements, including the sensitivities provided with respect to the CGUs.

Key audit matter	How our audit addressed the key audit matter
Taxation including provisions for uncertain deferred tax positions and the recoverability of indirect taxes – Group Refer to page 80 (Audit Committee report), page 125 (principal accounting policies), page 126 (critical accounting estimates and judgements), and note 21. The group has material deferred tax balances which include prior year tax loss assessments that continue to be in dispute with the Tanzanian Revenue Authority. The group has $300m of provisions for uncertain deferred tax positions, on the basis that it is more probable than not that this amount may be paid to settle outstanding assessments as part of a boarder negotiated settlement with the Government of Tanzania. This is based on the announcements made by Barrick Gold in October 2017 following their discussions with the Government of Tanzania and ongoing discussions with Barrick Gold who are leading the negotiations. In addition, the group recognises significant indirect tax receivables. The receivables are classified between current and non-current in line with the expected offset against future taxable profits. The effect of discounting of the non-current portion is immaterial. Based on management's understanding, tax receivables and deferred tax losses remain recoverable.	We considered this to be a key audit matter due the magnitude of the balances and the judgements involved. We read correspondence between management and the Tanzanian Revenue Authority and assessed management's position in relation to the specific matters disputed. Refer to note 34 for tax related contingencies disclosed. In relation to deferred tax, we also assessed the availability of estimated future taxable income to utilise recognised carry forward losses and the reversal of temporary deferred tax differences by comparing the estimates to the latest Board approved budgets and the latest Life of Mine plans current expectations of the timing and form of a potential negotiated settlement with the Government of Tanzania. We consider the recognition the $300m provision appropriate, taking into account the current position of negotiations, however recognise that a material risk continues to exist that the exposure could be higher. We also determined based on the existence of a memorandum of settlement with the Tanzanian Revenue Authority for the indirect tax receivable, that the balance is recoverable, and appropriately classified between current and non-current. We examined the Annual Report disclosures to ensure the risk associated with recovery was appropriately highlighted.

Except for the matters described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters in respect of the parent company to communicate in our report.

How we tailored the audit scope

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

The group's assets and operations are primarily located at three mine sites in Tanzania representing the group's three CGUs, with exploration properties in Kenya and West Africa. Financial reporting processes related to the activities of these mine sites and exploration properties are undertaken at shared business centres ("SBCs") located in Dar es Salaam and Johannesburg.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at each of the three mine sites, the exploration entities and the SBCs by us, as the group engagement team and by component auditors from other PwC network firms operating under our instruction. We requested that full scope audits were performed at North Mara and Buzwagi which included the relevant SBC. In addition, we conducted other audit procedures in London, South Africa, Tanzania and Kenya, including specified procedures performed by a component audit team in Tanzania over Bulyunhulu revenue and Kenya over exploration expenses incurred within Acacia Exploration Kenya due to the quantum of costs expensed during the current year. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those sites and SBCs to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

Involvement of the group engagement team included attendance at Acacia's Tanzanian and South African offices, conference calls and meetings with the Tanzanian audit team, review of the Tanzanian and Kenyan component auditor work papers, attendance at local audit clearance meetings and other forms of communication as considered necessary depending on the significance of the accounting and audit issues arising. Taken together, the territories and functions where we performed our audit work accounted for 100% of revenue and approximately 84% of absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant territories and functions).

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	USD$6.4 million (2017: USD$7.0 million).	USD$6.4 million (2017: USD$7.0 million).
How we determined it	5% of profit before tax, before tax excluding the impairment of $24.2 million.	Lower of 1% of total assets and overall Group materiality.
Rationale for benchmark applied	We continued to determine materiality based on 5% of our chosen benchmark.	We believe that total assets is the primary measure used in assessing the performance of the parent company as the function of the parent is to hold investments within the Group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between USD$1 million and USD$6.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD$1 million (Group audit) (2017: USD$1 million) and USD$1 million (Parent company audit) (2017: USD$1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	ISAs (UK) require us to report to you when: • the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. We draw your attention to the matters described in the Material Uncertainty Related to Going Concern section. In addition, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 30 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 31 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 82, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 80 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 106, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 29 March 2010 to audit the financial statements for the year ended 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2010 to 31 December 2018.

JONATHAN LAMBERT (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON

28 MARCH 2019

CONSOLIDATED INCOME STATEMENT

(in thousands of United States dollars)	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue	4	**663,789**	751,515
Cost of sales	5	**(444,374)**	(458,447)
Gross profit		**219,415**	293,068
Corporate administration		**(23,813)**	(26,913)
Share-based payments		**74**	8,236
Exploration and evaluation costs	8	**(13,343)**	(24,829)
Corporate social responsibility expenses		**(8,812)**	(8,213)
Impairment charges	6	**(28,877)**	(850,182)
Other charges (net)	9	**(36,094)**	(90,370)
Profit/(Loss) before net finance expense and taxation		**108,550**	(699,203)
Finance income	11	**1,421**	1,944
Finance expense	11	**(13,200)**	(12,407)
			(10,463)
Profit/(Loss) before taxation		**96,771**	(709,666)
Tax (expense)/credit	12	**(37,905)**	2,272
Net profit/(loss) profit for the year		**58,866**	(707,394)
Earnings/(loss) per share:			
– Basic earnings/(loss) per share (cents)	13	**14.4**	(172.5)
– Diluted earnings/(loss) per share (cents)	13	**14.4**	(172.5)

The notes on pages 124 to 163 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Net profit/(loss) for the year	**58,866**	(707,394)
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss:		
Changes in fair value of cash flow hedges	**(247)**	108
Total comprehensive income/(loss) for the year	**58,619**	(707,286)

CONSOLIDATED BALANCE SHEET

(in thousands of United States dollars)	Notes	As at 31 December 2018	As at 31 December 2017
ASSETS			
Non-current assets			
Goodwill and intangible assets	20	**39,100**	82,383
Property, plant and equipment	19	**761,205**	770,574
Deferred tax assets	21	**176,093**	169,513
Non-current portion of inventory	15	**118,198**	133,550
Derivative financial instruments	31	**420**	907
Other non-current assets	22	**151,065**	180,708
		1,246,081	1,337,635
Current assets			
Inventories	16	**312,909**	291,880
Trade and other receivables	17	**11,693**	18,085
Derivative financial instruments	31	**633**	2,619
Other current assets	22	**99,507**	70,155
Cash and cash equivalents	18	**130,195**	80,513
		554,937	463,252
Assets of disposal group classified as held for sale	23	**19,707**	–
Total assets		**1,820,725**	1,800,887
EQUITY AND LIABILITIES			
Share capital and share premium	24	**929,199**	929,199
Other reserves		**250,412**	191,793
Total equity		**1,179,611**	1,120,992
Non-current liabilities			
Borrowings	18	**14,200**	42,600
Deferred tax liabilities	21	**97,918**	99,533
Derivative financial instruments	31	**26**	–
Provisions	28	**124,442**	127,028
Other non-current liabilities	29	**1,789**	5,038
		238,375	274,199
Current liabilities			
Trade and other payables	26	**349,115**	350,450
Borrowings	18	**28,400**	28,400
Derivative financial instruments	31	**462**	481
Provisions		**14,254**	24,650
Other current liabilities		**801**	1,715
		393,032	405,696
Liabilities of disposal group classified as held for sale	23	**9,707**	–
Total liabilities		**641,114**	679,895
Total equity and liabilities		**1,820,725**	1,800,887

The notes on pages 124 to 163 are an integral part of this financial information.

PETER GELETA
INTERIM CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of United States dollars)	Notes	As at 31 December 2018	As at 31 December 2017
Cash flows from operating activities			
Net profit/(loss) for the year		**58,866**	(707,394)
Adjustments for:			
Tax expense/(credit)		**37,905**	(2,272)
Depreciation and amortisation		**95,844**	125,968
Finance items		**11,779**	10,463
Impairment charges		**28,877**	850,182
Gain from sale of mineral royalty		**(45,000)**	(1,753)
(Profit)/Loss on disposal of property, plant and equipment		**(163)**	123
Cash settlement of share options		**–**	(259)
Working capital adjustments	15	**(57,765)**	(313,091)
Other non-cash items	15	**3,942**	22,160
Cash generated by/(used in) operations before interest and tax		**134,285**	(15,873)
Finance income		**1,421**	1,944
Finance expenses		**(9,573)**	(9,043)
Net cash generated by/(used in) operating activities		**126,133**	(22,972)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(90,498)**	(157,408)
Movement in other assets		**2,094**	6,856
Proceeds from sale of mineral royalty		**45,000**	1,753
Other investing activities	15	**(4,190)**	(2,912)
Net cash used in investing activities		**(47,594)**	(151,711)
Cash flows used in financing activities			
Loans paid		**(28,400)**	(28,400)
Dividends paid		**–**	(34,385)
Net cash used in financing activities		**(28,400)**	(62,785)
Net increase/(decrease) in cash and cash equivalents		**50,139**	(237,468)
Net foreign exchange difference		**(457)**	190
Cash and cash equivalents at 1 January		**80,513**	317,791
Cash and cash equivalents at 31 December		**130,195**	80,513

The notes on pages 124 to 163 are an integral part of this financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of United States dollars)	Notes	Share capital	Share premium	Other distributable reserve	Cash flow hedging reserve	Share option reserve	Accumulated (losses)/profit	Total equity
Balance at 1 January 2017		**62,097**	**867,102**	**1,368,713**	**559**	**3,953**	**(439,529)**	**1,862,895**
Total comprehensive loss for the year		–	–	–	108	–	(707,394)	(707,286)
Dividends to equity holders of the Company		–	–	–	–	–	(34,385)	(34,385)
Share option grants		–	–	–	–	(232)	–	(232)
Balance at 31 December 2017		**62,097**	**867,102**	**1,368,713**	**667**	**3,721**	**(1,181,308)**	**1,120,992**
Total comprehensive income for the year		–	–	–	(247)	–	58,866	58,619
Share option grants		–	–	–	–	–	–	–
Dividends to equity holders of the Company		–	–	–	–	–	–	–
Balance at 31 December 2018		**62,097**	**867,102**	**1,368,713**	**420**	**3,721**	**(1,122,442)**	**1,179,611**

The notes on pages 124 to 163 are an integral part of this financial information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Acacia Mining plc, formerly African Barrick Gold plc (the "Company", "Acacia" or collectively with its subsidiaries the "Group") was incorporated on 12 January 2010 and re-registered as a public limited company on 12 March 2010 under the Companies Act 2006. It is registered and domiciled in the United Kingdom with registered number 7123187. On 24 March 2010 the Company's shares were admitted to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the Main Market of the London Stock Exchange, hereafter referred to as the Initial Public Offering ("IPO"). The address of its registered office is 5th Floor, 1 Cavendish Place, London, W1G 0QF, United Kingdom.

Barrick Gold Corporation ("BGC") currently owns approximately 63.9% of the shares of the Company and is the ultimate parent and controlling party of the Group. The financial statements of BGC can be obtained from www.barrick.com. BGC is incorporated in Canada.

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors of the Company on 27 March 2019.

The Group's primary business is the mining, processing and sale of gold. The Group has three operating mines located in Tanzania. The Group also has a portfolio of exploration projects located across Africa. The principal activities of the Company, its subsidiaries and joint ventures included in the consolidated financial statements are as follows:

Company	Principal activity	Country of incorporation[3]	Relationship	Equity interest at 31 December 2018 & 2017
Acacia Mining plc	Holding Company	UK	–	100%
BUK HoldCo Limited [1]	Holding Company	UK	Subsidiary	100%
BUK East Africa Limited [1]	Holding Company	UK	Subsidiary	100%
1816962 Ontario Inc	Holding Company	Canada	Subsidiary	100%
Acacia Mining (Barbados) Corp Ltd	Group Finance Company	Barbados	Subsidiary	100%
BAPL Holding Ltd	Holding Company	Mauritius	Subsidiary	100%
Acacia Exploration Kenya Ltd	Exploration	Kenya	Subsidiary	100%
CayCo Tz Ltd	Holding Company	Cayman Islands	Subsidiary	100%
ABG Exploration Limited	Exploration	Tanzania	Subsidiary	100%
Matinje Exploration Ltd	Exploration	Tanzania	Subsidiary	75%
Itobo Exploration Ltd	Exploration	Tanzania	Subsidiary	75%
Nyanzaga Exploration Company Ltd	Exploration	Tanzania	Subsidiary	100%
Barrick Tanzanian Holdings Ltd	Exploration	Cayman Islands	Subsidiary	100%
Barisun Exploration Ltd	Exploration	Tanzania	Subsidiary	75%
Prime Gold Exploration Ltd	Exploration	Tanzania	Subsidiary	75%
Kasubuya Exploration Company Ltd	Exploration	Tanzania	Subsidiary	60%
KMCL Holdings Ltd	Exploration	Cayman Islands	Subsidiary	100%
Bulyanhulu Gold Mine Ltd	Operating Gold Mine	Tanzania	Subsidiary	100%
North Mara Gold Mine Ltd	Operating Gold Mine	Tanzania	Subsidiary	100%
Pangea Goldfields Inc	Holding Company	Canada	Subsidiary	100%
Pangea Minerals Ltd	Operating Gold Mine	Tanzania	Subsidiary	100%
1051694 Ontario Inc	Holding Company	Canada	Subsidiary	100%
Acacia Mining SA (Pty) Ltd	Shared Services	South Africa	Subsidiary	100%
East Africa Gold Mines Ltd	Holding Company	Australia	Subsidiary	100%
Tusker Gold Limited	Holding Company	Australia	Subsidiary	100%
Indago Autan (Proprietary) Ltd[2]	Holding Company	Australia	Subsidiary	100%
IDG Aurum Tanzania Ltd [2]	Holding Company	Tanzania	Subsidiary	100%
IDG Aurum Holdings Ltd [2]	Holding Company	Tanzania	Subsidiary	100%
IDG Kitongo Tanzania Ltd[2]	Dormant Company	Tanzania	Subsidiary	100%
Vulcan Resources Tanzania Ltd [2]	Dormant Company	Tanzania	Subsidiary	100%
Aptian Resources Tanzania Ltd [2]	Dormant Company	Tanzania	Subsidiary	100%
Sub-Sahara Resources Tanzania Ltd [2]	Exploration	Tanzania	Subsidiary	100%
BUK West Africa Ltd	Holding Company	United Kingdom	Subsidiary	100%
ABG Exploration Mali SARL	Exploration	Mali	Subsidiary	100%
African Barrick Gold Ltd	Holding Company	United Kingdom	Subsidiary	100%
Bulyanhulu Holdings (Pty) Ltd	Holding Company	Tanzania	Subsidiary	100%
BUK Burkina Faso Ltd	Holding Company	United Kingdom	Subsidiary	100%
Acacia Burkina Faso Exploration SARL	Exploration	Burkina Faso	Subsidiary	100%
Nyakafuru Project Joint Venture	Exploration	Tanzania	Joint Venture	51%

1 Exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of S448A of Companies Act 2006.
2 June year-end.
3 A list of registered addresses for each of these Group companies can be obtained from the Acacia Plc Office address, as stated above.

There are no restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances. The joint ventures included in the table above are currently immaterial to the Group.

2. *Significant accounting policies*

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRS Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention basis, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand US dollars except when otherwise indicated.

Where a change in the presentational format between the prior year and current year financial statements has been made during the period, comparative figures have been restated accordingly. No presentational changes were made in the current year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2d.

The impact of the seasonality on operations is not considered as significant on the consolidated financial information.

In assessing the Acacia Group's going concern status the Directors have taken into account the impact of the concentrate export ban on ongoing operations as well as the following factors and assumptions: the current cash position; the latest mine plans, the short-term gold price, and Acacia Group's capital expenditure and financing plans. In addition, the Directors have considered a range of scenarios around the various potential outcomes for the resolution of the current operating challenges in Tanzania in the circumstances, including the cash flow impact of an extended concentrate export ban; and the potential impacts of the timing and final terms of any comprehensive settlement which might be approved by the Company which reflect key terms of the framework announcements made by Barrick and the Government of Tanzania ("GoT") in October 2017, including the lifting of the concentrate export ban and staged payments of US$300 million relating to historical tax matters. In addition, the Directors have assumed that the Group will not be required to settle its current outstanding borrowing obligations and will repay these in accordance with the current terms of the relevant agreements. After making appropriate enquiries and considering the uncertainties described above, the Directors consider that it is appropriate to adopt the going concern basis in preparing the consolidated financial statement however have concluded that the combination of the above circumstances represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statement does not include any adjustments that would result if the Group was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

b) New and amended standards adopted by the Group

The following amendments to standards are applicable and were adopted by the Group for the first time for the financial year beginning 1 January 2018:

- IFRS 9 – "Financial instruments". IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Effective 1 January 2018. The adoption of the new standard did not have a significant impact on the Group.
- IFRS 15 – "Revenue from contracts with customers". This standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Effective 1 January 2018. The adoption of the new standard did not have a significant impact on the Group.
- Amendments to IFRS 2 – "Classification and Measurement of Share-based Payment Transactions". The amendments made to AASB 2 in July 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. Effective 1 January 2018. The standard did not have a significant impact on the Group.
- Amendments to IFRS 10 – "Consolidated financial statements" and IAS 28,"Investments in associates and joint ventures" on sale or contribution of assets. The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. The IASB decided to defer the application date of this amendment, until such time this is not applicable. The amendment did not have a significant impact on the Group.

c) New and amended standards and interpretations not yet adopted

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019:

- IFRS 16 – "Leases". IFRS 16 supersedes IAS 17, "Leases", IFRIC 4, "Determining whether an Arrangement contains a Lease", SIC 15, "Operating Leases – Incentives" and SIC 27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. Effective 1 January 2019. Management has reviewed the impact of the new standard in order to put all frameworks and systems in place. Based on initial investigation, the standard is not expected to have a significant impact on the Group, due to majority of our existing contracts being classified as short-term leases with contracts expiring within 12 months from the effective date as well as the majority of contracts relating to service agreements or the performance obligations based on variable terms and thus not resulting in a right of use asset. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

d) Significant judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the consolidated financial statements require management to make judgements and/or estimates. These judgements and estimates are continuously evaluated and are based on management's experience and best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the consolidated financial statements. The life of mine plans are central to a number of key estimates. Information about such judgements and estimations is included in the accounting policies and/or notes to the consolidated financial statements, and the key areas are summarised below. Areas of judgement and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the consolidated financial statements include:

Estimates

For material estimates, sensitivities were included in the notes to the consolidated financial statements.

- Estimates of the quantities of proven and probable gold and copper reserves – Note 2h.
- Estimates included within the life of mine planning such as the timing and viability of processing of long-term stockpiles – Note 2n.
- Review of goodwill, tangible and intangible assets' carrying value, the determination of whether a trigger for an impairment review exists, whether these assets are impaired and the measurement of impairment charges or reversals – Notes 2o, 2p, 2q, 2r, 19 and 20.
- The estimated fair values of Cash Generating Units for impairment tests, including estimates of future costs to produce proven and probable reserves, future commodity prices, foreign exchange rates and discount rates – Notes 2r and 6.
- The estimated useful lives of tangible and long-lived assets and the measurement of depreciation expense – Notes 2o and 19.
- Recognition of a provision for environmental rehabilitation and the estimation of the rehabilitation costs and timing of expenditure – Notes 2u and 28.
- Whether to recognise a provision for accounts receivable, and in particular the indirect tax receivables from the GoT, a provision for obsolescence on consumables inventory and the impact of discounting the non-current element of the indirect tax receivable – Notes 2n, 2z, 2w, 16, 17 and 22.
- Recognition of deferred income tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes – Notes 2z, 12 and 21.

Judgements

- The capitalisation of production stripping costs – Note 2i.
- The capitalisation of exploration and evaluation expenditures Notes 2l and 8.
- Property, plant and equipment held under finance leases – Notes 2o and 19.
- Whether to recognise a liability for loss contingencies and the amount of any such provision – Notes 2u, 28 and 34.
- Determination of the cost incurred in the productive process of ore stockpiles, gold in process, gold doré/bullion and concentrate, as well as the associated net realisable value and the split between the long-term and short-term portions – Notes 2n and 16.
- Determination of fair value of derivative instruments – Notes 2w and 30.
- Determination of fair value of share options and cash-settled share-based payments – Notes 2v and 25.
- Judgements around the prospect, timing and final terms of any comprehensive negotiated settlement that the Company might be able to agree with the GoT, including by reference to the key terms of the framework announcements made in October 2017 by Barrick and the GoT and including judgements around the timing and quantum of any cash outflows that might be made in respect of historical tax matters.
- Judgements around the timing of Bulyanhulu's restart and production ramp up.

e) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2018 and 31 December 2017, and operating results and cash flows for the years then ended. The consolidated financial statements of the Group incorporate the financial statements of the Company and companies controlled by the Company (its subsidiaries). Subsidiaries are entities to which the Company is exposed or has the rights to variable returns from its involvement and has the ability to affect those returns through its power. Control exists when the Company has existing rights that give the ability to direct relevant activities, exposure or rights to variable returns from its involvement and the ability to use its power to affect the amount of returns. The consolidated financial statements include all of the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-company transactions as noted above.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are included in the consolidated financial statements from the date on which control passed to the Group, and have been excluded from the date on which control transferred out of the Group. For partly-owned subsidiaries, the net assets and net earnings attributable to non-controlling interests are presented as "Equity attributable to non-controlling interests" in the consolidated balance sheet and "Net profit attributable to non-controlling interests" in the consolidated income statement, respectively.

f) Business combinations

On acquiring a business, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable net assets on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalised within 12 months of the acquisition date. Acquisition costs are expensed.

When purchase consideration is contingent on future events, the initial cost of the acquisition recorded includes an estimate of the fair value of the contingent amounts expected to be payable in the future. The cost of the acquisition is adjusted when revised estimates are made, with corresponding adjustments made to the income statement.

When the cost of acquisition exceeds the fair values of the identifiable net assets, the difference is treated as purchased goodwill, which is reviewed for impairment annually or when there is an indication of impairment. If the fair value attributable to the Group's share of the identifiable net assets exceeds the cost of acquisition, the difference is recognised in the income statement.

g) Foreign currency translation

The Group's transactions are denominated in a number of different currencies (primarily US dollars, Tanzanian shillings ("shillings"), South African rands ("rands"), UK pounds sterling ("pounds") and Australian dollars. The Group has liabilities that are primarily denominated in US dollars. The US dollar is the Company's (and its main subsidiaries') functional currency, as well as the Group's presentation currency.

Transactions in currencies other than the US dollar are translated at the exchange rates as at the date of transaction. Monetary assets and liabilities denominated in currencies other than the US dollar are translated to US dollars at year-end exchange rates. All differences that arise are recorded in the income statement. Non-monetary assets measured at historical cost in a currency other than US dollars are translated using the exchange rates at the date of the initial transactions.

Where non-monetary assets are measured at fair value in a currency other than US dollars they are translated into US dollars using the exchange rates on the date when the fair value was determined.

The following exchange rates to the US dollar have been applied:

	As at 31 December 2018	Average Year ended 31 December 2018
South African rand (US$:ZAR)	**14.39**	**13.16**
Tanzanian shilling (US$:TZS)	**2,281**	**2,264**
Australian dollar (US$:AUD)	**1.42**	**1.34**
UK pound (US$:GBP)	**0.78**	**0.75**

	As at 31 December 2017	Average Year ended 31 December 2017
South African rand (US$:ZAR)	12.36	13.30
Tanzanian shilling (US$:TZS)	2,230.07	2,229.00
Australian dollar (US$:AUD)	1.28	1.30
UK pound (US$:GBP)	0.74	0.78

h) Determination of ore reserves

The Group estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 "Standards of Disclosure for Mineral Projects" requirements. Reports to support these estimates are prepared each year. Proven and probable ("2P") reserves, and for certain mines other mineral resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine stripping ratios and for forecasting the timing of the payments related to the environmental rehabilitation provision.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being revised. The key assumptions above have been considered as part of management's impairment assessment (refer Note 6)

i) Stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalised as mine development costs.

Stripping costs incurred during the production stage of a pit are accounted for as the costs of the inventory produced during the period that the stripping costs were incurred, unless these costs provide a future economic benefit to an identifiable component of the ore body. Production phase stripping costs generate a future economic benefit when the related stripping activity: (i) improves access to a component of the ore body to be mined in the future; (ii) increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; (iii) increases the productive capacity or extends the productive life of the mine (or pit). For production phase stripping costs that generate a future economic benefit, the current period stripping costs are capitalised as open pit mine development costs.

Capitalised open pit mine development costs are depreciated on a units of production basis whereby the denominator is the estimated ounces of recoverable gold in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan in the components of the ore body that have been made more accessible through the stripping activity. Capitalised open pit mine development costs are depreciated once the open pit has entered production and the future economic benefit is being derived.

j) Revenue recognition

Revenue is recognised when persuasive evidence exists that all of the following criteria are met according to IFRS 15:

- Identified contracts with customers;
- Identify the separate performance obligation;
- Determine the transaction price of the contract;
- Allocated the transaction price to each of the separate performance obligations; and
- Recognised the revenue as each performance obligation is satisfied.

For comparatives, revenue is recognised when persuasive evidence exists that all of the following criteria are met according to IAS 18:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and

- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Gold doré sales
Gold doré is unrefined gold bullion bars usually consisting of 90% gold that is refined to pure gold bullion prior to sale to our customers. The sale of gold doré is classified as a single performance obligation, and revenue is recognised at a point in time when control has passed to the customer. The sales price is based on the gold spot price at the time of sale.

Concentrate sales
Concentrate is a processing product containing the valuable ore mineral gold, copper and silver from which most of the waste mineral has been eliminated, that undergoes a smelting process to convert it into gold bullion, copper and silver concentrate. Under the terms of concentrate sales contracts with independent smelting companies, gold, copper and silver in concentrate is sold at trailing monthly average spot prices based on contract quotational periods.

The sale of concentrate is classified as a single performance obligation, and revenue is recognised at a point in time when control has passed to the customer. Revenue is recorded at the shipped on board date, which is also when control pass to the smelting companies, using market prices on the expected date that final sales prices will be fixed. Variations between the price recorded at the shipment date and the actual final price set under the smelting contracts are caused by changes in market prices, and result in an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as provisional price adjustments and included as a component of revenue.

Co-products
Revenue from the sale of co-products, such as copper and silver, contained in doré or concentrates are recognised in revenue.

k) Cost of sales

Cost of sales consists of direct mining costs (which include personnel costs, general and administrative costs, energy costs (principally diesel fuel and electricity), maintenance and repair costs, operating supplies, external services, third-party smelting, refining and transport fees), and depreciation related to sales as well as production taxes and royalty expenses for the period. Cost of sales is based on average costing for contained or recoverable ounces sold as well as production taxes and royalty expense for the period. All costs are net of any impairment to reduce inventory to its net realisable value.

l) Exploration and evaluation

Exploration expenditures
Exploration expenditures relate to the initial search for mineral deposits with economic potential as well as expenditures incurred for the purposes of obtaining more information about existing mineral deposits. Exploration expenditures typically comprise costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies;
- exploratory drilling and sampling for the purposes of obtaining core samples and the related metallurgical assay of these cores; and
- drilling to determine the volume and grade of deposits in an area known to contain mineral resources or for the purposes of converting mineral resources into proven and probable reserves.

Exploration expenditures incurred at greenfield sites (sites where the Group does not have any mineral deposits that are already being mined or developed) are typically expensed as incurred, unless it can be demonstrated that the related evaluation expenditures will generate a future economic benefit. Exploration expenditures incurred at brownfield sites (sites that are adjacent to a mineral deposit that is classified within proven and probable reserves and are already being mined or developed) are capitalised if the following criteria are met:

- the drilling is being done in an inferred or measured and indicated resource; and
- there is an existing proven and probable reserve that is contiguous or adjacent to where the drilling is being done; and
- it is probable that the resource will be converted to a proven and probable reserve.

The assessment of probability is based on the following factors: results from previous drill programmes; results from a geological study; results from a mine scoping study confirming economic viability of the resource; and preliminary estimates of the volume and grade of the deposit, and the net cash flows expected to be generated from its development. Costs incurred at brownfield sites that meet the above criteria are capitalised as a component of property, plant and equipment ("mine development costs") pursuant to IAS 16, "Property, Plant and Equipment". All other drilling and related exploration costs incurred at these sites are expensed as mine site exploration. Exploration expenditures incurred for the purposes of determining additional information on a mineral deposit that is classified within proven and probable reserves or for the purposes of extending an existing mineral deposit that is classified within proven and probable reserves and is already being mined or developed are also capitalised as mine development costs.

Evaluation expenditures
Evaluation expenditures arise from a detailed assessment of deposits or other projects that have been identified as having economic potential in order to determine their technical feasibility and commercial viability. They typically include costs directly attributable to:

- detailed engineering studies;
- examination and testing of extraction methods and metallurgical/treatment processes;
- surveying transportation and infrastructure requirements;
- permitting activities; and
- detailed economic evaluations to determine whether development of the reserves is commercially justified, including the preparation of scoping, pre-feasibility and final feasibility studies.

Evaluation expenditures incurred at greenfield and brownfield sites are expensed as incurred, unless it can be demonstrated that the related evaluation expenditures will generate a future economic benefit.

Evaluation expenditures incurred at operating mines/development projects are capitalised as a component of property, plant and equipment, "Mining properties and development costs", respectively.

Acquired exploration and evaluation properties
Exploration and evaluation stage properties acquired either as an acquisition of individual assets or as part of a business combination are capitalised as an intangible asset, "Acquired exploration and evaluation properties". Exploration and evaluation stage properties represent interests in properties that do not

have mineralised material classified within proven and probable reserves. The value of such properties is primarily driven by the nature and amount of mineralised material contained in such properties, including value attributable to the rights to explore or develop: i) a property containing mineralised material classified as a measured, indicated or inferred resource; or ii) a prospective greenfield property with significant exploration potential. Exploration and evaluation expenditures incurred on such properties subsequent to their acquisition are expensed as incurred until the technical and commercial viability of developing the property has been demonstrated under the same criteria described above for exploration and evaluation expenditures.

m) Earnings per share

Basic earnings per share is computed by dividing net profit for the period attributable to the owners of the Company by the weighted average number of Ordinary Shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional Ordinary Shares are assumed to be issued under securities that entitle their holders to obtain Ordinary Shares in the future. For share options, the number of additional shares for inclusion in diluted earnings per share calculations is determined using the treasury share method. Under this method, share options, whose exercise price is less than the average market price of our Ordinary Shares, are assumed to be exercised and the proceeds are used to repurchase Ordinary Shares at the average market price for the period. The incremental number of Ordinary Shares issued under share options and repurchased from proceeds is included in the calculation of diluted earnings per share.

n) Inventories

Material extracted from the Group's 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. Waste represents material that is required to be removed to access ore bodies. Ore stockpiles are classified within inventory as material is extracted from the open pit or underground mine. Ore is accumulated in stockpiles that are subsequently processed into gold in a saleable form under a mine plan that takes into consideration optimal scheduling of production of our reserves, present plant capacity, and the market price of gold and copper. Work in process inventory represents gold, copper 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 in saleable form that has not yet been shipped. Mine operating supplies represent commodities and other raw materials consumed 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 realisable value, with cost being determined on a weighted average cost basis. Average costs are calculated by reference to the cost of inventory at the beginning of the period together with the cost of inventory produced in a period.

Gold, copper and silver ore contained in stockpiles is measured by estimating the number of tonnes added and removed from the stockpile, and the associated estimate of gold contained therein (based on assay data) and applying estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to ore stockpiles based on quantities of material stockpiled using current mining costs incurred up to the point of stockpiling the ore and include: direct labour costs; materials and contractor expenses which are directly attributable to the extraction of ore, including an allocation of stripping costs attributable to current period production; an allocation of mine site overhead costs; and depreciation of mining properties and property, plant and equipment used in the extraction of ore, reduced by an allocation of capitalised stripping costs. As ore is processed, costs are removed based on recoverable quantities of gold and the stockpile's average cost per unit. Ore that is not expected to be processed in the 12 months following the balance sheet date is classified as non-current.

Costs capitalised in process and finished goods inventory include: the cost of stockpiles processed; the cost of commodities and raw materials consumed in the production process; direct labour; repair and maintenance costs; energy costs; depreciation of property, plant and equipment used in the production process; and an allocation of mine site overhead costs. Costs are removed from finished goods inventory and recorded in cost of sales based on the average cost per ounce of gold, copper and silver sold in the period.

Cost of mine operating supplies is the purchase cost, including allocated freight costs where applicable.

Provisions are recorded to reduce ore stockpiles, work in process and finished goods inventory to net realisable value where the net realisable value of the inventory is lower than its cost at each balance sheet date. Net realisable 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 recorded to reduce mine operating supplies to net realisable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are slow moving and/or obsolete. Provisions are reversed to reflect subsequent recoveries in net realisable value where the inventory is still on hand at the balance sheet date.

o) Property, plant and equipment

Mineral properties and mine development costs

Mineral properties and mine development costs are stated at cost, less accumulated depreciation and applicable accumulated impairment losses. The acquisition cost of a mineral property is the estimated fair value of proven and probable reserves and measured, indicated and inferred resources acquired as a result of a business combination or asset acquisition. Where the asset is acquired separately, the cost is given the fair value of the consideration given. Capitalised mine development costs include: pre-production stripping costs; production stripping costs that result in a future economic benefit (refer to Note 2i for capitalisation criteria for stripping costs); costs incurred to access reserves at underground mining operations; and exploration and evaluation expenditures that result in a probable future economic benefit (refer to Note 2i for capitalisation criteria for exploration and evaluation expenditures).

Development costs incurred at underground mines to build new shafts, drifts and ramps that provide physical access to the underground ore are capitalised as incurred. These costs can be incurred throughout the life of the underground mine.

Plant and equipment

Plant and equipment is recorded at cost, less accumulated depreciation and applicable impairment losses. Cost includes all expenditures incurred to prepare an asset for its intended use including: the purchase price; brokers' commissions; and installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties and borrowing cost.

Costs that extend the productive capacity or useful economic life of an asset are capitalised. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance and expensed as incurred.

The Group enters into leasing arrangements and arrangements that are in substance leasing arrangements. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. A reassessment after inception is only made in specific circumstances. Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Group are classified as finance leases.

Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased property and the present value at the beginning of the lease term of the minimum lease payments over the term of the lease. Each lease payment is allocated between the liability and finance costs using the effective interest method, whereby a constant rate of interest expense is recognised on the balance of the liability outstanding. The interest element of the lease is charged to the income statement as a finance expense. The property, plant and equipment assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. All other leases are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Assets under construction
Assets in the course of construction at both our development projects and operating mines are capitalised in the "assets under construction" account. The cost of assets under construction comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use, at which point it is transferred to property, plant and equipment and depreciation commences. Development projects are recorded at cost, less applicable accumulated impairment losses. Development projects represent interests in properties that contain proven and probable reserves and where development activities are ongoing. The cost of development projects is composed of: the estimated fair value of development stage assets acquired as a result of a business combination or an asset acquisition; and costs associated with the construction of tangible assets, such as processing plants, permanent housing facilities and other tangible infrastructure associated with the project. Assets under construction also contain deposits on long lead items. The capitalised cost of closure and rehabilitation activities is initially included in assets under construction and subsequently transferred to Mineral Properties. Assets under construction are not depreciated.

Depreciation
Property, plant and equipment is depreciated, net of residual value, over its useful life, or over the remaining life of the mine if shorter, on a straight-line basis. For mineral properties and mine development costs, the economic benefits of the assets are consumed in a pattern which is linked to the production level. Such assets are depreciated on a unit of production basis. Depreciation commences when assets are available for their intended use. In applying the units of production method, depreciation is normally calculated using the quantity of gold, copper and silver extracted from the mine (or pit) in the period as a percentage of the total quantity of material expected to be extracted in current and future periods based on estimates of recoverable proven and probable reserves and, for some mines, mineral resources. Such non-reserve material may be included in the depreciation calculations where there is a high degree of confidence in its economic extraction and the production of the non-reserve material is reflected in the life of mine plan.

Development costs that relate to a discrete section of an ore body and which only provide benefit over the life of those reserves are depreciated over the recoverable proven and probable reserves of that discrete section. Discrete sections include capitalised underground development costs or production stripping costs incurred for the purposes of providing access to specific ore blocks or areas of the mine and which only provide an economic benefit over the period of mining that ore block or area. Development costs incurred which benefit the entire ore body are depreciated over the recoverable proven and probable reserves of the entire ore body.

The expected depreciation rates of the major categories of assets are as follows:

Mineral properties and development costs	UOP[1]
Plant and equipment	4% – 25%
Underground mobile equipment	14.3% – 20%
Light vehicles and other mobile equipment	33.3% – 50%
Furniture, computer and office equipment	33.3% – 50%

1 UOP indicates assets which are depreciated on the basis of units of production ("UOP"), in this case ounces of gold, copper and silver produced in a period divided by the total recoverable reserves and resources of gold, copper and silver expected to be mined based on the current life of mine plans.

Each asset's estimated residual value and useful life is reviewed, and adjusted if appropriate, on an annual basis. The estimate of residual value and useful life is based on the physical condition and life limitations of buildings, plant and equipment and the present assessment of economically recoverable reserves of the mine for the mining property and development cost asset. Changes to the estimated residual values or useful lives are accounted for prospectively.

p) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is initially determined based on provisional fair values. Fair values are finalised within 12 months of the acquisition date. For non-wholly-owned subsidiaries, non-controlling interests are initially recorded based on the minorities' proportion of the fair values for the assets and liabilities recognised at acquisition.

Goodwill that is acquired through business combinations is allocated to Cash Generating Units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the business combination. Each of the Group's CGUs that has an allocation of goodwill is also an operating segment as defined by IFRS 8. Consequently, goodwill is tested for impairment at the individual CGU level.

Goodwill is not amortised; rather it is tested annually for impairment in accordance with accounting policy (Note 2r). Goodwill impairments are not reversible.

q) Intangible assets

Intangible assets acquired by way of an asset acquisition or business combination are recognised if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. On acquisition of a mineral property in the exploration stage, we prepare an estimate of the fair value attributable to the exploration potential, including mineral resources, if any, of that property. The fair value of the exploration potential is recorded as an intangible asset (acquired exploration potential) as at the date of acquisition. When an exploration stage property moves into development, any acquired exploration intangible asset balance attributable to that property is transferred to non-depreciable mining interests within property, plant and equipment.

Impairment testing and the reversal of impairments are conducted in accordance with accounting policy (Note 2r).

r) Impairment of non-current assets

Goodwill is reviewed for impairment annually or at any time during the year if an indicator of impairment is considered to exist. We review and test the carrying amounts of intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

An impairment loss shall be recognised for a CGU if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss shall first be allocated to goodwill and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognised in prior years for non-financial assets other than goodwill shall be reversed if, and only if, there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is recognised in the consolidated statement of income and is limited to the carrying amount that would have been determined, net of any depreciation, had no impairment been recognised in prior years. After such a reversal, any depreciation charge is adjusted prospectively.

The recoverable amount of an asset is assessed by reference to the higher of value in use ("VIU") being the net present value ("NPV") of future cash flows expected to be generated by the asset, and fair value less costs to dispose ("FVLCD"). Impairment assessments are conducted at the level of CGUs, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. Each operating mine and development project represents a CGU for impairment testing purposes. An impairment loss is recognised for any excess of carrying amount of a CGU over its recoverable amount.

The FVLCD of a CGU is based on an estimate of the amount that the Group may obtain in a sale transaction on an arm's length basis. There is no active market for the Group's CGUs. Consequently, FVLCD is derived using discounted cash flow techniques (NPV of expected future cash flows of a CGU), which incorporate market participant assumptions. Cost to sell is based on management's best estimates of future selling costs at the time of calculating FVLCD. Costs attributable to the sale of a CGU are not considered significant.

The expected future cash flows utilised in the NPV model are derived from estimates of projected future revenues, future cash costs of production and capital expenditures contained in the life of mine ("LOM") plan for each CGU, which are updated on an annual basis. The Group's LOM plans reflect proven and probable reserves and convertible resources and are based on detailed research, analysis and modelling to optimise the internal rate of return for each CGU. As such, these plans consider the optimal level of investment, overall production levels and sequence of extraction taking into account all relevant characteristics of the ore body, including waste-to-ore tonnes ratios, ore grades, haul distances, chemical and metallurgical properties impacting process recoveries and capacities of available extraction, haulage and processing equipment. Projected future revenues reflect the forecasted future production levels at each CGU as detailed in the LOM plans. Included in these forecasts is the production of some mineral resources that do not currently qualify for inclusion in proven and probable ore reserves where there is a high degree of confidence in their economic extraction. This is consistent with the approach that a market participant would utilise in preparing a forecast of expected production levels. Projected future revenues also reflect the Group's estimate of long-term gold prices, which is determined based on current prices, an analysis of the expected total production costs of producers and forward pricing curves and forecasts of expected long-term prices prepared by research analysts. These estimates often differ from current price levels, but this methodology is consistent with how a market participant would assess long-term gold prices.

The estimates of future cash costs of production and capital expenditures are derived from the LOM plans for each CGU. Costs incurred in currencies other than the US dollar are translated to US dollars using expected long-term exchange rates based on the relevant forward pricing curve for that currency. Oil prices are a significant component, both directly and indirectly, of the expected cash costs of production. Estimates for long-term oil prices used in the LOM plans are based on the spot price at the time, the forward pricing curve and long-term oil price forecasts prepared by analysts.

The discount rate applied to present value is based upon the real weighted average cost of capital applicable to the CGU. The discount rate reflects equity risk premiums over the risk-free rate, the impact of the remaining economic life of the CGU and the risks associated with the relevant cash flows based on the country in which the CGU is located. These risk adjustments are based on observed equity risk premiums, historical country risk premiums and average credit default swap spreads for the period.

In determining FVLCD, a market multiple is applied to the NPV of each CGU. Gold companies typically trade at a market capitalisation that is based on a multiple of their underlying NPV. Consequently, a market participant would generally apply an NPV multiple when estimating the fair value of a gold property. The NPV multiple utilised in the determination of the FVLCD of a CGU considers the NPV multiples observed on comparable companies. These observed multiples are primarily derived from research analyst reports and take into consideration the following: i) estimate of underlying NPV prepared by the analyst; ii) estimate of target market capitalisation prepared by the analyst; iii) market capitalisation on the date of the analyst report; and iv) market capitalisation on the date of the impairment test. The NPV multiple applied also takes into consideration the remaining economic life of the CGU. For CGUs with a remaining economic life of five years or less, an NPV multiple on the lower end of the observed multiple range is utilised. For other CGUs, the median observed NPV multiple is utilised.

The VIU of a CGU is generally lower than its FVLCD, due primarily to the inclusion of future, as yet unapproved, capital expenditure when determining its FVLCD. Consequently, the recoverable amount of a CGU for impairment testing purposes is determined based on its FVLCD.

s) Other reserves

The Company did not exist until 12 January 2010, and did not become the parent company for the Group until 22 February 2010 when the transfer of the members of the Group pursuant to the Pre-IPO Reorganisation was completed. As part of the IPO Reorganisation in 2010 a distributable reserve was created following a capital reduction.

t) Share capital

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

u) Provisions

Provisions are recognised when the Group has 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation costs

The mining, extraction and processing activities of the Group normally give rise to obligations for environmental rehabilitation. Rehabilitation works can include facility decommissioning and dismantling, removal or treatment of waste materials and site and land rehabilitation. The extent of work required and the associated costs are based on legal and constructive requirements and dependent on the requirements of relevant authorities and the Group's environmental policies.

Provisions for the cost of each rehabilitation programme are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. The major parts of the carrying amount of provisions relate to tailings pond closure/rehabilitation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Estimated costs included in the determination of the provision reflect the risks and probabilities of alternative estimates of cash flows required to settle the obligation at each particular operation. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event occurs that gives rise to an obligation and reliable estimates of the required rehabilitation costs can be made.

The timing of the actual rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating licence conditions and the environment in which the mine operates. Expenditure may occur before and after closure and can continue for an extended period of time depending on rehabilitation requirements. The majority of the expenditure is expected to be paid over periods of up to 30 years with some payments into perpetuity. Rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value using a current, market-based estimate of the real risk-free pre-tax discount rates. The unwinding of the discount is included in finance expense and results in an increase in the amount of the provision. Provisions are updated each reporting period for the effect of a change in the discount rate and the change in estimate is added or deducted from the related asset and depreciated prospectively over the asset's useful life.

Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, Group environmental policies which give rise to a constructive obligation.

When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised in property, plant and equipment and depreciated accordingly.

It is possible that management's estimates of provisions could change as a result of changes in regulations, the extent of rehabilitation required, and the means of reclamation or cost estimates. Rehabilitation provisions are adjusted as a result of changes in estimates. Those adjustments are accounted for as a change in the corresponding value of the related asset, except where a reduction in the provision is greater than the remaining net book value of the related assets, in which case the value is reduced to nil and the remaining adjustment is recognised in the income statement. In the case of closed sites, changes to estimated costs are recognised immediately in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and finance expense. On an annual basis, the Group reviews for changes in cost estimates, discount rates or life of operations.

v) Employee benefits

The Group operates an equity-settled, share-based compensation plan (the "Share Option Plan"), a long-term incentive plan (the "LTIP"), a legacy restricted share unit plan (the "Legacy RSU Plan") and a deferred share unit plan (the "DSU" Plan).

Share-based payments

Share options

Share options can be granted under either the Company LTIP or the Share Option Plan. The Company receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

When the options are exercised, the Company may issue new shares or procure the transfer of existing shares to satisfy the exercise. Where shares are issued, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Long-term incentive plans

The Company has a cash-settled, Restricted Share Unit ("RSU") plan for select employees. Under the terms of the RSU plan, selected employees are granted RSUs where each RSU has a value equal to one Ordinary Share of the Company. RSUs granted to Executive Directors and the other members of the Executive Leadership Team vest based on the Company's total shareholder return ("TSR") performance against the market cap-weighted TSR of a comparator group of companies over the vesting period (referred to as Performance RSUs). RSUs vest over a two-and-a-half or three-year period and are settled in cash. Additional RSUs are credited to reflect dividends paid on Ordinary Shares of the Company during the vesting period with a corresponding charge to the compensation expense. A liability for RSUs is measured at fair value on the grant date and is recognised on a straight-line basis over the vesting period, with a corresponding charge to the compensation expense. At the grant date the fair value of the awards is determined from the market value of the shares at the date of award and adjusted for any market based vesting conditions attached to the award e.g. relative TSR performance. Changes in the fair value of the RSU liability, due to changes in the price of Ordinary Shares of the Company, are recorded each period, with a corresponding charge to the compensation expense.

Compensation expenses recognised for RSUs incorporate an estimate for expected forfeiture rates. The expected forfeiture is estimated based on historical forfeiture rates of the Group and expectations of future forfeiture rates. Adjustments to compensation expense are recognised in periods where the actual forfeiture rate differs from the expected rate.

LTIP deferred share units

Under the Deferred Share Unit ("DSU") plan, the Non-Executive Directors can elect to receive all or part of their annual director fees in DSUs. Each DSU has the same value as one Acacia Ordinary Share. DSUs must be retained until the Director leaves the Board, at which time the cash value of the DSU is paid out. Additional DSUs are credited to reflect dividends paid on Acacia Ordinary Shares. A liability for DSUs is measured at fair value on the grant date and is recognised on a straight-line basis over the vesting period, with a corresponding charge to the Directors' compensation expense. At the grant date the fair value of the awards is determined from the market value of the shares at the date of award. Changes in the fair value of the DSU liability, due to changes in the price of Ordinary Shares of the Company, are recorded each period, with a corresponding charge to the Directors' compensation expense.

LTIP zero cost options

Members of the Executive Leadership Team are granted nil-cost options where each option has a value equal to one Ordinary Share of the Company. Nil-cost options granted vest subject to the assessment of the Company's TSR performance against a comparator group of companies over the vesting period. Nil-cost options vest over a five year period and when exercised the Company may issue new shares, procure the transfer of existing shares to satisfy the exercise or settle the options in cash. A liability for nil-cost options is measured at fair value on the grant date and is recognised on a straight-line basis over the vesting period, with a corresponding charge to the compensation expense. At the grant date the fair value of the awards is determined from the market value of the shares at the date of award and adjusted for market based vesting conditions attached to the award. Changes in the fair value of the option liability, due to changes in the price of Ordinary Shares of the Company, are recorded each period, with a corresponding charge to the compensation expense.

Compensation expenses recognised for nil-cost options incorporate an estimate for expected forfeiture rates. The expected forfeiture is estimated based on historical forfeiture rates of the Group and expectations of future forfeiture rates. Adjustments to compensation expense are recognised in periods where the actual forfeiture rate differs from the expected rate.

Defined contribution plan

The Group's Tanzanian employees are members of either the National Social Security Fund ("NSSF") or the Parastatal Pension Fund ("PPF"), which are defined contribution plans. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods. The Group and employees both contribute 10% of the employees' gross salaries to the schemes. The contributions are charged to the income statement when they are due.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Bonus plans

The Group recognises a liability and an expense for bonuses where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

w) Financial instruments

From 1 January 2018, the Group the group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss); and those to be measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the balance sheet, cash and cash equivalents include cash, and money market funds. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Loans and receivables

Loans and receivables are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, where the receivables are discounted and held at their net present value.

Loans and receivables comprise trade and other receivables, other assets and cash and cash equivalents at the balance sheet date.

From 1 January 2018, the group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI (Fair Value through Other Comprehensive Income).The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

b) hedges of the income/cost of a highly probable forecast transaction or commitment (cash flow hedge); or

c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 31. Movements in the hedging reserve are shown in other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion is recognised in the income statement within "finance costs". The gain or loss relating to the ineffective portion is recognised in the income statement within other charges. Changes in the fair value of the hedge attributable to interest rate risk are recognised in the income statement within "finance costs".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other charges".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other charges".

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Embedded derivatives
Contracts are assessed for the existence of embedded derivatives at the date that the Group first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. Embedded derivatives which are not clearly and closely related to the underlying asset, liability or transaction are separated and accounted for as stand-alone derivatives.

Financial liabilities
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost using the effective interest rate method.

x) Finance income and finance expense
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest is recognised as a borrowing cost on a time proportion basis using the effective interest method. Borrowing costs that relate directly to the construction of property, plant and equipment during the time that it is required to complete and prepare the asset for its intended use are capitalised as part of the cost of the asset.

y) Other income/charges
Other income/charges comprises one-off credits or costs relating to non-routine transactions included in profit and loss. It includes other credits and charges that, individually or in aggregate, if of a similar type, are of a nature or size that requires explanation in order to provide additional insight into the underlying business performance.

z) Taxes
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit/loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Uncertainties regarding availability of tax losses, in respect of enquiries raised and additional tax assessments issued, have been measured using the single best estimate of likely outcome approach.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Indirect tax
Indirect tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in indirect tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions or receivables where appropriate on the basis of amounts expected to be paid to or received from the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. If the receivable is expected to be received in more than 12 months from year-end, the receivable is discounted and held at its present value. Amounts expected to be payable or receivable in more than 12 months are classified as non-current assets or liabilities in the balance sheet, as appropriate.

aa) Royalties

Royalty arrangements based on mineral production are in place at each operating mine. The primary type of royalty is a net smelter return ("NSR") royalty. Under this type of royalty the Group pays the holder an amount calculated as the royalty percentage multiplied by the value of gold production at market gold prices less third-party smelting, refining and transportation costs.

The North Mara mine is also subject to a land royalty (land tenements ("LT")) based on the net revenue derived from the open pit mines.

In addition, a new 1% clearing fee on mineral exports was introduced. These payments are being made under protest, without prejudice to our MDA's.

Royalty expense is recorded when revenue from the sale of gold, copper and silver production is recognised.

The following percentages apply:

Bulyanhulu	6% NSR[1]
North Mara – Nyabirama and Nyabigena pits	6% NSR[1], 1% LT
North Mara – Gokona pit and underground	6% NSR[1], 1.1% LT
Buzwagi	6% NSR[1], 30% NPI[2]

1 The Group agreed to a voluntary 1% increase in the NSR royalty rate in 2012, and since early July 2017 satisfied the requirements imposed by new legislation as regards the increased royalty rate applicable to metallic minerals such as gold, copper and silver of 6% (2016: 4%).
2 The NPI is calculated as a percentage of profits realised from the Buzwagi mine after all capital, exploration and development costs and interest incurred in relation to the Buzwagi mine have been recouped and all operating costs relating to the Buzwagi mine have been paid. No amount is currently payable.

bb) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

cc) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

dd) Non-current assets (or disposal groups) held for sale

The Group classifies non-current assets (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

3. Segment reporting

The Group has only one primary product produced in a single geographic location, being gold produced in Tanzania. In addition, until the fourth quarter of 2017 when the Group ceased gold concentrate production, the Group produced copper and silver as a co-product. Reportable operating segments are based on the internal reports provided to the Chief Operating Decision Maker ("CODM") to evaluate segment performance, decide how to allocate resources and make other operating decisions. After applying the aggregation criteria and quantitative thresholds contained in IFRS 8, the Group's reportable operating segments were determined to be: North Mara gold mine; Bulyanhulu gold mine; Buzwagi gold mine; and a separate Corporate and Exploration segment, which primarily consists of costs related to other charges and corporate social responsibility expenses.

Segment results and carrying values include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Segment carrying values are disclosed and calculated as shareholders' equity after adding back debt and inter-company liabilities, and subtracting cash and inter-company assets. Segment liabilities are not reported since they are not considered by the CODM as material to segment performance. Capital expenditures comprise additions to property, plant and equipment. The Group has also included segment cash costs per ounce sold and all-in sustaining cost per ounce sold (non-IFRS financial performance measures). Segment information for the reportable operating segments of the Group for the years ended 31 December 2018 and 31 December 2017 is set out overleaf.

Segment information for the reportable operating segments of the Group for the years ended 31 December 2018 and 31 December 2017 is set out below.

(in thousands of United States dollars,except per ounce amounts)	For the year ended 31 December 2018				
	North Mara	Bulyanhulu	Buzwagi	Other	Total
Gold revenue	421,332	52,718	185,979	–	660,029
Co-product revenue	1,900	998	862	–	3,760
Total segment revenue	423,232	53,716	186,841	–	663,789
Segment cash operating cost[1]	(198,121)	(25,893)	(133,647)	–	(357,661)
Realised gains on gold hedges	1,183	–	601	–	1,784
Corporate administration	(12,115)	(1,820)	(4,632)	(5,246)	(23,813)
Share-based payments	(117)	456	116	(381)	74
Exploration and evaluation costs	–	–	–	(13,343)	(13,343)
Other charges and corporate social responsibility expenses	(12,998)	(34,352)	(3,617)	6,061	(44,906)
EBITDA[2]	201,064	(7,893)	45,662	(12,909)	225,924
Impairment charges	–	–	–	(28,877)	(28,877)
Depreciation and amortisation[4]	(61,632)	(23,144)	(2,478)	(1,243)	(88,497)
EBIT[2]	139,432	(31,037)	43,184	(43,029)	108,550
Finance income					1,421
Finance expense					(13,200)
Profit before taxation					96,771
Tax expense					(37,905)
Net profit for the year					58,866
Capital expenditure:					
Sustaining	25,513	3,164	3,503	336	32,516
Expansionary	8,335	3,899	–	–	12,234
Capitalised development	47,496	–	–	–	47,496
	81,344	7,063	3,503	336	92,246
Non-cash capital expenditure adjustments					
Reclamation asset adjustment	(865)	(1,955)	(5,665)	–	(8,485)
Other non-cash capital expenditure	–	–	–	820	820
Total capital expenditure	80,479	5,108	(2,162)	1,156	84,581
Segmental cash operating cost	198,121	25,893	133,647		357,661
Deduct: co-product revenue	(1,900)	(998)	(862)		(3,760)
Total cash costs	196,221	24,895	132,785		353,901
Sold ounces	332,195	41,555	146,630		520,380
Cash cost per ounce sold[2]	591	599	906		680
Corporate administration charges	36	44	32		46
Share-based payments	–	(11)	(1)		–
Rehabilitation – accretion and depreciation	7	28	7		9
Corporate social responsibility expenses	11	50	10		17
Capitalised stripping/UG development	143	–	–		91
Sustaining capital expenditure	78	76	23		62
All-in sustaining cost per ounce sold[2]	866	786	977		905
Segment carrying value[3]	277,064	588,292	195,467	45,746	1,106,569

(in thousands of United States dollars,except per ounce amounts)	For the year ended 31 December 2017				
	North Mara	Bulyanhulu	Buzwagi	Other	Total
Gold revenue	406,917	134,110	203,267	–	744,294
Co-product revenue	1,296	2,937	2,988	–	7,221
Total segment revenue	408,213	137,047	206,255	–	751,515
Segment cash operating cost[1]	(163,001)	(93,521)	(98,417)	–	(354,939)
Realised gains on gold hedges	1,294	–	1,399	–	2,693
Corporate administration	(8,313)	(6,314)	(5,694)	(6,592)	(26,913)
Share-based payments	511	593	349	6,783	8,236
Exploration and evaluation costs	–	(571)	–	(24,258)	(24,829)
Other charges and corporate social responsibility expenses	(13,243)	(52,916)	(13,605)	(18,819)	(98,583)
EBITDA[2]	225,461	(15,682)	90,287	(42,886)	257,180
Impairment charges	–	(837,921)	–	(12,261)	(850,182)
Depreciation and amortisation[4]	(54,826)	(46,531)	(4,288)	(556)	(106,201)
EBIT[2]	170,635	(900,134)	85,999	(55,703)	(699,203)
Finance income					1,944
Finance expense					(12,407)
Loss before taxation					(709,666)
Tax credit					2,272
Net profit for the year					(707,394)
Capital expenditure:					
Sustaining	20,927	9,033	4,338	1,259	35,557
Expansionary	10,270	1,190	–	113	11,573
Capitalised development	61,066	39,543	–	–	100,609
	92,263	49,766	4,338	1,372	147,739
Non-cash capital expenditure adjustments					
Reclamation asset adjustment	(2,951)	(4,158)	(1,978)	–	(9,087)
Other non-cash capital expenditure	–	–	–	1,212	1,212
Total capital expenditure	89,312	45,608	2,360	2,584	139,864
Segmental cash operating cost	163,001	93,521	98,417		354,939
Deduct: co-product revenue	(1,296)	(2,937)	(2,988)		(7,221)
Total cash costs	161,705	90,584	95,429		347,718
Sold ounces	324,455	107,855	160,552		592,861
Cash cost per ounce sold[2]	498	840	594		587
Corporate administration charges	26	59	35		45
Share-based payments	(2)	(6)	(2)		(14)
Rehabilitation – accretion and depreciation	11	20	5		11
Corporate social responsibility expenses	11	10	8		14
Capitalised stripping/UG development	188	367	–		170
Sustaining capital expenditure	71	83	27		62
All-in sustaining cost per ounce sold[2]	803	1,373	667		875
Segment carrying value[3]	249,170	600,359	194,385	82,864	1,126,778

1 The CODM reviews cash operating costs for the three operating mine sites separately from corporate administration costs & exploration costs. Consequently, the Group has reported costs in this manner.
2 These are non-IFRS financial performance measures with no standard meaning under IFRS. Refer to 'Non IFRS measures' on page 182 for definitions.
3 Segment carrying values are calculated as shareholders' equity after adding back debt and inter-company liabilities, and subtracting cash and inter-company assets and include outside shareholders' interests.
4 Depreciation and amortisation includes the depreciation component of the cost of inventory sold.

4. Revenue

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Gold doré sales	**660,029**	720,755
Gold concentrate sales[1]	–	23,539
Copper concentrate sales[1]	–	4,001
Silver sales	**3,760**	3,220
Total	**663,789**	751,515

1 Concentrate sales includes negative provisional price adjustments to the accounts receivable balance due to changes in market gold, silver and copper prices prior to final settlement as follows: US$3.6 million for the year ended 31 December 2017.

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Revenue by location of customer[2]		
Europe		
Switzerland	**121,133**	140,691
Germany	–	11,615
Asia		
India	**542,656**	582,943
China	–	437
Japan	–	15,829
Total revenue	**663,789**	751,515

2 Revenue by location of customer is determined based on the country to which the gold is delivered.

Revenues for the year ended 31 December 2018 was made up of sales to two customers.

5. Cost of sales

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Direct mining costs	**304,614**	299,591
Third-party smelting costs	**2,679**	9,675
Depreciation[1]	**88,497**	106,201
Realised (gains)/losses on economic hedges	**(446)**	743
Realised (gains) on gold hedges	**(1,784)**	(2,693)
Royalty expense	**50,814**	44,930
Total[2]	**444,374**	458,447

1 Depreciation includes the depreciation component relating to the cost of inventory sold.
2 Cost of sales less depreciation equals cash operating costs.

6. Impairment assessment

In accordance with IAS 36 "Impairment of assets" and IAS 38 "Intangible Assets" a review for impairment of goodwill is undertaken annually, or at any time an indicator of impairment is considered to exist, and in accordance with IAS 16 "Property, plant and equipment" a review for impairment of long-lived assets is undertaken at any time an indicator of impairment is considered to exist.

At the end of the reporting period, there remained a number of potential triggers for impairment testing, including the ongoing uncertainty surrounding a potential resolution of the Company's disputes with the GoT, the revised Bulyanhulu business model, the updated geological models at North Mara and Bulyanhulu and the fact that the Company's market capitalisation has been lower than its carrying value during the current reporting period.

As a result, the Group has undertaken a carrying value assessment of its affected CGUs and long life intangible assets. The assessment compared the recoverable amount of CGU to the carrying value of the CGUs. The recoverable amount of an asset is assessed by reference to the higher of value in use ("VIU"), being the net present value ("NPV") of future cash flows expected to be generated by the asset, and fair value less costs to dispose ("FVLCD"). The FVLCD of a CGU is based on an estimate of the amount that the Group may obtain in a sale transaction on an arm's length basis. There is no active market for the Group's CGUs. Consequently, FVLCD is derived using discounted cash flow techniques (NPV of expected future cash flows of a CGU), which incorporate market participant assumptions. Cost to dispose is based on management's best estimates of future selling costs at the time of calculating FVLCD. Costs attributable to the disposal of a CGU are not considered significant.

For the purpose of carrying value assessments in accordance with applicable accounting standards, management has based its calculation of future cash flows of the affected CGUs by reference to the key terms of the Framework announcements by Barrick and by the GoT in October 2017. Based on Barrick's announcements, and absent any changes in its position in discussions and exchanges with Acacia, Acacia understands that it remains Barrick's belief that it will be able to agree with the GoT a detailed proposal for a comprehensive settlement of the situation, and that this will be in a form that Barrick could recommend to Acacia for review. Key assumptions applied in these calculations include a 50% economic share of future economic benefits for the GoT in the form of taxes, royalties and a 16% free carry interest in the CGUs, as well as a US$300 million payment in relation to historical tax claims paid in instalments as concentrate sales recommence. In addition the Framework announcements provided for Acacia to contribute certain monies to fund specific projects in Tanzania. With no updated information from Barrick, management has had to make a best estimate of what can reasonably be assumed for timing of conclusion of discussions between Barrick and the GoT and an agreement of a proposal to be put to the Company for review, with consequent timing for the commencement of concentrate sales and potential resumption of underground mining at Bulyanhulu. Management considers that it is reasonable for review purposes to assume a six month prolongation (to the end of H1 2019) to the discussions between Barrick and the GoT, and that in these circumstances there would be a further three to six months delay thereafter for the resumption of concentrate sales and exports, with concentrate revenues commencing in Q1 2020 and the resumption of production from underground mining at Bulyanhulu in late 2020. VAT refunds are assumed to recommence and historic carried forward tax losses are assumed to continue to be available to offset against future taxable profits from 1 January 2020.

Acacia has been providing support to Barrick to seek to ensure that they can have informed discussions with the GoT, but has not received for review a detailed proposal that has been agreed between Barrick and the GoT, and therefore no conclusions can be made by Acacia as to whether any particular terms of settlement would be approved by Acacia. In the meantime, Acacia continues to reserve its rights including under our Mineral Development Agreements, the disputes between Acacia and the GoT have not yet been resolved, and PML and BGML remain in international arbitration with the GoT. Acacia continues to prefer a negotiated resolution, but there remain a range of potential outcomes to the current situation.

Acacia considers that, in conducting the review of carrying values in accordance with applicable accounting standards as at 31 December 2018, the discount rate used should: (a) reflect the uncertainty around the final terms of any comprehensive settlement that might be agreed or whether settlement will be reached at all, and (b) best reflect the potential reduction in value as a result of the proposed 16% free carry interest for the GoT which cannot otherwise be included in calculations of value at a CGU level conducted on a 100% basis. Therefore, for the purposes of the carrying value review of the affected CGUs, we have kept a discount rate of 11% compared to Acacia's calculated weighted average cost of capital of 6.5% (2017: 11%).

Using the latest information received and updated with the latest understanding of the framework agreement between Barrick and the GoT, the carrying values of all our assets are below the Company's view of its recoverable values.

The carrying value for the Group is now approximately US$1.1 billion, made up of US$0.6 billion for Bulyanhulu, US$0.3 billion for North Mara and US$0.2 billion for Buzwagi.

	For the year ended 31 December 2018	For the year ended 31 December 2017
Gold price per ounce	**US$1,200**	US$1,200
Copper price per pound	**US$2.75**	US$2.75
British Pound (US$:GBP)	**0.76**	0.76
Tanzanian Shilling (US$:TZS)	**2,250**	2,250
Long-term oil price per barrel	**US$70**	US$60
WACC	**6.5%**	6.5%
Discount rate used in carrying value review	**11%**	11%
NPV multiples	**1**	1

During the year, OreCorp, Acacia's JV partner in the Nyanzaga Project in Tanzania, executed its option under the earn-in agreement to increase its stake to 51% in the project through the payment of US$3 million to Acacia. Further to that, Acacia signed a completion agreement to sell its remaining 49% stake to OreCorp for US$7 million and a net smelter royalty capped at US$15 million based on future production. In line with the applicable accounting standard and driven by the uncertainty surrounding the current environment, management did not recognise an asset for the right to the royalty. As a result of the agreement, and management's commitment to a sale, Acacia expects to recover the value of the asset through sale and not through value in use and as such has valued the asset at fair value less costs to sell of US$10 million and recorded an impairment charge of US$24.2 million and reclassified the associated non-current assets and liabilities to held for sale on the balance sheet.

In addition, as part of the year-end carrying value assessment we have impaired US$3.2 million of property plant and equipment mainly relating to previously capitalised drilling costs in Tanzania and US$1.5 million relating to other historical exploration assets.

The impairment charges recognised in the income statement for the periods ended 31 December 2018 and 31 December 2017 comprise the following:

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Bulyanhulu	–	837,921
Nyanzaga exploration property & other exploration assets[1]	**28,877**	12,261
Gross impairment charge	**28,877**	850,182
Comprising:		
Impairment of goodwill	–	121,546
Impairment of property, plant and equipment	**3,167**	686,375
Impairment of supplies inventory	–	30,000
Impairment of intangible assets	**24,234**	12,261
Impairment of other exploration assets/liabilities	**1,476**	–
Gross impairment charge, before tax	**28,877**	850,182
Deferred income tax	–	(205,912)
Total impairment charge	**28,877**	644,270

1 The Nyanzaga exploration property & other exploration assets are located in Tanzania. Acquired mineral interests /exploration and evaluation assets are classified as intangible assets and have indefinite useful lives.

Management's view is that the recoverable values are most sensitive to changes in the assumptions around gold prices, discount rates and the timing of the resolution of the export ban. As a result, sensitivity calculations were performed for these assumptions. The sensitivity analysis is based on a decrease in the long-term gold price of US$100 per ounce, and an increase in the discount rate of 1%, and a delay of resolution by 12 months.

Under these scenarios, a reasonably possible decrease in the gold price assumption of US$100 per ounce would result in an impairment charge, net of tax, of approximately US$17 million at Buzwagi while North Mara and Bulyanhulu remain unaffected.

A reasonably possible increase in discount rate of 1% would not result in any additional impairment charges.

A further delay of 12 months in the resolution of the export ban will also not result in any additional impairment charges.

Should a negotiated resolution of the current situation not eventuate, the recoverable values of the identified CGUs may be further impacted, and these will be reviewed at such time.

7. Employee benefits

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Wages and salaries	**39,410**	67,400
Pension and social security costs	**5,142**	8,722
Other employee benefits[1]	**33,274**	59,045
Share-based compensation charge[2]	**600**	(7,655)
Total	**78,426**	127,512

1 Other employee benefits include bonuses, leave pay, pensions, medical expenses, severance costs (2018: US$3.0 million; 2017: US$22.0 million) and other benefits.
2 Share-based compensation charges include costs incorporated in corporate administration, cost of sales and other charges as applicable to the relevant employees. Further details of the Group's share options and other share-based compensation plans are provided in note 25.

Average number of employees per month	For the year ended 31 December 2018	For the year ended 31 December 2017
Operations	**1,272**	2,495
Exploration	**71**	43
Administration	**200**	210
Total average headcount	**1,543**	2,748

8. Exploration and evaluation costs

The following represents a summary of exploration and evaluation expenditures incurred at each site.

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Expensed during the year:		
North Mara	**–**	–
Bulyanhulu	**–**	571
Kenya	**6,222**	12,208
West Africa	**5,517**	11,119
Other[1]	**1,603**	931
Total expensed	**13,343**	24,829
Capitalised during the year:		
Bulyanhulu	**1,790**	–
North Mara	**8,335**	10,270
Total	**10,125**	35,099

1 Included in "other" are the exploration activities conducted through ABG Exploration Limited All primary greenfield exploration and evaluation activities in Tanzania are conducted in this company.

9. Other charges (net)

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Other expenses		
Restructuring costs	**5,337**	25,077
Discounting of indirect tax receivables	**–**	13,276
Bulyanhulu reduced operations costs	**28,817**	24,804
Foreign exchange losses	**5,291**	2,710
Disallowed indirect taxes	**2,552**	–
Unrealised non-hedge derivative losses	**2,295**	–
Legal costs	**28,420**	14,421
Once off legal settlements	**3,030**	5,083
Project development costs	**–**	1,485
Inventory write-downs	**–**	1,500
Other	**6,935**	5,573
Total	**82,677**	93,929
Other income		
Unrealised non-hedge derivative gains	**–**	(200)
Gain on sale of mineral royalty	**(45,000)**	–
Discounting of indirect tax receivables	**(578)**	–
Insurance proceeds	**(842)**	–
Profit on disposal of property, plant and equipment	**(163)**	–
Other	**–**	(3,359)
Total	**(46,583)**	(3,559)
Total other charges (net)	**36,094**	90,370

10. Auditors' remuneration

During the year the Group (including its subsidiaries) obtained the following services from the Company's auditors:

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Audit fees		
Fees payable to the Company's auditors and its associates for the audit of the parent company and consolidated financial statements	**506**	447
Fees payable to the Company's auditors and its associates for other services:		
Audit of the Company's subsidiaries	**479**	437
Audit-related assurance services	**216**	227
Tax compliance services	**163**	66
Other taxation services	**106**	214
Other services	**10**	10
Total	**1,480**	1,401

11. Finance income and expenses

a. Finance income

(in thousands of United States dollars)	For the period ended 31 December 2018	For the period ended 31 December 2017
Interest on time deposits	**146**	–
Total	**146**	–

Finance costs

(in thousands of United States dollars)	For the period ended 31 December 2018	For the period ended 31 December 2017
Bank charges	**11**	13
Total	**11**	13

b. Finance expense

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Unwinding of discount[1]	**3,627**	3,364
Revolving credit facility charges[2]	**2,302**	2,341
Interest on CIL facility	**1,878**	2,911
Premium on gold put options	**3,877**	2,113
Interest on finance leases	**–**	204
Bank charges	**440**	583
Other	**1,076**	891
Total	**13,200**	12,407

1. The unwinding of discount is calculated on the environmental rehabilitation provision.
2. Included in credit facility charges are the amortisation of the fees related to the revolving credit facility as well as the monthly interest and facility fees.

12. Tax expense

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Current tax:		
Current tax on profits for the year	**36,539**	35,667
Adjustments in respect of prior years[1]	**3,120**	172,000
Total current tax charge	**39,659**	207,667
Deferred tax:		
Origination and reversal of temporary differences	**(1,754)**	(209,939)
Total deferred tax	**(1,754)**	(209,939)
Income tax expense	**37,905**	(2,272)

1 The prior year charge included in 2018 relates to 2017 final tax adjustments at North Mara. Included in 2017 is a provision for uncertain tax positions of US$68.5 million relating to North Mara and US$103.5 million relating to Bulyanhulu, for uncertain tax positions, based on an estimate of the impact of a comprehensive settlement reflecting the key terms of the framework announcements made by Barrick and the GoT in October 2017.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The effective annual tax rate used for the year ended 31 December 2018 is 39%, compared to 0.4% for the prior year.

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

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Profit/(loss) before tax	**96,771**	(709,666)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**30,932**	(209,074)
Tax effects of:		
Expenses not deductible for tax purposes[2]	**7,270**	49,142
Tax losses for which no deferred income tax asset was recognised	**3,622**	9,611
Utilisation of previously recognised tax losses	**(11,414)**	(25,594)
Adjustment is respect of prior years – provisions etc.	**6,102**	172,000
Other permanent differences	**1,393**	1,643
Tax charge/(credit)	**37,905**	(2,272)

2 Mainly relates to the impairment/accounts written off as part of the other exploration entities' recoverability reviews and in 2017 it relates to impairment charges relating to goodwill, intangibles and supplies inventory.

In December 2017, Acacia raised an additional tax provision of US$172 million relating to the estimated uncertain tax positions for its operating companies. Acacia based its calculation on an estimate of the impact of a comprehensive settlement reflecting the key terms of the framework announcements made by Barrick and the GoT in October 2017, including in respect of historical tax claims. This brought total provisions for Acacia's uncertain tax positions to US$300 million. No additional provision has been raised for 2018. Acacia continues to reserve and protect all its legal rights, as noted above and including through the arbitrations commenced by Bulyanhulu Gold Mine Limited and Pangea Minerals Limited, and no liability has been incurred by Acacia as a result of the framework announcements. The additional provision was required, however, to meet applicable accounting standards requiring assessment of current obligations for accounting purposes based on an assessment of relevant cash outflows from the relevant operating companies in respect of uncertain tax positions.

Tax periods remain open to review by the Tanzanian Revenue Authority (TRA) in respect of income taxes for five years following the date of the filing of the corporate tax return, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances the reviews may cover longer periods. Because a number of tax periods remain open to review by tax authorities, there is a risk that transactions that have not been challenged in the past by the authorities may be challenged by them in the future, and this may result in the raising of additional tax assessments plus penalties and interest.

13. Earnings/(loss) Per Share (EPS)

Basic EPS is calculated by dividing the net profit/(loss) for the period attributable to owners of the Company by the weighted average number of Ordinary Shares in issue during the period.

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume conversion of all dilutive potential Ordinary Shares. The Company has dilutive potential Ordinary Shares in the form of stock options. The weighted average number of shares is adjusted for the number of shares granted assuming the exercise of stock options.

At 31 December 2018 and 31 December 2017, earnings/(loss) per share have been calculated as follows:

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Earnings/(loss)		
Net profit/(loss) attributable to owners of the parent	**58,866**	(707,394)
Weighted average number of Ordinary Shares in issue	**410,085,499**	410,085,499
Adjusted for dilutive effect of stock options	**–**	–
Weighted average number of Ordinary Shares for diluted earnings per share	**410,085,499**	410,085,499
Earnings/(loss) per share		
Basic earnings/(loss) per share (cents)	**14.4**	(172.5)
Dilutive earnings/(loss) per share (cents)	**14.4**	(172.5)

14. Dividends

Acacia has a cash flow based dividend policy where we aim to pay a dividend of between 15-30% of our operational cash flow after sustaining capital and capitalised development but before expansion capital and financing costs. As a result of the continuing inability to export concentrates following the imposition of the concentrate export ban in 2017, the uncertainty around a resolution of the ongoing dispute between the Company and the GoT, and current liquidity requirements, the Board of Directors has not recommended any dividends for 2018.

15. Cash flow – other items

a) Operating cash flows – other items

Movements relating to working capital items

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Indirect and corporate taxes[1]	**(54,344)**	(89,560)
Increase in indirect tax receivable	**(11,927)**	(51,703)
Income tax paid – Final	**(4,187)**	(3,257)
Income tax paid – Provisional	**(38,230)**	(34,600)
Other current assets	**464**	(10,774)
Trade receivables	**6,392**	745
Inventories[2]	**(5,678)**	(172,180)
Other liabilities[3]	**(2,867)**	(7,301)
Share based payments[3]	**(1,303)**	(1,780)
Trade and other payables[4]	**(22)**	(31,170)
Other working capital items[5]	**(407)**	(1,071)
Total	**(57,765)**	(313,091)

1 During the year, we made US$42.4 million (2017: US$37.9 million at December) corporate tax payments. This was funded through an offset against indirect taxes that were due for refund.
2 The inventory adjustment includes the movement in current as well as the non-current portion of inventory.
3 The other liabilities adjustment mainly relates to the revaluation of future share-based payments. During the year, share-based payments of US$1.3 million (2017: US$1.8 million) were made.
4 The trade and other payables adjustment exclude statutory liabilities in the form of income tax payable.
5 Other working capital items include exchange rate losses associated with working capital.

Other non-cash items

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Adjustments for non-cash income statement items:		
Foreign exchange losses	**4,834**	2,900
Discounting of indirect tax receivables	**(578)**	13,276
Provisions added	**–**	7,550
Provisions settled	**(3,434)**	–
Movement in derivatives	**2,480**	(1,495)
Share option expense	**–**	27
Provisional tax offsets	**–**	–
Other non-cash items	**183**	92
Exchange loss on revaluation of cash balances	**457**	(190)
Total	**3,942**	22,160

b) Investing cash flows – other items

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Other long-term receivables	**499**	194
Rehabilitation expenditure	**(4,689)**	(3,106)
Total	**(4,190)**	(2,912)

16. Inventories

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Raw materials		
Ore in stockpiles	**34,974**	22,253
Mine operating supplies[2]	**125,885**	117,946
Work in process	**3,509**	5,103
Finished products		
Gold doré/bullion	**8,900**	7,078
Gold, copper and silver concentrate[1]	**139,641**	139,500
Total current portion of inventory	**312,909**	291,880
Non-current ore in stockpiles	**118,198**	133,550
Total	**431,107**	425,430

1 Gold, copper and silver concentrate on hand includes approximately 186,000 ounces of gold contained in concentrate, approximately 12.1 million pounds of copper contained in concentrate and approximately 159,000 ounces of silver contained in concentrate. The value of the Gold, copper and silver concentrate on hand relate to finished products at Bulyanhulu (US$88.2 million) and Buzwagi (US$51.4 million) due to the inability to export concentrate since March 2017. Approximately 26,000 ounces of gold contained in concentrate, approximately 1.6 million pounds of copper and approximately 19,000 ounces of silver contained in concentrate are currently being held at the port and warehouses.

2 Mine operating supplies are net of a provision for obsolescent stock of US$65.2 million (2017: US$56.5million).

The cost of inventories recognised as an expense and included in the cost of sales amounts to US$99.5 million (2017: US$132.2 million) relating to consumables, fuel and lubricants and a change in inventory charge of US$7.8 million compared to a credit in 2017 of US$140.9 million.

17. Trade and other receivables

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Trade and other receivables:		
Amounts due from doré and concentrate sales	**63**	18
Amounts due from realised gains on gold put options	**1,356**	1,356
Amounts due from royalty income	**1,453**	1,453
Other receivables[1]	**9,363**	16,156
Due from related parties	**40**	40
Less: Provision for doubtful debt on other receivables	**(582)**	(938)
Total	**11,693**	18,085

1 Other receivables relates to employee and supplier backcharge-related receivables and refundable deposits.

Trade receivables other than concentrate receivables are non-interest bearing and are generally on 30-90-day terms. Concentrate receivables are generally on 60-120-day terms depending on the terms per contract. Trade receivables are amounts due from customers in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The carrying value of trade receivables recorded in the financial statements represents the maximum exposure to credit risk. The Group does not hold any collateral as security.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any credit losses. From 1 January 2018, the group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI (Fair Value through Other Comprehensive Income). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

18. Cash and cash equivalents

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Cash at bank and on hand	**77,444**	65,246
Money market funds	**52,751**	15,267
Total	**130,195**	80,513

19. Property, plant and equipment

For the year ended 31 December 2018 (in thousands of United States dollars)	**Plant and equipment**	**Mineral properties and mine development costs**	**Assets under construction[1]**	**Total**
At 1 January 2018, net of accumulated depreciation and impairment	**245,568**	**486,059**	**38,947**	**770,574**
Additions	**–**	**–**	**92,246**	**92,246**
Non-cash reclamation asset adjustments	**(8,485)**	**–**	**–**	**(8,485)**
Other non-cash adjustments	**820**	**–**	**–**	**820**
Disposals/write-downs	**196**	**–**	**–**	**196**
Impairment[2]	**–**	**(3,167)**	**–**	**(3,167)**
Depreciation[3]	**(42,327)**	**(47,962)**	**–**	**(90,289)**
Transfers between categories	**39,283**	**59,258**	**(98,541)**	**-**
Transfers to held for sale assets	**–**	**(690)**	**–**	**(690)**
At 31 December 2018	**235,055**	**493,498**	**32,652**	**761,205**
At 1 January 2018				
Cost	**1,943,643**	**1,887,068**	**38,947**	**3,869,658**
Accumulated depreciation and impairment	**(1,698,075)**	**(1,401,009)**	**–**	**(3,099,084)**
Net carrying amount	**245,568**	**486,059**	**38,947**	**770,574**
At 31 December 2018				
Cost	**1,974,960**	**1,945,636**	**32,652**	**3,953,248**
Accumulated depreciation and impairment	**(1,739,905)**	**(1,452,138)**	**–**	**(3,192,043)**
Net carrying amount	**235,055**	**493,498**	**32,652**	**761,205**

For the year ended 31 December 2017 (in thousands of United States dollars)	Plant and equipment	Mineral properties and mine development costs	Assets under construction[1]	Total
At 1 January 2017, net of accumulated depreciation and impairment	553,993	842,019	47,164	1,443,176
Additions	–	–	147,739	147,739
Non-cash reclamation asset adjustments	(9,087)	–	–	(9,087)
Other non-cash adjustments	1,212	–	–	1,212
Disposals/write-downs	(123)	–	–	(123)
Impairment[2]	(274,608)	(411,767)	–	(686,375)
Depreciation[3]	(71,984)	(53,984)	–	(125,968)
Transfers between categories	46,165	109,791	(155,956)	–
At 31 December 2017	245,568	486,059	38,947	770,574
At 1 January 2017				
Cost	1,914,522	1,777,277	47,164	3,738,963
Accumulated depreciation and impairment	(1,360,529)	(935,258)	–	(2,295,787)
Net carrying amount	553,993	842,019	47,164	1,443,176
At 31 December 2017				
Cost	1,943,643	1,887,068	38,947	3,869,658
Accumulated depreciation and impairment	(1,698,075)	(1,401,009)	–	(3,099,084)
Net carrying amount	245,568	486,059	38,947	770,574

1 Assets under construction represents (a) sustaining capital expenditures incurred constructing property, plant and equipment related to operating mines and advance deposits made towards the purchase of property, plant and equipment; and (b) expansionary expenditure allocated to a project on a business combination or asset acquisition, and the subsequent costs incurred to develop the mine. Once these assets are ready for their intended use, the balance is transferred to plant and equipment and/or mineral properties and mine development costs.
2 The impairment in 2017 relates to property, plant and equipment at Bulyanhulu.
3 The lower depreciation expense compared to the prior year was as a result of the 2017 impairment of property, plant and equipment at Bulyanhulu.

Leases

Property, plant and equipment includes assets relating to the design and construction costs of power transmission lines and related infrastructure. At completion, ownership was transferred to TANESCO in exchange for amortised repayment in the form of reduced electricity supply charges. No future lease payment obligations are payable under these finance leases.

Property, plant and equipment also includes four drill rigs purchased under short-term finance leases.

The following amounts were included in property, plant and equipment where the Group is a lessee under a finance lease:

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Cost – capitalised finance leases	**51,618**	51,618
Accumulated depreciation and impairment	**(44,301)**	(42,948)
Net carrying amount	**7,317**	8,670

20. Goodwill and Intangible Assets

For the year ended 31 December 2018 (in thousands of United States dollars)	**Goodwill**	**Acquired exploration and evaluation properties**[1]	**Total**
At 1 January, net of accumulated impairment	**6,352**	**76,031**	**82,383**
Disposals/write-downs	**–**	**(32)**	**(32)**
Impairment[2]	**–**	**(24,234)**	**(24,234)**
Reclassified as non-current asset held for sale[3]	**–**	**(19,017)**	**(19,017)**
At 31 December 2018	**6,352**	**32,748**	**39,100**
At 31 December 2018			
Cost	**401,250**	**93,793**	**495,043**
Accumulated impairment	**(394,898)**	**(61,045)**	**(455,943)**
Net carrying amount	**6,352**	**32,748**	**39,100**

For the year ended 31 December 2017 (in thousands of United States dollars)	Goodwill	Acquired exploration and evaluation properties	Total
At 1 January, net of accumulated impairment	127,898	88,292	216,190
Impairment	(121,546)	(12,261)	(133,807)
At 31 December 2017	6,352	76,031	82,383
At 31 December 2017			
Cost	401,250	112,842	514,092
Accumulated impairment	(394,898)	(36,811)	(431,709)
Net carrying amount	6,352	76,031	82,383

1 Exploration and evaluation assets classified as intangible assets have indefinite useful lives.
2 Impairments recognised in 2018 relate to the Nyanzaga exploration property located in Tanzania (US$24.2 million). Refer to note 6 for further details.
3 Intangible assets related to the Nyanzaga exploration property have been reclassified as non-current asset for sale as a result of management's intention to sell the property.

21. Deferred tax assets and liabilities
Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Tax losses	**570,416**	599,569
Total	***570,416***	*599,569*

The above tax losses, which translate into deferred tax assets of approximately US$159 million (2017: US$165 million), have not been recognised in respect of these items due to uncertainties regarding availability of tax losses, or there being uncertainty regarding future taxable income against which these assets can be utilised.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Balance sheet classification	Assets		Liabilities		Net	
(in thousands of United States dollars)	**2018**	2017	**2018**	2017	**2018**	2017
Property, plant and equipment	**–**	–	**201,307**	196,921	**201,307**	196,921
Provisions	**(7,975)**	(8,293)	**–**	–	**(7,975)**	(8,293)
Interest deferrals	**(69)**	(59)	**57**	542	**(12)**	483
Tusker acquisition	**–**	–	**–**	6,235	**–**	6,235
Tax loss carry-forwards	**(271,495)**	(265,326)		–	**(271,495)**	(265,326)
Net deferred tax (assets)/liabilities	**(279,539)**	(273,678)	**201,364**	203,698	**(78,175)**	(69,980)

Legal entities	Assets		Liabilities		Net	
(in thousands of United States dollars)	**2018**	2017	**2018**	2017	**2018**	2017
North Mara Gold Mine Ltd	**–**	–	**97,918**	91,321	**97,918**	91,321
Bulyanhulu Gold Mine Ltd	**(169,239)**	(160,600)	**–**	–	**(169,239)**	(160,600)
Pangea Minerals Ltd	**(6,681)**	(8,258)	**–**	–	**(6,681)**	(8,258)
Other	**(173)**	(655)	**–**	8,212	**(173)**	7,557
Net deferred tax (assets)/liabilities	**(176,093)**	(169,513)	**97,918**	99,533	**(78,175)**	(69,980)

Uncertainties regarding availability of tax losses in respect of enquiries raised and additional tax assessments issued by the TRA, have been measured using the single best estimate of likely outcome approach resulting in the recognition of all applicable deferred tax assets and liabilities. Alternative acceptable measurement policies (e.g. on a weighted average expected outcome basis) could result in a change to deferred tax assets and liabilities being recognised, and the deferred tax charge in the income statement.

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries where the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries is represented by the contribution of those investments to the Group's retained earnings and amounted to US$427 million (2017: US$412 million).

22. Other assets

a) Other current assets

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Current portion of indirect tax receivables	**68,102**	38,285
Other receivables and advance payments[1]	**31,405**	31,870
Total	**99,507**	70,155

1 Other receivables and advance payments relate to prepayments for insurance and income taxes offset against outstanding refunds for VAT and fuel levies and current amounts receivable from the NSSF of US$7.4 million (2017: US$4.8 million).

b) Other non-current assets

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Amounts due from Government[1]	**9,275**	11,629
Operating lease prepayments – TANESCO powerlines	**249**	374
Prepayments – Acquisition of rights over leasehold land[2]	**30,777**	35,948
Non-current portion of indirect tax receivables[3]	**110,603**	132,405
Other	**161**	352
Total	**151,065**	180,708

1 Included in this amount are amounts receivable from the NSSF of US$4.5 million (2017: US$5.8 million).

2 Prepayments made to the landowners in respect of acquisitions of the rights over the use of the leasehold land.

3 The non-current portion of indirect tax receivables was subject to discounting to its current value using a discount rate of 6.5% (December 2017: 6.5%). There was a reversal of the discounting charge in 2018 in the income statement of US0.6 million (December 2017: US$13.3 million charge).

23. Non-current assets and liabilities classified as held for sale

During the year, OreCorp, Acacia's JV partner in the Nyanzaga Project, executed its option under the earn-in agreement to increase its stake to 51% in the project through the payment of US$3 million to Acacia. Further to that, Acacia signed a completion agreement to sell its remaining 49% stake to OreCorp for US$7 million and a net smelter royalty capped at US$15 million based on future production. In line with the applicable accounting standard and driven by the uncertainty surrounding the current environment, management did not recognise an asset for the right to the royalty. As a result of the agreement, and management's commitment to a sale, Acacia expects to recover the value of the asset through sale and not through value in use and as such has valued the asset at fair value less costs to sell of US$10 million and recorded an impairment charge of US$24.2 million and reclassified the associated non-current assets and liabilities to held for sale on the balance sheet as shown below. The transaction is expected to be concluded within 12 months from the reclassification of these assets and liabilities as held for sale.

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Property, plant and equipment	**690**	–
Intangible assets	**19,017**	–
Disposal group assets held for sale	**19,707**	–
Long term contingent liabilities	**(3,472)**	–
Deferred Tax Liability	**(6,235)**	–
Disposal group liabilities held for sale	**(9,707)**	–
Net assets and liabilities of disposal group held for sale	**10,000**	–

24. Share capital and share premium

	Number	£'000	Share capital US$'000	Share premium US$'000
At 1 January 2017	410,085,499	41,009	62,097	867,102
At 31 December 2017	410,085,499	41,009	62,097	867,102
At 31 December 2018	**410,085,499**	**41,009**	**62,097**	**867,102**

The nominal value of each Ordinary Share is 10 pence. No share movements have taken place in the current year.

25. Share-based compensation

a) Share options are granted to Executive Directors and to selected employees. The exercise price of the granted options is determined by the Compensation Committee before the grant of an option provided that this price cannot be less than the average of the middle-market quotation of such shares (as derived from the London Stock Exchange Daily Official List) for the three dealing days immediately preceding the date of grant. All options outstanding at the end of the year ending 31 December 2017 expired in November 2018 The vesting period of the options was four years, with an exercise period of seven years from the date of grant.

A new class of zero cost options were granted to the Executive Leadership in April 2017 however these are expected to be cash settled and have therefore been included as part of the Employee share-based liability. Refer to section e) overleaf.

Movements in the number of options outstanding and their related weighted average exercise prices are reflected in pence as follows:

	2018		2017	
For the year ended 31 December	**Average exercise price in pence per share**	**Options**	Average exercise price in pence per share	Options
At 1 January	**497**	**137,701**	295	1,328,989
Forfeited	**–**	**–**	–	–
Expired	**(497)**	**(137,701)**	539	(349,980)
Exercised	**–**	**–**	160	(841,308)
At 31 December	**–**	**–**	497	137,701

No equity-settled share options were granted during the year.

b) LTIP – Restricted Share Units

Included in other liabilities are RSUs with a fair value of US$2.2 million as at 31 December 2018 (2017: US$2.4 million).

	Number of RSUs	Fair value US$'000
At 1 January 2017	1,501,959	2,830
Settled for cash	(584,898)	(847)
Forfeited	(118,058)	(404)
Granted	486,981	215
Credits for dividends	24,309	20
Change in value	–	627
At 31 December 2017	**1,310,293**	**2,441**
Settled for cash	**(718,554)**	**(1,535)**
Forfeited	**(586,692)**	**–**
Granted	**2,959,252**	**1,167**
Credits for dividends	**–**	**–**
Change in value	**–**	**137**
At 31 December 2018	**2,964,299**	**2,210**

c) LTIP – Performance Restricted Share Units ("PRSUs")

Included in other liabilities are PRSUs with a fair value of nil as at 31 December 2018 (2017: US$0.6 million).

(in thousands of United States dollars)	Number of PRSUs	Fair value US$'000
At 1 January 2017	4,136,466	8,428
Settled for cash	(218,728)	–
Forfeited	(2,214,007)	–
Granted	923,481	–
Credits for dividends	39,408	–
Change in value	–	(7,801)
At 31 December 2017	**2,666,620**	**627**
Settled for cash	**–**	**–**
Forfeited	**(127,148)**	**–**
Granted	**–**	**–**
Credits for dividends	**–**	**–**
Change in value	**–**	**(627)**
At 31 December 2018	**2,539,472**	**–**

d) LTIP – Deferred Share Units

Included in other liabilities are DSUs with a fair value of US$0.2 million as at 31 December 2018 (2017: US$0.2 million).

(in thousands of United States dollars)	Number of DSUs	Fair value US$'000
At 1 January 2017	248,208	1,117
Settled for cash	(167,964)	(810)
Credits for dividends	3,723	10
Change in value	–	(91)
At 31 December 2017	**83,967**	**226**
Settled for cash	**–**	**–**
Credits for dividends	**–**	**–**
Change in value	**–**	**(29)**
At 31 December 2018	**83,967**	**197**

e) LTIP – Zero Cost Options

A new class of zero cost options was granted to the Executive Leadership in 2017. Included in other non-current liabilities are zero cost options with a fair value of US$0.2 million as at 31 December 2018 (2017: nil).

(in thousands of United States dollars)	Number of options	Fair value US$'000
At 31 December 2017	***615,602***	**–**
Granted	**2,554,859**	**390**
Forfeited	**–**	**–**
Change in value	**–**	**(190)**
At 31 December 2018	**3,170,461**	**200**

26. Trade and other payables

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Trade payables	**63,290**	62,610
Income tax payable	**8,684**	11,442
Accrued expenses	**40,420**	40,958
Payroll-related payables	**13,335**	12,185
Royalty payable	**1,877**	988
Provision for uncertain tax positions[1]	**206,912**	206,912
Trade payables to related parties	**14,597**	15,355
Total	**349,115**	350,450

1 Included in the 2017 and 2018 amounts are provisions raised for uncertain tax positions of US$68.5 million relating to North Mara and US$103.5 million relating to Bulyanhulu, based on an estimate of the impact of a comprehensive settlement reflecting the key terms of the framework announcements made by Barrick and the GoT in October 2017.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

27. Borrowings

During 2013, a US$142 million facility was put in place to fund the bulk of the costs of the construction of one of Acacia's key growth projects, the Bulyanhulu CIL Expansion project ("Project"). The Facility has a term of seven years with a spread over LIBOR of 250 basis points. In common with borrowing agreements of this nature the facility includes various covenants as well as a material adverse effect clause. The interest rate has been fixed at 3.6% through the use of an interest rate swap. The seven-year Facility is repayable in ten equal US$14.2 million bi-annual instalments over the term of the Facility, after a two year repayment holiday period. The full facility of US$142 million was drawn at the end of 2013. The first principal payment of US$14.2 million was paid in H2 2015 and regular repayments have been made each half year. As at 31 December 2018 the balance owing was US$42.6 million (2017: US$71 million) and all covenants have been complied with. A waiver agreement was in place for the period ended 31 December 2018, this was subsequently extended to end of June 2019. Interest accrued to the value of US$0.4 million (2017: US$0.5 million) was included in accounts payable at the end of the period. Interest incurred on the borrowings as well as hedging losses on the interest rate swap for the period ended 31 December 2018 was US$1.9 million (2017: US$2.9 million).

28. Provisions

	Rehabilitation[1]		Other[2]		Total	
(in thousands of United States dollars)	**2018**	2017	**2018**	2017	**2018**	2017
At 1 January	**143,376**	152,205	**8,302**	752	**151,678**	152,957
Change in estimate	**(13,174)**	(9,087)	**–**	–	**(13,174)**	(9,087)
Utilised during the year	**–**	(3,106)	**(3,434)**	–	**(3,434)**	(3,106)
Unwinding of discount	**3,626**	3,364	**–**	–	**3,626**	3,364
Additions	**–**	–	**–**	7,550	**–**	7,550
At 31 December	**133,828**	143,376	**4,868**	8,302	**138,696**	151,678
Current portion	**(9,386)**	(16,348)	**(4,868)**	(8,302)	**(14,254)**	(24,650)
Non-current portion	**124,442**	127,028	**–**	–	**124,442**	127,028

1 Rehabilitation provisions relate to the decommissioning costs expected to be incurred for the operating mines. This expenditure arises at different times over the LOM for the different mine sites and is expected to be utilised in terms of cash outflows between years 2019 and 2036 and beyond, varying from mine site to mine site. The change in estimate in the current year relates mainly to deferrals in estimated cash flows resulting in a lower net present value combined with slight changes in US risk free rates driving a change in discount rate. If the US risk free rates decreased by 0.5%, the rehabilitation provision would increase by US$6.3 million.

2 Other provisions relate to provisions for legal and tax-related liabilities where the outcome is not yet certain but it is expected that it will lead to a probable outflow of economic benefits in future US$4.0 million (2017: US$3.9 million) as well as severance provisions mainly at Corporate offices due to restructuring, redundancies at Buzwagi and at Bulyanhulu as part of the reduced operations (US$1.0 million).

Rehabilitation obligations arise from the acquisition, development, construction and normal operation of mining property, plant and equipment, due to Government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of the obligation relate to tailings and waste rock dump closure/rehabilitation; surface contouring; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. The fair values of rehabilitation provisions are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk-free rate of interest. Acacia prepares estimates of the timing and amount of expected cash flows when an obligation is incurred and updates expected cash flows to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment.

Each year Acacia assesses cost estimates and other assumptions used in the valuation of the rehabilitation provision at each mineral property to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions are recorded as an adjustment to the carrying amount of the corresponding asset. Rehabilitation provisions are adjusted to reflect the passage of time (accretion) calculated by applying the discount factor implicit in the initial fair-value measurement to the beginning-of-period carrying amount of the provision. Settlement gains/losses will be recorded in other (income) expense.

Other environmental remediation costs that are not rehabilitation provisions are expensed as incurred.

29. Other liabilities

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Employee benefit share-based liabilities	**2,590**	3,294
Other	**–**	3,459
Total	**2,590**	6,753
Current portion	**801**	1,715
Non-current portion	**1,789**	5,038

30. Financial assets and liabilities
a) Financial assets

	Carrying value as at 31 December		Fair value as at 31 December	
(in thousands of United States dollars)	**2018**	2017	**2018**	2017
Cash and cash equivalents	**130,195**	80,513	**130,195**	80,513
Trade and other receivables	**11,693**	18,085	**11,693**	18,085
Derivative financial instruments	**1,053**	3,526	**1,053**	3,526
Total other assets excluding prepayments[1]	**212,729**	204,576	**212,729**	204,576
Total financial assets	**355,670**	306,700	**355,670**	306,700
Less: Current financial assets				
Cash and cash equivalents	**(130,195)**	(80,513)	**(130,195)**	(80,513)
Trade and other receivables	**(11,693)**	(18,085)	**(11,693)**	(18,085)
Derivative financial instruments	**(633)**	(2,619)	**(633)**	(2,619)
Other current assets excluding prepayments	**(92,802)**	(60,760)	**(92,802)**	(60,760)
Total other non-current financial assets	**120,347**	144,723	**120,347**	144,723

1 Prepayments are excluded from other assets in the analysis as they are not a financial instrument.

The fair value of financial assets, excluding other assets, equals their carrying amount as the impact of discounting is not significant. Included in other assets are indirect tax receivables from the Tanzanian Revenue Authority, which were subject to discounting; refer to note 22.

(in thousands of United States dollars)	As at 31 December 2018 Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
Assets as per balance sheet:				
Cash and cash equivalents	**130,195**	**–**	**–**	**130,195**
Trade and other receivables	**11,693**	**–**	**–**	**11,693**
Derivative financial instruments	**–**	**232**	**821**	**1,053**
Other assets excluding prepayments	**212,729**	**–**	**–**	**212,729**
Total financial assets	**354,617**	**232**	**821**	**355,670**

(in thousands of United States dollars)	As at 31 December 2017 Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Total
Assets as per balance sheet:				
Cash and cash equivalents	80,513	–	–	80,513
Trade and other receivables	18,085	–	–	18,085
Derivative financial instruments	–	2,328	1,198	3,526
Other assets excluding prepayments	204,576	–	–	204,576
Total financial assets	**303,174**	**2,328**	**1,198**	**306,700**

b) Financial liabilities

	Carrying value as at 31 December		Fair value as at 31 December	
(in thousands of United States dollars)	**2018**	2017	**2018**	2017
Derivative financial instruments	**488**	481	**488**	481
Trade and other payables	**349,115**	350,450	**349,115**	350,450
Other liabilities	**2,590**	6,753	**2,590**	6,753
Borrowings	**42,600**	71,000	**42,600**	71,000
Total	**394,793**	428,684	**394,793**	428,684
Less: Current financial assets				
Derivative financial instruments	**(462)**	(481)	**(462)**	(481)
Trade and other payables	**(349,115)**	(350,450)	**(349,115)**	(350,450)
Other current liabilities	**(801)**	(1,715)	**(801)**	(1,715)
Borrowings	**(28,400)**	(28,400)	**(28,400)**	(28,400)
Total non-current portion of financial liabilities	**16,015**	47,638	**16,015**	47,638

Other liabilities relate to cash-settled share-based plans and their valuation is based on unadjusted quoted prices in active markets for identical financial instruments. Also included in other liabilities are the finance lease liabilities and their valuation is based on observable market data. Derivative financial instruments are valued based upon inputs that are observable for the financial instruments which includes quoted prices for similar instruments or identical instruments in markets which are not considered to be active or either directly or indirectly based on observable market data.

(in thousands of United States dollars)	As at 31 December 2018 Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet:				
Derivative financial instruments	**199**	**289**	**–**	**488**
Trade and other payables	**–**	**–**	**349,115**	**349,115**
Other liabilities	**–**	**–**	**2,590**	**2,590**
Borrowings	**–**	**–**	**42,600**	**42,600**
Total financial liabilities	**199**	**289**	**394,305**	**394,793**

	As at 31 December 2017			
(in thousands of United States dollars)	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet:				
Derivative financial instruments	–	481	–	481
Trade and other payables	–	–	350,450	350,450
Other liabilities	–	–	6,753	6,753
Borrowings	–	–	71,000	71,000
Total financial liabilities	**–**	**481**	**428,203**	**428,684**

In common with borrowing agreements of this nature the facility includes various covenants as well as material adverse effect clauses.

Revolving credit facility

The Group has a revolving credit facility in place for a maximum aggregate amount of US$150 million, which was negotiated on 24 November 2010 with a syndicate of commercial banks, led by Citibank. The facility has been provided to service the general corporate needs of the Group and to fund potential acquisitions. All provisions contained in the credit facility documentation have been negotiated on normal commercial and customary terms for such finance arrangements and when drawn the spread over LIBOR will be 350 basis points. The term of the facility was successfully extended to November 2019 at a maximum aggregate amount of US$150 million. At 31 December 2018, none of the funds were drawn under the facility. The shares of all significant subsidiaries have been pledged as security for the loan. Costs associated with the revolving credit facility have been included in finance expenses. In common with borrowing agreements of this nature the facility includes various covenants as well as material adverse effect clauses.

31. Derivative financial instruments

The tables below analyse financial instruments carried at fair value, by valuation method. The Group has derivative financial instruments in the form of economic and cash flow hedging contracts which are all defined as level two instruments as they are valued using inputs other than quoted prices that are observable for the assets or liabilities. The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2018 and 31 December 2017.

For the year ended 31 December 2018	**Assets**		**Liabilities**	
(in thousands of United States dollars)	**Current**	**Non-current**	**Current**	**Non-current**
Interest contracts: Designated as cash flow hedges	401	420	289	0
Commodity contracts: Not designated as accounting hedges	232	0	173	26
Total	**633**	**420**	**462**	**26**

For the year ended 31 December 2017	Assets		Liabilities	
(in thousands of United States dollars)	Current	Non-current	Current	Non-current
Interest contracts: Designated as cash flow hedges	531	667	481	–
Commodity contracts: Not designated as accounting hedges	2,088	240	–	–
Total	**2,619**	**907**	**481**	**–**

32. Financial risk management

The Group has exposure to the following risks through its commercial and financial operations:

a) market risk, including commodity price, foreign currency and interest rate risks; b) credit risk; and c) liquidity risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has responsibility for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by internal audit which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Market risk, including commodity price, foreign currency and interest rate risks

Market risk is the risk that changes in market factors, such as commodity prices, foreign exchange rates or interest rates, will affect the Group's income or the value of its financial instruments.

Gold price

The market price of gold is one of the most significant factors in determining the profitability of the Group's operations. The price of gold is subject to volatile price movements over short periods of time, especially in the current market environment, and is affected by numerous industry and macro-economic factors that are beyond the Group's control. In 2018 the price ranged from US$1,178 to US$1,335 per ounce, with an average market price of US$1,268 per ounce (2017: US$1,257 per ounce). The Group's policy is to sell gold at prevailing market prices.

During 2018, the Group hedged 170,000 ounces of gold production for March, April to June, November and December 2018 and 35,000 ounces for January 2019 to protect the downside price risk and mitigate cash outflows. This accounted for approximately 66% of the Group's overall production in 2018.

The Group added 205,000 ounces of gold put contracts with an average strike price of US$1,300 per ounce for 2018 and 2019. At 31 December 2018, the Group had 35,000 ounces of gold put contracts outstanding that will mature in 2019 at a strike price of US$1,255 per ounce. These transactions are economic hedges and do not qualify for hedge accounting treatment. Changes in the fair value of these options are recorded as a component of other income/expense in the income statement.

The table below summarises the impact of changes in the market price on gold. The impact is expressed in terms of the resulting change in the Group's profit after tax for the year or, where applicable, the change in equity. The sensitivities are based on the assumption that the market price changes by 10% with all other variables held constant. The impact of a similar change in copper and silver is not material to the Group's loss after tax.

	Effect on profit after tax	
Gain associated with 10% increase from year-end price (in thousands of United States dollars)	**For the year ended *31 December* 2018**	For the year ended *31 December* 2017
Gold	**42,968**	48,453

Co-product prices
There were no copper sales during the year.

In 2018, the silver price ranged from US$14 to US$18 per ounce, with an average market price of US$16 per ounce (2017: US$17 per ounce).

The Group did not add any further copper contracts for calendar year 2018 and did not have any contracts outstanding as at 31 December 2018.

These transactions are economic hedges and do not qualify for hedge accounting treatment. Changes in the fair value of these options are recorded as a component of other income/expense in the income statement.

Oil price
Diesel fuel is refined from crude oil and is therefore subject to the same price volatility affecting crude oil prices. The Group enters into Brent oil option contracts to manage the impact of oil price fluctuations. In 2018, oil prices traded between US$51 and US$86 per barrel with an average market price of US$71 (2017: US$55 per barrel).

The table below summarises the impact of changes in the market prices of crude oil. The impact is expressed in terms of the resulting change in the Group's profit after tax for the year ended 31 December 2018. The sensitivities are based on the assumption that the market price changes by US$10 per barrel with all other variables held constant. The effect on profit after tax (before hedging) is calculated based on actual consumption for the year and does not address the indirect impact of a change in the oil price on other costs.

	Effect on profit after tax	
Gain/loss associated with US$10 decrease/increase from year-end price (in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Oil	**1,620**	2,571

The Group did not add any further Brent oil collar contracts for calendar year 2018. At 31 December 2018, the Group had a total 114,000 barrels of Brent crude oil net purchase options outstanding. These contracts mature in 2019 consisting of sold put options with average strike prices of US$48 per barrel and bought call options with average strike prices of US$71 per barrel. During the year, the Group added 72,000 barrels of Brent oil collar contracts for the 2019 calendar year.

These contracts are treated as accounting hedges in accordance with IFRS 9. Hedged items are identified as the first stated quantity of forecasted consumption purchased in a future month. Hedge effectiveness is assessed using linear regression utilising the concept of the hypothetical derivative method. The effective portion of changes in intrinsic value of the commodity contracts is recorded in other comprehensive income until the forecasted expenditure impacts earnings. These hedges did not qualify for hedge accounting treatment as a result of not meeting the hedge effectiveness criteria. Changes in the fair value of these options were therefore recorded as a component of other income/expense in the income statement.

Risks relating to the use of derivatives
By using derivatives, in addition to credit risk, we are affected by market risk. Market risk is the risk that the fair value of a derivative might be adversely affected by a change in commodity prices, interest rates, or currency exchange rates, and that this in turn affects our financial condition. We manage market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Foreign currency risk
The Group's transactions are denominated in a number of different currencies (primarily US dollars, Tanzanian shillings ("shillings"), South African rands ("rands"), UK pounds sterling ("pounds") and Australian dollars. The Group has liabilities that are primarily denominated in US dollars. The US dollar is the Company's (and its subsidiaries') functional currency, as well as the Group's presentation currency. Therefore, transactions in currencies other than the US dollar give rise to foreign currency translation risk. The Group's primary exposure to this risk arises from direct mine operating costs and corporate administration costs that are transacted in shillings and rands, respectively. Consequently, fluctuations in the US dollar/shilling/rand exchange rates increase the volatility of cost of sales, corporate administration costs and overall net earnings, which are reported in US dollars. The vast majority of all direct mining costs and corporate administration costs are denominated and settled in US dollars. Consequently, the effect of foreign exchange fluctuations on the Group's reported direct mining and corporate administration costs is not significant.

The exchange rates at the end of each financial year are detailed in note 2g.

Historically, the relationship between the gold price and the value of the shilling and rand provide a natural hedge against fluctuations in the exchange rate of these currencies against the US dollar. Generally, a strengthening of the shilling/rand, which would cause an increase in reported US dollar operating costs, corresponds with an increase in the US dollar gold price, which results in an increase in reported US dollar revenues.

The Group does have significant financial assets denominated in a currency other than US dollars. These financial assets are as follow:

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Indirect tax receivables (denominated in Tanzanian shillings)	**178,705**	170,690
Total	**178,705**	170,690

The following sensitivity analyses give the estimated effect of a reasonably possible change in the full year closing US dollar exchange rate on the value of the financial assets.

	Effect on profit after tax	
Increase/(decrease) associated with 10% change of the US dollar (in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
US dollar strengthens by 10% to the Tanzanian shilling		
Increase in total indirect tax receivables	**19,856**	18,966
US dollar weakens by 10% to the Tanzanian shilling		
Decrease in total indirect tax receivables	**(16,246)**	(15,517)

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group is also exposed to interest rate risk on its cash and cash equivalents.

At present, available funds are held with financial institutions at variable rates and primarily denominated in US dollars; interest income is not materially affected by changes in short-term interest rates. During 2013, the Group entered into an Export Credit Insurance Company ("ECIC") backed seven-year term loan facility of US$142 million to fund the construction of the CIL Process plant at Bulyanhulu. The first principal payment of US$14.2 million was paid in H2 2015 and during 2018 two payments of US$14.2 million were paid. As at 31 December 2018 the balance owing was US$42.6 million (2017: US$71.0 million). Interest is payable on the loan at LIBOR plus 250 basis points. The revolving credit facility's spread over LIBOR will be 350 basis points. Group debt levels are impacted by the amount of operating cash flow generated by its operating mines, as well as capital expenditure requirements related to existing operations and development projects.

In 2013, the Group entered into interest rate swap contracts to hedge the interest on the ECIC backed loan for the Bulyanhulu CIL Process plant. The terms of the interest rate swap contracts fix this at 3.59% versus the floating rate of LIBOR plus 2.50%. These contracts are treated as accounting hedges in accordance with IAS 39. Hedged items are identified as the first stated quantity of rand spent during the month. Hedge effectiveness is assessed using linear regression utilising the concept of the hypothetical derivative method. The effective portion of changes in intrinsic value of the currency contracts is recorded in other comprehensive income until the forecasted expenditure occurs. These gains or losses have been included as part of interest expense in the income statement.

b) Credit risk

Credit risk is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument. For cash and cash equivalents and trade and other receivables, credit risk represents the carrying amount on the balance sheet, net of any overdraft positions.

Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables. The Group's financial assets are held with counterparties who the Group considers have an appropriate credit rating. Location of credit risk is determined by physical location of the bank branch, customer or counterparty. The maximum allowable term to maturity for any individual security is three months. Investment counterparties must have a credit rating of at least "Baa1" or better by Moody's Investor Services or "BBB+" by Standard and Poor's. No more than 25% of the aggregate market value of the investment portfolio is maintained in any one country, with the exception of the United States of America or the United Kingdom, or in any one industry group. Investments are primarily held in United States dollars. Cash and cash equivalents in other foreign currencies are maintained for operational requirements. As at 31 December 2018 the Group has money market and short-term investments of US$52.7 million (2017: US$14.7 million). All of the funds have at least a "BBB+" rating from Standard and Poor's. The Group also has US$77.5 million (2017: US$65.7 million) of cash on hand with banks with credit ratings ranging from "A-1" to "A-2".

With respect to other receivables, the most significant debtor is the Tanzanian Revenue Authority ("TRA"). Following the abolishment of Government Notices regarding VAT relief and fuel duty exemption for mining companies in 2009, Acacia signed a Memorandum of Settlement during 2011 with the TRA to address the treatment of certain outstanding indirect tax refunds in respect of fuel levies and VAT that allows Acacia to offset income tax payable against outstanding VAT and fuel levy refunds as it becomes payable. Also, the Minister of Finance reinstated VAT relief and the fuel exemption followed by an agreement to allow for an escrow facility in respect of fuel and road levies. Again through the Finance Act, 2012 issued on 19 October 2012, VAT relief was abolished. Throughout the past three years, Acacia has been actively involved in discussions with the GoT and the TRA to resolve the issue. The amendments conflict with certain provisions contained in the Group's existing Mineral Development Agreements ("MDAs") which guarantee the fiscal stability of its operations. As part of a short-term solution, the Government during the third quarter of 2013, agreed to an escrow arrangement on VAT in relation to imported goods and services, whereby funds are restricted to the repayment of VAT refunds. As at 31 December 2018, the discounted amounts due to the Group were approximately US$178.7 million (2017: US$170.7 million). We received no direct refunds during 2018 (2017: nil). Provisional and final corporate tax payments offset against indirect taxes receivable amounted to US$42.4 million (2017: US$37.9 million) during the year under review.

Group policies are aimed at minimising losses as a result of a counterparty's failure to honour its obligations. Individual exposures are monitored with trade customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each of the counterparties. The Group's financial assets are with counterparties who the Group considers have an appropriate credit rating. During the year ended 31 December 2017, receivables to the value of approximately US$27 million (2018: nil) were advanced by a financial institution under two factoring agreements for two concentrate counterparties. Three agreements reduced the risk of default of receivables in 2017.

Maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets described in note 30. The Group does not hold collateral as security for any trade receivables. The Group does not grade the credit quality of receivables.

c) Liquidity risk

Liquidity risk is the risk of loss from not having access to sufficient funds to meet both expected and unexpected cash demands. The Group manages its exposure to liquidity risk by ensuring that its operating and strategic liquidity levels are well above minimum internal requirements. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. At the end of both 2018 and 2017 the Group was in a positive net cash position, as disclosed in note 18. Details of the undrawn revolving credit facility are given in note 30.

In the ordinary course of business, the Group receives cash proceeds from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure surplus funds are invested to maximise returns while ensuring that capital is safeguarded to the maximum extent possible by investing only with financial institutions with a strong credit rating. Insignificant uncommitted overdraft facilities are maintained with several banking counterparties to meet the Group's normal funding requirements. The Group's primary source of liquidity is operating cash flow, and over the past three years the Group has generated an average of about US$150 million per year. The principal risk factor affecting operating cash flow is market gold prices.

The principal uses of liquidity are sustaining capital expenditures at existing operating mines, construction activities at development projects, and interest payments. Sustaining capital expenditures, including capitalised development costs, have averaged about US$112 million per year over the past two years. The following table outlines the expected maturity of the Group's significant financial assets into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances may not agree with the amounts disclosed in the balance sheet.

For the year ended 31 December 2018 (in thousands of United States dollars)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Cash and cash equivalents	**130,195**	**–**	**–**	**–**	**130,195**
Accounts receivable	**11,693**	**–**	**–**	**–**	**11,693**
Derivative financial instruments	**633**	**420**	**–**	**–**	**1,053**
Other assets excluding prepayments[1]	**92,802**	**133,203**	**–**	**–**	**226,005**
Total	**235,323**	**133,623**	**–**	**–**	**368,946**

For the year ended 31 December 2017 (in thousands of United States dollars)	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents	80,513	–	–	–	80,513
Accounts receivable	18,085	–	–	–	18,085
Derivative financial instruments	2,619	907	–	–	3,526
Other assets excluding prepayments[1]	60,760	157,092	–	–	217,852
Total	**161,977**	**157,999**	**–**	**–**	**319,976**

1 Prepayments are excluded from other assets in the analysis as they are not a financial instrument. Included in the balance for years 1 to 3 is the discounting impact of indirect taxes receivable amounting to US$12.7 million.

The following table outlines the expected maturity of the Group's significant financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances may not agree with the amounts disclosed in the balance sheet.

For the year ended 31 December 2018 (in thousands of United States dollars)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Derivative financial instruments	**462**	**26**	**–**	**–**	**488**
Other liabilities	**807**	**1,789**	**–**	**–**	**2,596**
Trade and other payables[1]	**133,519**	**–**	**–**	**–**	**133,519**
Borrowings	**28,400**	**42,600**	**–**	**–**	**71,000**
Total	**163,188**	**44,415**	**–**	**–**	**207,603**

For the year ended 31 December 2017 (in thousands of United States dollars)	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Derivative financial instruments	481	–	–	–	481
Other liabilities	1,715	1,566	3,472	–	6,753
Trade and other payables[1]	132,096	–	–	–	132,096
Borrowings	28,400	42,600	–	–	71,000
Total	**162,692**	**44,166**	**3,472**	**–**	**210,330**

1 Trade and other payables exclude statutory liabilities in the form of income tax payable (including provisions made for uncertain tax positions).

Management considers that the Group has adequate current assets and forecast cash flow from operations to manage liquidity risks arising from settlement of current liabilities and non-current liabilities.

Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong balance sheet and low gearing ratio to support its business and provide financial flexibility in order to maximise shareholder value. In order to ensure a strong balance sheet and low gearing ratio, management thoroughly evaluates all material projects and potential acquisitions, which are approved by the Executive Leadership Team before submission to the Board for ultimate approval, where applicable.

33. Operating lease arrangements

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Minimum lease payments under operating leases recognised in the income statement for the year	**8,506**	8,494
Total	**8,506**	8,494

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Within one year	**2,054**	4,520
In the second to fifth years inclusive	**4,861**	3,488
After five years	**–**	–
Total	**6,915**	8,008

Operating lease payments relate mainly to rental of office space by regional business units of the Group and rental of Gensets at Buzwagi.

34. Commitments and contingencies

The Group is subject to various laws and regulations which, if not observed, could give rise to penalties. As at 31 December 2017, the Group has the following commitments and/or contingencies:

a) Legal contingencies

As at 31 December 2018, the Group was a defendant in a number of lawsuits. The plaintiffs are claiming damages and interest thereon for the alleged loss caused by the Group due to one or more of the following: unlawful eviction, termination of services and/or, non-payment for services, defamation, negligence by act or omission in failing to provide a safe working environment, unpaid overtime, public holiday compensation and various other commercial/project disputes. At present, Acacia considers the majority of cases to be without merit and therefore the likelihood of any material unfavourable outcome is remote and therefore no contingency is required.

b) Tax-related contingencies

The TRA has issued a number of tax assessments to the Group related to past taxation years from 2002-onwards. The Group believes that the majority of these assessments are incorrect and has filed objections and appeals accordingly in an attempt to resolve these matters by means of discussions with the TRA or through the Tanzanian appeals process. Overall, it is the current assessment that the relevant assessments and claims by the TRA are without merit. The claims include a TRA assessment to the value of US$41.3 million for withholding tax on certain historic offshore dividend payments paid by Acacia Mining plc to its shareholders in 2010 to 2013. Acacia is appealing this assessment on the substantive grounds that, as an English incorporated company, it is not resident in Tanzania for taxation purposes. The appeal is currently pending at the Court of Appeal. In addition, the Company has raised certain tax provisions amounting to US$300 million in aggregate, based on the potential impact of a comprehensive settlement of all outstanding tax disputes, including, according to Barrick, historic tax claims, reflecting the key terms of the Framework announcements by Barrick and the GoT in October 2017. Refer to note 9 for further information.

c) Regulatory contingencies

In 2018, and particularly during the final quarter of the year, the operating environment became increasingly challenging for Acacia with criminal charges brought by the GoT against three current Acacia employees and a former employee, three of whom continue to be held under non-bailable offences.

On 10 October 2018, one of the Group's employees in Tanzania, a South African national, was charged by the Tanzanian Prevention and Combating of Corruption Bureau (PCCB) with an offence under the Tanzanian Prevention and Combating of Corruption Act. The employee pleaded not guilty and was granted bail. The charges related to the historical activities of a Land Task Force (LTF) conceived and agreed between the GoT and North Mara Gold Mine Limited (NMGML) in 2012 to create a transparent, safe, fair and inclusive process for valuing land that might be purchased by agreement around the North Mara mine, and which operated between 2013 and 2015. The allegations made by the PCCB are denied and the charges are being defended.

On 17 October 2018 a current and a former employee of the Company's Tanzanian businesses, together with three individual companies, were charged by the PCCB with a number of different offences, including breaches of the Tanzanian Anti-Money Laundering Act. A total of 39 charges were brought, either against the current and former employee and/or against one or more of the Company's operating subsidiaries in Tanzania, Pangea Minerals Limited ("PML"), Bulyanhulu Gold Mine Limited ("BGML") and North Mara Gold Mine Limited ("NMGML"), as well as a Canadian company, Explorations Minieres du Nord Ltd. On 23 October 2018, a senior manager of one of the Company's Tanzanian businesses, a Tanzanian national, was also arrested and charged by the PCCB. The senior manager was charged as an additional accused to some (but not all) of the 39 criminal charges brought by the PCCB on 17 October. Each of the companies and the two current employees and the former employee pleaded not guilty to all charges. The Company notes with concern that under Tanzanian law, offences under the Anti-Money Laundering Act are not bailable, and, accordingly, the accused have not been released on bail. The majority of the 39 charges and allegations brought by the PCCB appear to relate to the historical structuring and financing of PML, BGML and NMGML dating back as far as 2008, prior to the creation of the Acacia Group. The charges are wide ranging and include: tax evasion; conspiracy; a charge under organised crime legislation; forgery; money laundering and corruption. The great majority of the allegations in the criminal proceedings by the GoT relate to matters already being considered in the arbitrations commenced by BGML and PML in July 2017 regarding their disputes with the GoT under their respective MDAs, which are progressing towards a hearing and in which the GoT are fully participating. These allegations and charges against the group and current and former employees are refuted and are being defended. Acacia considers the allegations to be without merit and that the likelihood of any material unfavourable outcome is remote, and no contingency has been made.

In addition, on 17 December 2018 the Company issued a news release noting media speculation claiming an investigation into the Company by the Serious Fraud Office ("SFO"). The Company confirmed that it was not aware that the SFO was investigating the Company, but that the Company had been in contact with the SFO about the allegations of corrupt activities which are the subject of criminal proceedings in Tanzania. This position remains unchanged. The Company has provided information to the SFO and will continue to do so, but has not been notified that the SFO has commenced a criminal investigation.

d) Purchase commitments

At 31 December 2018, the Group had purchase obligations for supplies and consumables of approximately US$34.6 million (2017: US$32.5 million).

e) Capital commitments

In addition to entering into various operational commitments in the normal course of business, the Group entered into contracts for capital expenditure of approximately US$10.9 million in 2018 (2017: US$10.2 million).

35. Related party balances and transactions

The Group had the following related party balances and transactions during the years ended 31 December 2018 and 31 December 2017. Related parties are those entities owned or controlled by BGC, which is the ultimate controlling party of the Group.

Transactions with related parties are as follows:

a) Transactions

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Provision of goods and services	**70**	97
Purchase of goods and services	**(208)**	(1,373)
Dividend payments	**–**	(21,972)
Total	**(138)**	(23,248)

Provision and purchase of goods and services to/from related parties are on normal commercial terms and conditions. Provision of services relates to cost incurred by the Group and recharged to related parties. Purchase of goods and services relates to cost incurred by related parties and recharged to the Group. Services purchased relate mainly to insurance, software licences and professional services including legal, audit and consulting charges. Goods purchased relate mainly to consumables and capital equipment.

b) Balances due from related parties

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Placer Dome Technical Services	**37**	37
Other	**3**	3
Total	**40**	40

The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from BGC.

c) Balances due to related parties

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Due to holding company:		
Barrick Gold Corporation	**13,781**	14,558
Due to fellow subsidiaries:		
BIBC	**–**	5
Barrick Gold North America	**–**	777
Barrick Administration Company	**778**	–
Other	**38**	15
Total	**14,597**	15,355

The payables to Barrick arise mainly from purchase transactions noted above. The payables are unsecured and bear no interest.

d) Remuneration of key management personnel

Key management personnel include the members of the Board of Directors and the Executive Leadership Team who receive remuneration. Compensation for key management personnel (including Directors) was as follows:

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Short-term employee benefits	**7,159**	6,756
Post-employment benefits	**626**	477
Share-based payments	**19**	1,057
Total[1]	**7,804**	8,290

1 Also refer to the Remuneration Report on page 87 for total remuneration received by each Director for the year ending 31 December 2018.

36. Prospecting licences

The Group holds exploration mineral rights in the United Republic of Tanzania. These rights are held in the form of prospecting licences issued by the Ministry of Energy and Minerals and are held either directly by the Group or indirectly pursuant to third-party agreements. The licences held by the Group as at 31 December 2018 are summarised in the following table.

Licences directly held by Acacia

	Active prospecting licences managed by Acacia		Active prospecting licences not managed by Acacia	
(in thousands of United States dollars)	Number of licences	Area in square kilometres	Number of licences	Area in square kilometres
ABG Exploration Limited	19	102	1	1
North Mara Gold Mine Limited	13	69	–	–
Nyanzaga Mining Company Limited	–	–	22	208
Pangea Mineral Limited	7	57	1	6
Sekenke Exploration Limited	–	–	2	28
Vulcan Resources (Tanzania) Limited	–	–	3	21
Total	**39**	**228**	**29**	**264**

Licences indirectly held by Acacia

(in thousands of United States dollars)	Number of licences	Area in square kilometres
Managed by Acacia	–	–
Not managed by Acacia	6	27

37. Post-balance sheet events

a) Dividends

Acacia has a cash flow based dividend policy where we aim to pay a dividend of between 15-30% of our operational cash flow after sustaining capital and capitalised development but before expansion capital and financing costs. As a result of the inability to export concentrates following the imposition of the concentrate ban in 2017, the uncertainty around a resolution of the ongoing dispute between the Company and the GoT, and the current liquidity requirements, the Board of Directors has not recommended a final dividend for 2018.

b) Update on Discussions between Barrick and GoT

On 20 February 2019 the Company noted further announcements by the GoT and by Barrick regarding their direct discussions, but has not yet received a detailed proposal agreed in principle between Barrick and the GoT for a comprehensive resolution of Acacia's disputes with the GoT. Acacia continues to engage with Barrick to understand Barrick's plans for the next steps in its direct discussions with the GoT. Any proposal received by Acacia in the future for a comprehensive resolution of the Company's disputes with the GoT that might be agreed in principle between Barrick and the GoT as a result of their direct discussions will be subject to review by the Independent Committee of the Acacia Board of Directors and, if recommended by the Independent Committee and the Board, would be put to a shareholder vote.

c) North Mara Environmental Protection Order (EPO)

Post year-end our North Mara mine received an Environmental Protection Order (EPO) from the National Environment Management Council (NEMC) requiring payment of a fine of US$130,000 in relation to alleged breaches of environmental regulations in Tanzania. NEMC's reported findings allege discharges of a hazardous substance at the North Mara mine. The mine has not received any supporting reports, findings or testing data in relation to the matters set out in the EPO.

On 8 March 2019 the GoT directed the North Mara mine to resolve an incident that had resulted in the spillage of water into the local environment. The spillage resulted from a security incident in which sections of the pipe used to transport water from the polishing pond to the tailings storage facility ("TSF") were either vandalised or stolen. The incident led to the switching off of the pump used to transport water to the TSF, and the water level in the polishing pond subsequently overflowed. Following North Mara mine's remedial actions, the temporary overspill from the pond was stopped. North Mara mine welcomed the support of the GoT on resolving the issue, and is working closely with the authorities to implement improvements to security measures around the polishing pond in order to help prevent any reoccurrence. The North Mara mine's technical team continues to work with the GoT within an agreed timeframe to address their concerns regarding seepage from the TSF and has undertaken to manage all seepage through the use of additional pumps and construction of other containment facilities to return any seepage to the TSF and ensure it is confined to the mine site. All seepage is contained on the site, does not flow into the surrounding environment or present a risk of contamination to any public water source. Operations at the North Mara mine remain unaffected.

PARENT COMPANY INCOME STATEMENT

(in thousands of United States dollars)	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
Corporate administration	3	**(6,036)**	(6,925)
Share-based payments		**(523)**	4,176
Exploration and evaluation costs		**(389)**	(11,185)
Other income/(charges)	4	**17,471**	(12,811)
Impairment charges		–	(463,944)
Finance Income	5	**146**	–
Finance expense	5	**(11)**	(13)
Profit/(Loss) before taxation		**10,659**	(490,702)
Income tax	6	–	–
Net Profit/(Loss) for the year		**10,659**	(490,702)

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(in thousands of United States dollars)		For the year ended 31 December 2018	For the year ended 31 December 2017
Net profit/(loss) for the year		**10,659**	(490,702)
Other comprehensive income for the year		**–**	–
Total comprehensive profit/(loss) for the year		**10,659**	(490,702)

The notes on pages 168 to 178 are an integral part of these financial statements.

PARENT COMPANY BALANCE SHEET

(in thousands of United States dollars)	Notes	As at 31 December 2018	As at 31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	8	**-**	-
Investment in subsidiaries	9	**860,624**	860,624
Non-current receivables	16	**795,203**	795,202
		1,655,827	1,655,826
Current assets			
Other receivables	10	**118,302**	110,584
Cash and cash equivalents	11	**7,366**	1,107
		125,668	111,691
Total assets		**1,781,495**	1,767,517
Equity and liabilities			
Share capital and share premium	12	**929,199**	929,199
Other reserves		**510,503**	499,844
Total equity		**1,439,702**	1,429,043
Non-current liabilities			
Other non-current liabilities		**383**	1,041
		383	1,041
Current liabilities			
Provisions		**-**	170
Other current liabilities	15	**341,410**	337,263
		341,410	337,433
Total liabilities		**341,793**	338,474
Total equity and liabilities		**1,781,495**	1,767,517

The notes on pages 168 to 178 are an integral part of these financial statements.

The financial statements on pages 164 to 178 were authorised for issue by the Board of Directors on 27 March 2019 and were signed on its behalf:

PETER GELETA
INTERIM CHIEF EXECUTIVE OFFICER

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(in thousands of United States dollars)	Notes	Share capital	Share premium	Other distributable reserves	Share option reserve	Accumulated losses	Total equity
Balance at 31 December 2017		**62,097**	**867,102**	**1,368,774**	**3,953**	**(347,564)**	**1,954,362**
Loss for the year		–	–	–	–	(490,702)	(490,702)
Dividends to shareholders	14	–	–	–	–	(34,385)	(34,385)
Share options		–	–	–	(232)	–	(232)
Balance at 31 December 2018		**62,097**	**867,102**	**1,368,774**	**3,721**	**(872,651)**	**1,429,043**
Profit for the year		–	–	–	–	10,659	10,659
Dividends to shareholders	14	–	–	–	–	–	–
Share options		–	–	–	–	–	–
Balance at 31 December 2018		**62,097**	**867,102**	**1,368,774**	**3,721**	**(861,992)**	**1,439,702**

The notes on pages 168 to 178 are an integral part of these financial statements.

PARENT COMPANY CASH FLOW STATEMENT

(in thousands of United States dollars)	Notes	*For the year ended 31 December 2018*	*For the year ended 31 December 2017*
Cash flows from operating activities			
Net profit/(loss) for the year		**10,659**	(490,702)
Adjustments for:			
Depreciation and amortisation	8	**32**	30
Impairment charges		**–**	463,944
Gain from sale of mineral royalty		**(45,000)**	–
Finance income	5	**(146)**	–
Finance expense	5	**11**	13
Cash settlement of share options		**–**	(259)
Working capital adjustments	7	**(4,227)**	60,062
Other	7	**(19)**	(106)
Cash generated by operations before interest and tax		**(38,690)**	32,982
Finance income	5	**146**	–
Finance expense	5	**(11)**	(13)
Net cash generated by operating activities		**(38,555)**	32,969
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(32)**	–
Proceeds from sale of mineral royalty		**45,000**	–
Net cash used in investing activities		**44,968**	–
Cash flows from financing activities			
Dividends paid	14	**–**	(34,385)
Net cash used in financing activities		**–**	(34,385)
Net increase/(decrease) in cash and equivalents		**6,413**	(1,416)
Net foreign exchange difference		**(154)**	378
Cash and cash equivalents at 1 January		**1,107**	2,145
Cash and cash equivalents at 31 December		**7,366**	1,107

The notes on pages 168 to 178 are an integral part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate information

Acacia Mining plc, formerly African Barrick Gold plc, (the "Company") was incorporated on 12 January 2010 and re-registered as a public limited company on 12 March 2010 under the Companies Act 2006. It is registered and domiciled in the United Kingdom with registered number 7123187.

On 24 March 2010 the Company's shares were admitted to the Official List of the United Kingdom Listing Authority ("UKLA") and to trading on the main market of the London Stock Exchange, hereafter referred to as the Initial Public Offering ("IPO"). The address of its registered office is 5th Floor, 1 Cavendish Place, London, W1G 0QF, United Kingdom.

Barrick Gold Corporation ("BGC") currently owns approximately 63.9% of the shares of the Company and is the ultimate controlling party of the Group. The financial statements of BGC can be obtained from www.barrick.com

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors of the Company on 27 March 2019. The primary activity of the Company is as holding company for the Acacia Mining Group of companies.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

a) Basis of preparation

The Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRS Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2006 applicableto companies reporting under IFRS. The financial statements are prepared on a going concern basis.

The Company financial statements have been prepared under the historical cost convention basis, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Company financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand US dollars except when otherwise indicated.

Where a change in the presentational format between the prior year and current year financial statements has been made during the period, comparative figures have been restated accordingly. No presentational changes were made in the current year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company financial statements, are disclosed in Note 2d.

The impact of the seasonality on operations is not considered as significant on the Company financial information.

In assessing the Company's going concern status the Directors have taken into account the impact of the concentrate export ban on ongoing subsidiary operations as well as the following factors and assumptions: the current cash position; the latest mine plans, the short-term gold price, and Acacia Group's capital expenditure and financing plans. In addition, the Directors have considered a range of scenarios around the various potential outcomes for the resolution of the current operating challenges in Tanzania in the circumstances, including the cash flow impact of an extended concentrate export ban; and the potential impacts of the timing and final terms of any comprehensive settlement which might be approved by the Company which reflect key terms of the framework announcements made by Barrick and the GoT in October 2017, including the lifting of the concentrate export ban and staged payments of US$300 million relating to historical tax matters. In addition the Directors have assumed that the Company will not be required to settle its current outstanding borrowing obligations and will repay these in accordance with the current terms of the relevant agreements. After making appropriate enquiries and considering the uncertainties described above, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Company financial information however have concluded that the combination of the above circumstances represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company financial information does not include any adjustments that would result if the Company was unable to continue as a going concern should the assumptions referred to above prove not to be correct.

b) New and amended standards adopted by the Company

The following amendments to standards are applicable and were adopted by the Group for the first time for the financial year beginning 1 January 2018:

- IFRS 9 – "Financial instruments". IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Effective 1 January 2018. The adoption of the new standard did not have a significant impact on the Group.
- IFRS 15 – "Revenue from contracts with customers". This standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Effective 1 January 2018. The adoption of the new standard did not have a significant impact on the Group.
- Amendments to IFRS 2 – "Classification and Measurement of Share-based Payment Transactions". The amendments made to AASB 2 in July 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. Effective 1 January 2018. The standard did not have a significant impact on the Group.
- Amendments to IFRS 10 – "Consolidated financial statements" and IAS 28,"Investments in associates and joint ventures" on sale or contribution of assets. The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. The IASB decided to defer the application date of this amendment, until such time this is not applicable. The amendment did not have a significant impact on the Group.

c) New and amended standards and interpretations not yet adopted

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019:

- IFRS 16 – "Leases". IFRS 16 supersedes IAS 17, "Leases", IFRIC 4, "Determining whether an Arrangement contains a Lease", SIC 15, "Operating Leases – Incentives" and SIC 27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. Effective January 2019. Management has reviewed the impact of the new standard in order to put all frameworks and systems in place. Based on initial investigation, the standard is not expected to have a significant impact on the Group, due to majority of our existing contracts being classified as short-term leases with contracts expiring within 12 months from the effective date as well as the majority of contracts relating to service agreements or the performance obligations based on variable terms and thus not resulting in a right of use asset. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

d) Significant judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the parent company financial statements require management to make judgements and/or estimates. These judgements and estimates are continuously evaluated and are based on management's experience and best knowledge of the relevant facts and circumstances, but actual results may differ from the amounts included in the parent company financial statements. Information about such judgements and estimation is included in the accounting policies and/or notes to the financial statements, and the key areas are summarised below.

Areas of judgement and key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the parent company financial statements include:

Estimates

For material estimates, sensitivities were included in the notes to the Company financial statements.

- Whether to recognise a provision for accounts receivable – Notes 2h and 10;
- Recognition of deferred income tax assets, amounts recorded for uncertain tax positions, the measurement of income tax expense and indirect taxes – Notes 2k and 6; and
- Review of property, plant and equipment and investments in subsidiaries, the determination of whether these assets are impaired and the measurement *of impairment charges or reversals* – Notes *2f, 8 and 9.*

e) Foreign currency translation

The Company's transactions are denominated in a number of different currencies (primarily US dollars and UK pounds sterling). The Company has liabilities that are primarily denominated in US dollars. The US dollar is the Company's functional currency, as well as the Company's presentation currency. Transactions in currencies other than the US dollar are translated at the exchange rates as at the date of transaction. Monetary assets and liabilities denominated in currencies other than the US dollar are translated to US dollars at year-end exchange rates. All differences that arise are recorded in the income statement. Non-monetary assets measured at historical cost in a currency other than US dollars are translated using the exchange rates at the date of the initial transactions. Where non-monetary assets are measured at fair value in a currency other than US dollars they are translated into US dollars using the exchange rates on the date when the fair value was determined.

The following exchange rates to the US dollar have been applied:

	As at 31 December 2018	**Average Year ended 31 December 2018**	As at 31 December 2017	Average Year ended 31 December 2017
UK pound (US$:GBP)	**0.78**	**0.75**	0.74	0.78

f) Investment in subsidiaries

Subsidiaries are entities to which the Company is exposed, or has the rights to variable returns from its involvement and has the ability to affect those returns through its power. Control exists when the Company has existing rights and the ability to direct relevant activities, exposure or rights to variable returns from its involvement and the ability to use its power to affect the amount of returns.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the investment in a subsidiary is made, which is considered to be the higher of the fair value less costs to dispose and the value in use. Fair value is determined as the amount that would be obtained from the sale of the investment in an arm's length transaction between knowledgeable and willing parties. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount. Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to the income statement to the extent that the increased carrying value of the investment in subsidiary does not exceed the original carrying value.

g) Share capital

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

h) Financial instruments

From 1 January 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss); and those to be measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the balance sheet, cash and cash equivalents include cash, and money market funds. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Loans and receivables

Loans and receivables are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Loans and receivables comprise other receivables and cash and cash equivalents at the balance sheet date.

From 1 January 2018, the group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

i) Finance income and finance expense

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

j) Other income/charges

Other income/charges comprises one-off credits or costs relating to non-routine transactions included in profit and loss. It includes other credits and charges that, individually or in aggregate, if of a similar type, are of a nature or size that requires explanation in order to provide additional insight into the underlying business performance.

k) Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Indirect tax

Indirect tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in indirect tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions or receivables where appropriate on the basis of amounts expected to be paid to or received from the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. If the receivable is expected to be received in more than 12 months from year-end, the receivable is discounted and held at its present value. Amounts expected to be payable or receivable in more than 12 months are classified as non-current assets or liabilities in the balance sheet, as appropriate.

l) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Corporate administration

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Salaries	**2,000**	3,739
Other employee benefits	**2,641**	3,217
Directors' fees	**1,051**	1,182
Professional and consultancy fees	**5,253**	6,202
Foreign exchange loss/(gain)	**153**	(303)
Travel and administration	**913**	994
Net management fees[1]	**(7,669)**	(10,850)
Depreciation and amortisation	**32**	30
Audit fees	**506**	447
Other	**1,156**	2,267
Total	**6,036**	6,925

1 Net management fees are fees charged by the parent company to the subsidiaries.

Details of Directors' remuneration can be found in the Remuneration Report on pages 87 to 101. Details of the auditors' remuneration can be found in note 10 of the consolidated financial statements.

Average number of employees

	For the year ended 31 December 2018	For the year ended 31 December 2017
Administration	**8**	12
Total average headcount	**8**	12

4. Other charges/(income)

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Other expenses		
Restructuring costs	**5**	711
Legal costs	**27,389**	11,209
Project development costs	**–**	1,485
Other	**135**	859
Total	**27,529**	14,264
Other income		
Profit from the sale of mineral royalty	**(45,000)**	–
Royalty income	–	(1,453)
Other	–	–
Total	**(45,000)**	(1,453)
Total other charges	**(17,471)**	12,811

5. Finance income and expenses

Finance income

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Bank charges	**11**	13
Total	**11**	13

(in thousands of United States dollars)	**For the period ended 31 December 2018**	For the period ended 31 December 2017
Interest on time deposits	**146**	–
Total	**146**	–

6. Income tax

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Corporation taxes	**–**	–
Total	**–**	–

The statutory income tax rate in the United Kingdom is 19% for 2018 (2017: 20%). The tax on the Company's loss before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Profit/(loss) before tax	**10,659**	490,702
Tax calculated at statutory tax rates	**(2,025)**	98,140
Tax effects of:		
Tax profits/(losses) for which no deferred income tax asset was recognised	**2,025**	(98,140)
Tax charge	**–**	–

Deferred tax assets have not been recognised in respect of the tax losses amounting to US$137.2 million as at 31 December 2018 (2017: US$142.6 million), as there is not sufficient certainty over future profits.

7. Cash flow – other items

Operating cash flows – other items

Adjustments for working capital items:

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Other receivables	**(7,720)**	(42,205)
Other current liabilities	**4,151**	107,215
Other non-current liabilities	**(658)**	(4,948)
Total	**(4,227)**	60,062

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Adjustments for non-cash income statement items:		
Foreign exchange (gains)/losses	**(3)**	75
Exchange (gain)/loss on revaluation of cash balances	**154**	(378)
Provisions movement	**(170)**	170
Share option expense	**–**	27
Total	**(19)**	(106)

8. Property, plant and equipment

For the year ended 31 December 2018 (in thousands of United States dollars)	Furniture and equipment	Total
At 1 January 2018, net of accumulated depreciation		
Additions	32	32
Depreciation	(32)	(32)
At 31 December 2018	–	–
At 1 January 2018		
Cost	767	767
Accumulated depreciation	(767)	(767)
Net carrying amount	–	–
At 31 December 2018, net of accumulated depreciation		
Cost	767	767
Accumulated depreciation	(767)	(767)
Net carrying amount	–	–

For the year ended 31 December 2017 (in thousands of United States dollars)	Furniture and equipment	Total
At 1 January 2017, net of accumulated depreciation	30	30
Depreciation	(30)	(30)
At 31 December 2017	–	–
At 1 January 2017		
Cost	767	767
Accumulated depreciation	(737)	(737)
Net carrying amount	**30**	**30**
At 31 December 2017, net of accumulated depreciation		
Cost	767	767
Accumulated depreciation	(767)	(767)
Net carrying amount	–	–

9. Investment in subsidiaries

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Opening balance	**860,624**	1,324,568
Impairment [1]	–	(463,944)
Closing balance	**860,624**	860,624

1 The impairment in 2017 is based on the difference between the carrying amount of the individual investment and the relevant segmental recoverable amount as calculated in the Group's year-end carrying value assessment. Refer to Note 6 in the consolidated financial statements for further details.

The subsidiaries in which investments are held as at 31 December 2018 are as follows:

Company	Principal activity	Country of incorporation	**Equity interest 2018**	Equity interest 2017
BUK Holdco Ltd[2]	Holding Company	UK	**100%**	100%
1816962 Ontario Inc	Holding Company	Canada	**100%**	100%
Acacia Mining Exploration Kenya Ltd	Exploration	Kenya	**1%**	1%

2 BUK Holdco Ltd is exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of s448A of Companies Act 2006.

10. Other receivables

(in thousands of United States dollars)	Note	**As at 31 December 2018**	As at 31 December 2017
Indirect tax receivables		**1,014**	1,029
Advance payments		**301**	359
Other receivables		**5,458**	1,664
Due from related parties	19	**111,529**	107,532
Total		**118,302**	110,584

At 31 December 2018, no other receivables were either past due or impaired. In determining the recoverability of a receivable, the Company performs a risk analysis.

11. Cash and cash equivalents

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Cash at bank and on hand	**720**	1,107
Money market funds	**6,646**	–
Total	**7,366**	1,107

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

12. Share capital and share premium

(in thousands of United States dollars)	Number[1]	Share capital £'000	Share capital[1] US$'000	Share premium US$'000
At 1 January 2017	410,085,499	41,009	62,097	867,102
At 31 December 2017	410,085,499	41,009	62,097	867,102
At 31 December 2018	**410,085,499**	**41,009**	**62,097**	**867,102**

1 All authorised share capital were issued and are fully paid shares.

13. Share-based compensation

Share options are granted to Executive Directors and to selected employees. The exercise price of the granted options is determined by the Remuneration Committee before the grant of an option provided that this price cannot be less than the average of the middle-market quotation of such shares (as derived from the London Stock Exchange Daily Official List) for the three dealing days immediately preceding the date of grant. All options outstanding at the end of the year ending 31 December 2017 expired in November 2018. The vesting period of the options was four years, with an exercise period of seven years form the date of grant.

A new class of zero cost options was granted to the Executive Leadership in April 2017 however these are expected to be cash settled and have therefore been included as part of the Employee share-based liability.

Movements in the number of options outstanding and their related weighted average exercise prices in pence are as follows:

For the year ended 31 December	Average exercise price in pence per share 2018	Options 2018	Average exercise price in pence per share 2017	Options 2017
At 1 January	**497**	**54,261**	222	1,020,314
Forfeited	**–**	**–**	–	–
Expired	**(497)**	**(54,261)**	519	(124,745)
Exercised	**–**	**–**	160	(841,308)
At 31 December	**–**	**–**	497	54,261

14. Dividends paid

The final dividend declared in respect of the year ended 31 December 2016 of US$34.4 million (US8.4 cents per share) was paid during 2017.

Acacia has a cash flow based dividend policy where we aim to pay a dividend of between 15-30% of our operational cash flow after sustaining capital and capitalised development but before expansion capital and financing costs. As a result of the continuing inability to export concentrates following the imposition of the concentrate export ban in 2017, the uncertainty around a resolution of the ongoing dispute between the Company and the GoT, and current liquidity requirements, the Board of Directors has not recommended any dividends for 2018.

15. Other current liabilities

(in thousands of United States dollars)	Note	As at 31 December 2018	As at 31 December 2017
Trade and other payables		**1,452**	6,215
Accrued expenses and taxes		**6,499**	3,962
Payables to related parties	19	**333,459**	327,086
Total		**341,410**	337,263

16. Financial assets and liabilities

a) Financial assets

(in thousands of United States dollars)	**Carrying value as at 31 December 2018**	Carrying value as at 31 December 2017	**Fair value as at 31 December 2018**	Fair value as at 31 December 2017
Cash and cash equivalents	**7,366**	1,107	**7,366**	1,107
Other receivables	**118,302**	110,584	**118,302**	110,584
Non-current receivables[1]	**795,203**	795,202	**795,203**	795,202
Total financial assets	**920,871**	906,893	**920,871**	906,893
Less: Current financial assets				
Cash and cash equivalents	**(7,366)**	(1,107)	**(7,366)**	(1,107)
Other receivables	**(118,302)**	(110,584)	**(118,302)**	(110,584)
Total non-current portion of receivables	**795,203**	795,202	**795,203**	795,202

1 Related party loans are interest-free and have no fixed repayment terms.

The fair value of financial assets equals their carrying amount as they were repayable on demand.

b) Financial liabilities

Revolving credit facility

The Group has a revolving credit facility in place for a maximum aggregate amount of US$150 million, which was negotiated on 24 November 2010 with a syndicate of commercial banks, led by Citibank. The facility has been provided to service the general corporate needs of the Group and to fund potential acquisitions. All provisions contained in the credit facility documentation have been negotiated on normal commercial and customary terms for such finance arrangements and when drawn the spread over LIBOR will be 350 basis points. The term of the facility was successfully extended to 2019 at a maximum aggregate amount of US$150 million. At 31 December 2018, none of the funds were drawn under the facility. The shares of all significant subsidiaries have been pledged as security for the loan. Costs associated with the revolving credit facility have been included in finance expenses.

17. Financial risk management

The Company has exposure to the following risks through its commercial and financial operations:

a) credit risk; and

b) liquidity risk.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk that a third party might fail to fulfil its performance obligations under the terms of a financial instrument. For cash and cash equivalents and other receivables, credit risk represents the carrying amount on the balance sheet.

Credit risk arises from loans to two subsidiaries, receivables, cash and cash equivalents, and deposits with banks. The Company's financial assets are with counterparties whom the Company considers to have an appropriate credit rating. Location of credit risk is determined by physical location of the bank branch, customer or counterparty. The maximum allowable term of maturity for any individual security is 12 months. Investment counterparties must have a credit rating of at least "Baa1" or better by Moody's Investor Services or "BBB+" by Standard and Poor's. No more than 25% of the aggregate market value of the investment portfolio is maintained in any one country, with the exception of the United States of America, United Kingdom and Barbados, or in any one industry group. Investments are held mainly in United States dollars and cash and cash equivalents in other foreign currencies are maintained for operational requirements.

Company policies are aimed at minimising losses as a result of a counterparty's failure to honour its obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Company's financial assets are with counterparties whom the Company considers to have an appropriate credit rating. Maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets in note 16. The Company does not hold collateral as security for any receivables. The Company does not grade the credit quality of receivables.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

The following table outlines the expected maturity of the Company's significant financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances may not agree with the amounts disclosed in the balance sheet.

For the year ended 31 December 2018 (in thousands of United States dollars)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Other non-current liabilities	**-**	**383**	**-**	**-**	**383**
Other current liabilities	**341,410**	**-**	**-**	**-**	**341,410**
Total	**341,410**	**383**	**-**	**-**	**341,793**

For the year ended 31 December 2017 (in thousands of United States dollars)	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Other non-current liabilities	–	1,041	–	–	1,041
Other current liabilities	337,263	–	–	–	337,263
Total	337,263	1,041	–	–	338,304

Management considers that the Company has adequate current assets and forecast cash flow from operations to manage liquidity risks arising from settlement of current liabilities and non-current liabilities.

Capital risk management
The primary objective of the Company's capital management is to ensure that it maintains a strong balance sheet and low gearing ratio to support its business and provide financial flexibility in order to maximise shareholder value. In order to ensure a strong balance sheet and low gearing ratio, management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive committee before submission to the Board for ultimate approval, where applicable.

18. Operating lease arrangements

(in thousands of United States dollars)	**For the year ended 31 December 2018**	For the year ended 31 December 2017
Minimum lease payments under operating leases recognised in income for the period	**419**	429
Total	**419**	429

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

(in thousands of United States dollars)	**As at 31 December 2018**	As at 31 December 2017
Within one year	**449**	421
In the second to fifth years inclusive	**225**	632
After five years	**–**	–
Total	**674**	1,053

19. Related party balances and transactions

The Company had the following related party balances and transactions during the year ended 31 December 2018. Related parties are those entities owned or controlled by Barrick, which is the ultimate controlling party of the Company.

Transactions with related parties are as follows:

a) Transactions

(in thousands of United States dollars)	For the year ended 31 December 2018	For the year ended 31 December 2017
Management fees	**7,669**	10,850
Provision of goods and services	**4,176**	11,211
Purchase of goods and services	**(1,565)**	(1,894)
Dividends paid	**–**	(21,972)
Total	**10,280**	(1,805)

Management fees relate to an allocation of cost incurred based on time spent by management for the benefit of the related party; a 5% mark-up is applied to these costs. Provision and purchase of goods and services to/from related parties are on normal commercial terms and conditions. Provision of services relates to costs incurred by the Company and recharged to related parties with no mark-up. Purchase of goods and services relates to costs incurred by related parties and recharged to the Company with no mark-up. Services purchased relate mainly to insurance, software licences and professional services including legal, audit and consulting charges.

b) Balances due from related parties

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Due from holding company:		
Barrick Gold Corporation	**–**	–
Due from subsidiaries:		
Bulyanhulu Gold Mine Ltd	**34,073**	17,352
Pangea Minerals Ltd	**624**	452
North Mara Gold Mine Ltd	**5,201**	3,227
Acacia Mining SA (Pty) Ltd	**12,889**	34,737
ABG Exploration Limited	**–**	–
Acacia Mining Exploration Kenya Ltd	**57,312**	50,606
Other	**1,430**	1,158
Total	**111,529**	107,532

The receivables from related parties arise mainly from the provision of goods and services. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

c) Balances due to related parties

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Due to holding company:		
Barrick Gold Corporation	**1,254**	1,046
Due to subsidiaries:		
ABG Exploration Limited	**173**	17
Acacia Mining (Barbados) Corp Ltd	**329,532**	326,023
Other	**2,500**	326,023
Total	**333,459**	327,086

The payables to Acacia Mining (Barbados) Corp Ltd arise mainly from operational funding transactions, noted above. Payables to Acacia Mining (Barbados) Corp Ltd are interest free and have no fixed repayment terms.

d) Balances due from related parties (funding in nature)

(in thousands of United States dollars)	As at 31 December 2018	As at 31 December 2017
Due to fellow subsidiaries:		
BUK Holdco Ltd	**772,707**	772,706
BUK East Africa Limited	**22,496**	22,496
Total	**795,203**	795,202

Amounts due from BUK Holdco Ltd and BUK East Africa Limited are interest free and have no fixed repayment terms but are treated as long-term loans as there is no intention to recall the loan within 12 months.

20. Post balance sheet events

a) Dividends

Acacia has a cash flow based dividend policy where we aim to pay a dividend of between 15-30% of our operational cash flow after sustaining capital and capitalised development but before expansion capital and financing costs. As a result of the inability to export concentrates following the imposition of the concentrate ban in 2017, the uncertainty around a resolution of the ongoing dispute between the Company and the GoT, and the current liquidity requirements, the Board of Directors has not recommended a final dividend for 2018.

b) Update on Discussions between Barrick and the GoT

On 20 February 2019 the Company noted further announcements by the GoT and by Barrick regarding their direct discussions, but has not yet received a detailed proposal agreed in principle between Barrick and the GoT for a comprehensive resolution of Acacia's disputes with the GoT. Acacia continues to engage with Barrick to understand Barrick's plans for the next steps in its direct discussions with the GoT. Any proposal received by Acacia in the future for a comprehensive resolution of the Company's disputes with the GoT that might be agreed in principle between Barrick and the GoT as a result of their direct discussions will be subject to review by the Independent Committee of the Acacia Board of Directors.

GLOSSARY OF TERMS

The following definitions and terms are used throughout this Annual Report. In addition, specific terms and definitions relating to mineral reserves and resources can be found on page 107.

Acacia or the Company	Acacia Mining plc, a company incorporated under the Companies Act 2006 and registered in England and Wales with registered number 7123187
Acacia Group or the Group	means the Acacia corporate group of companies, including Acacia Mining plc, the UK holding and parent company of the group; Bulyanhulu Gold Mine Limited, the owner and operator of the Bulyanhulu mine; North Mara Gold Mine Limited, the owner and operator of the North Mara mine; and Pangea Minerals Limited, the owner and operator of the Buzwagi mine. Further information as to the status and role of each member of the Acacia corporate group is provided in Note 1 to the financial statements. In addition to the term "Acacia", in this Report "we", "us" and "our" are also used to refer to the Company and its subsidiaries in general or to those who work for them. These terms are also used where no useful purpose is served by identifying the particular entity or entities. The companies in which Acacia Mining plc has a direct (or indirect) interest are separate entities.
AGM	annual general meeting
AISC	has the meaning given to it under non-IFRS measures on page 182
Articles	the articles of association of the Company
Assay	a chemical test performed on a sample of ores or minerals to determine the amount of valuable metals contained
Au	gold
Average head grade	average ore grade fed into the mill, expressed in grammes per metric tonne
Average realised gold price per ounce sold	has the meaning given to it under non-IFRS measures on page 182
Barrick	Barrick Gold Corporation, a company existing under the laws of the Province of Ontario, Canada
Barrick Group	Barrick and its subsidiary undertakings
Board or Board of Directors	the Board of Directors of Acacia
Cash cost per ounce sold	has the meaning given to it under non-IFRS measures on page 182
Cash cost per tonne milled	has the meaning given to it under non-IFRS measures on page 182
CIL	carbon in leach, a method of recovering gold and silver, in which a slurry of gold/silver bearing ore, carbon and cyanide are mixed together. The cyanide dissolves the gold, which is subsequently absorbed by the activated carbon whose base is usually ground coconut shells
CIM	the Canadian Institute of Mining, Metallurgy and Petroleum
Code of Conduct	Acacia's Code of Business Conduct and Ethics
Companies Act 2006	the Companies Act 2006 of England and Wales, as amended
Concentrate	a fine, powdery product of the milling process containing an economic percentage of gold, silver and copper
Contained ounces	represents total ounces in a mineral reserve before reduction to account for ounces not able to be recovered by the applicable metallurgical process
Co-product	a secondary metal or mineral product recovered in the milling process such as copper and silver
CREST	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to shares in uncertificated form
Crushing	breaking of ore from the size delivered from the mine into smaller and more uniform fragments to be then fed to grinding mills or to a leach pad

CSR	corporate social responsibility
Cu	copper
Development	work carried out for the purpose of opening up a mineral deposit. In an underground mine this includes shaft sinking, crosscutting, drifting and raising. In an open pit mine, development includes the removal of overburden
Directors	the Directors of Acacia for the reporting period, details of whom are set out on pages 72 and 73 of this Annual Report
Disclosure Guidance and Transparency Rules	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA
Dollar or US$ or $	United States dollars
Doré	doré bullion is an impure alloy of gold and silver and is generally the final product of mining and processing; the doré bullion will be transported to be refined to high purity metal
Drift	a horizontal underground opening that follows along the length of a vein or rock formation as opposed to a crosscut which crosses the rock formation
Drilling: core	a drilling method that uses a rotating barrel and an annular-shaped, diamond-impregnated rock-cutting bit to produce cylindrical rock cores and lift such cores to the surface, where they may be collected, examined and assayed
Drilling: in-fill	any method of drilling intervals between existing holes, used to provide greater geological detail and to help establish reserve estimates
Drilling: reverse circulation	drilling method that uses a rotating cutting bit circulation within a double-walled drill pipe and produces rock chips rather than core. Air or water is circulated down to the bit between the inner and outer wall of the drill pipe. The chips are forced to the surface through the centre of the drill pipe and are collected, examined and assayed
EBITDA	has the meaning given to it under non-IFRS measures on page 182
ELT or Executive Leadership Team or Senior Management	the individuals listed on page 74
Executive Director	the executive director of the Company, being as at year-end Peter Geleta
Exploration	prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore
Financial Conduct Authority or FCA	the Financial Conduct Authority of the United Kingdom
Flotation	a milling process in which valuable mineral particles are induced to become attached to bubbles and float as others sink
Free cash flow	has the meaning given to it under non-IFRS measures on page 182
FSMA	the UK Financial Services and Markets Act 2000 (as amended)
Grade	the amount of metal in each tonne of ore, expressed as troy ounces per tonne or grammes per tonne for precious metals and as a percentage for most other metals
g/t	gramme per metric tonne
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted for use in the European Union
IPO	Acacia's initial public offering on the Main Market of the London Stock Exchange
ISO	International Organization for Standardisation
koz	thousand ounces
KPIs	key performance indicators

Kt	thousand metric tonnes
LIBOR	The British Bankers' Association Interest Settlement Rate for the relevant currency and period displayed on the appropriate page of the Reuters' screen
Listing Rules	the rules relating to admission to the Official List made in accordance with section 73A(2) of FSMA
London Stock Exchange or LSE	London Stock Exchange plc
Long-hole stoping	a method of underground mining involving the drilling of holes up to 30 metres or longer into an ore bearing zone and then blasting a slice of rock which falls into an open space. The broken rock is extracted and the resulting open chamber may or may not be filled with supporting material
Majority shareholder	Barrick
MDA	a mineral development agreement
Mill	a plant in which ore is treated and metals are recovered or prepared for smelting; also a revolving drum used for the grinding of ores in preparation for treatment
Moz	million ounces
Mt	million metric tonnes
NGOs	non-governmental organisations
NI 43-101	Canadian National Instrument 43-101
Non-Executive Directors	the non-executive directors of the Company, being as at year-end Rachel English, Andre Falzon, Michael Kenyon, Steve Lucas and Stephen Galbraith
Official List	the Official List of the Financial Conduct Authority
Open pit	a mine where the minerals are mined entirely from the surface. Also referred to as open-cut or open-cast mine
Operating cash flow per share	has the meaning given to it under non-IFRS measures on page 182
Ordinary Shares	Ordinary Shares of 10 pence each in the capital of the Company
Ore	rock, generally containing metallic or non-metallic minerals, which can be mined and processed at a profit
Ore body	a sufficiently large amount of ore that can be mined economically
Overburden	is the material that lies above the area of economic interest, such as soil and ancillary material, that is removed during surface mining
Oxide ore	mineralised rock in which some of the original minerals have been oxidised. Oxidation tends to make the ore more amenable to cyanide solutions so that minute particles of gold will be readily dissolved
oz	troy ounce (31.1035g)
Reclamation	the process by which lands disturbed as a result of mining activity are modified to support beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings storage facilities, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock and other disturbed areas
Recovery rate	a term used in process metallurgy to indicate the proportion of valuable material physically recovered in the processing of ore. It is generally stated as a percentage of the material recovered compared to the total material originally present
Refining	the final stage of metal production in which impurities are removed from the molten metal
Relationship Agreement	the relationship agreement between Barrick and Acacia
ROM	run-of-mine, a term used loosely to describe ore of average grade

SC	Sustainable Communities
Services Agreement	the services agreement between Barrick and Acacia
Shaft	a vertical or inclined excavation in rock for the purpose of providing access to an ore body. Usually equipped with a hoist at the top, which lowers and raises a conveyance for handling workers and materials
Shareholders	holders of Ordinary Shares
Spot or spot price	the purchase price of a commodity at the current price, normally at a discount to the long-term contract price
Stripping	removal of overburden or waste rock overlying an ore body in preparation for mining by open pit methods
Tailings	the material that remains after all economically and technically recoverable precious metals have been removed from the ore during processing
Tailings storage facility	a natural or man-made confined area suitable for depositing the material that remains after the treatment of ore
TANESCO	Tanzanian Electric Supply Company Limited
TRA	Tanzanian Revenue Authority
TRIFR	Total Reportable Injury Frequency Rate
TZS or TSH	Tanzanian shilling
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code	the UK Corporate Governance Code issued by the UK Financial Reporting Council
United States or US	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
VAT	value-added tax
VBAs	village benefit agreements
VBIAs	village benefit implementation agreements
Voluntary Principles	means the United Nations Voluntary Principles on Security and Human Rights

Non-IFRS Measures (Unaudited)

Acacia has identified certain measures in this report that are not measures defined under IFRS. Non-IFRS financial measures disclosed by management are provided as additional information to investors in order to provide them with an alternative method for assessing Acacia's financial condition and operating results, and reflects more relevant measures for the industry in which Acacia operates. These measures are not in accordance with, or a substitute for, IFRS, and may be different from or inconsistent with non-IFRS financial measures used by other companies. These measures are explained further below.

Net average realised gold price per ounce sold is a non-IFRS financial measure which excludes from gold revenue:

- Unrealised gains and losses on non-hedge derivative contracts; and
- Export duties

It also includes realised gains and losses on gold hedge contracts reported as part of cost of sales.

Net average realised gold price per ounce sold have been calculated as follows:

(US$'000)	**Year ended 31 December**	
	2018	**2017**
Gold revenue	660,029	744,294
Realised gold hedge gains (losses)	1,784	2,693
Net gold revenue	661,813	746,987
Gold sold (ounces)	520,380	592,861
Net average realised gold price (US$/ounce)	**1,272**	**1,260**

Cash cost per ounce sold is a non-IFRS financial measure. Cash costs include all costs absorbed into inventory, as well as royalties, and production taxes, and exclude capitalised production stripping costs, inventory purchase accounting adjustments, unrealised gains/losses from non-hedge currency and commodity contracts, depreciation and amortisation and corporate social responsibility charges. Cash cost is calculated net of co-product revenue. Cash cost per ounce sold is calculated by dividing the aggregate of these costs by total ounces sold.

The presentation of these statistics in this manner allows Acacia to monitor and manage those factors that impact production costs on a monthly basis. Cash costs and cash cost per ounce sold are calculated on a consistent basis for the periods presented.

The table below provides a reconciliation between cost of sales and total cash cost to calculate the cash cost per ounce sold.

(US$'000)	Year ended 31 December	
	2018	2017
Total cost of sales	444,374	458,447
Deduct: depreciation and amortisation[1]	(88,497)	(106,201)
Deduct: realised losses on gold hedges	1,784	2,693
Deduct: Co-product revenue	(3,760)	(7,221)
Cash cost	**353,901**	**347,718**
Total ounces sold	520,380	592,861
Cash cost per ounce sold (US$/ounce)	**680**	**587**

1 Depreciation and amortisation includes the depreciation component of the cost of inventory sold

All-in sustaining cost (AISC) is a non-IFRS financial measure. The measure is in accordance with the World Gold Council's guidance issued in June 2013. It is calculated by taking cash cost per ounce sold and adding corporate administration costs, share-based payments, reclamation and remediation costs for operating mines, corporate social responsibility expenses, mine exploration and study costs, realised gains and/or losses on operating hedges, capitalised stripping and underground development costs and sustaining capital expenditure. This is then divided by the total ounces sold. A reconciliation between cash cost per ounce sold and AISC for the key business segments is presented below:

(US$/oz sold)	Year ended 31 December 2018			
	Bulyanhulu	North Mara	Buzwagi	Group*
Cash cost per ounce sold	599	591	906	680
Corporate administration	44	36	32	46
Share-based payments	(11)	–	(1)	–
Rehabilitation	28	7	7	9
CSR expenses	50	11	10	17
Capitalised development	–	143	–	91
Sustaining capital	76	78	23	62
Total AISC	**786**	**866**	**977**	**905**

(US$/oz sold)	Year ended 31 December 2017			
	Bulyanhulu	North Mara	Buzwagi	Group[1]
Cash cost per ounce sold	840	498	594	587
Corporate administration	59	26	35	45
Share-based payments	(6)	(2)	(2)	(14)
Rehabilitation	20	11	5	11
CSR expenses	10	11	8	14
Capitalised development	367	188	–	170
Sustaining capital	83	71	27	62
Total AISC	**1,373**	**803**	**667**	**875**

1 Cash cost per ounce sold and AISC per ounce sold for the quarter are non-meaningful due to the impact of negligible sales ounces on the costs relating to reprocessed tailings.

*The Group total includes a cost of US$20/oz of unallocated corporate related costs in Q4 2018 (Q4 2017: us$19/oz)

AISC is intended to provide additional information on the total sustaining cost for each ounce sold, taking into account expenditure incurred in addition to direct mining costs and selling costs.

Cash cost per tonne milled is a non-IFRS financial measure. Cash costs include all costs absorbed into inventory, as well as royalties, co-product credits, and production taxes, and exclude capitalised production stripping costs, inventory purchase accounting adjustments, unrealised gains/losses from non-hedge currency and commodity contracts, depreciation and amortisation and corporate social responsibility charges. Cash cost is calculated net of co-product revenue. Cash cost per tonne milled is calculated by dividing the aggregate of these costs by total tonnes milled.

EBITDA is a non-IFRS financial measure. Acacia calculates EBITDA as net profit or loss for the period excluding:

- Income tax expense;
- Finance expense;
- Finance income;
- Depreciation and amortisation; and
- *Impairment charges of goodwill and other long-lived assets.*

EBITDA is intended to provide additional information to investors and analysts. It does not have any standardised meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA differently.

A reconciliation between net profit for the period and EBITDA is presented below:

(US$'000)	**Year ended 31 December**	
	2018	**2017**
Net profit/(loss) for the period	58,866	(707,394)
Plus income tax expense/ (credit)	37,905	(2,272)
Plus depreciation and amortisation[1]	88,497	106,201
Plus impairment charges[2]	28,877	850,182
Plus finance expense	13,200	12,407
Less finance income	(1,421)	(1,944)
EBITDA	**225,924**	**257,180**

Adjusted for:

(US$'000)	**Year ended 31 December**	
	2018	***2017***
Restructuring cost	–	34,988
Gain on sale of mineral royalty	(45,000)	–
One-off legal settlements	3,030	5,083
Discounting of indirect taxes	(578)	13,276
Adjusted EBITDA	**183,376**	**310,527**

1 Depreciation and amortisation includes the depreciation component of the cost of inventory sold.
2 Refer to note 6 of the consolidated financial information.

Adjusted EBITDA is a non-IFRS financial measure. It is calculated by excluding one-off costs or credits relating to non-routine transactions from EBITDA. It excludes other credits and charges that, individually or in aggregate, if of a similar type, are of a nature or size that requires explanation in order to provide additional insight into the underlying business performance. EBITDA is adjusted for items (a) to (e) as contained in the reconciliation to adjusted net earnings below.

EBIT is a non-IFRS financial measure and reflects EBITDA adjusted for depreciation and amortisation and goodwill impairment charges.

Adjusted net earnings is a non-IFRS financial measure. It is calculated by excluding certain costs or credits relating to non-routine transactions from net profit attributed to owners of the parent. It includes other credit and charges that, individually or in aggregate, if of a similar type, are of a nature or size that *requires explanation in order to provide additional insight into the underlying business performance.*

Adjusted net earnings and adjusted earnings per share have been calculated as follows:

(US$'000)	***Year ended 31* December**	
	2018	**2017**
Net (loss)/earnings	58,866	(707,394)
Adjusted for:		
Gain on sale of mineral royalty	(45,000)	–
Restructuring cost	–	34,988
Discounting of indirect taxes	(578)	13,276
One-off legal settlements	3,030	5,083
Impairment charges/write-offs[1]	28,877	850,182
Provision for uncertain tax positions	–	172,000
Tax impact of the above	(909)	(221,917)
Adjusted net earnings	**44,286**	**146,218**

1 Refer to note 6 of the consolidated financial information .

Adjusted net earnings per share is a non-IFRS financial measure and is calculated by dividing adjusted net earnings by the weighted average number of Ordinary Shares in issue.

Free cash flow is a non-IFRS measure and represents the change in cash and cash equivalents in a given period.

Net cash is a non-IFRS measure. It is calculated by deducting total borrowings from cash and cash equivalents.

Mining statistical information

The following describes certain line items used in the Acacia Group's discussion of key performance indicators:

- Open pit material mined – measures in tonnes the total amount of open pit ore and waste mined.
- Underground ore tonnes hoisted – measures in tonnes the total amount of underground ore mined and hoisted.
- Underground ore tonnes trammed – measures in tonnes the total amount of underground ore mined and trammed.
- Total tonnes mined includes open pit material plus underground ore tonnes hoisted.
- Strip ratio – measures the ratio of waste to ore for open pit material mined.
- Ore milled – measures in tonnes the amount of ore material processed through the mill.
- Head grade – measures the metal content of mined ore going into a mill for processing.
- Milled recovery – measures the proportion of valuable metal physically recovered in the processing of ore. It is generally stated as a percentage of the metal recovered compared to the total metal originally present.

Basis of preparation for the reporting of tax data

This basis of preparation supports the reporting of tax data contained on page 57 of this Annual Report. Generally, the references to "Tax" in this context mean any amount of money required to be paid to, or repaid by, a Government.

In overview, the key information presented as regards Tax is as follows:

Taxes borne

These are taxes that the Acacia Group is obliged to pay to a Government on its own behalf, or taxes that it is obliged to pay to a third party and that can/cannot be recovered from a Government. The main taxes that we have included in this category are:

Government royalties

These comprise payments made to Governments in the form of royalties. Typically these tend to become payable, and are paid, in the year to which they relate. These taxes form part of our operating costs.

Corporate income tax

This comprises any tax on the business calculated on the basis of its profits, income or capital gains. Typically, these taxes would be reflected in corporate income tax returns made to Governments.

Customs duties

These comprise all customs/excise/import and export duties. Typically, these taxes tend to become payable and are paid to Governments at the point where goods are imported and exported from territories. These taxes form part of our operating and capital incurred costs.

Employer payroll taxes

These comprise payroll and employer taxes payable as a result of a company's capacity as an employer. Typically, these taxes would be reflected in payroll tax returns made to Governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return. These taxes form part of our operating costs.

Environmental taxes

These comprise levies or other payments to Governments relating to environmental policy. Typically, these taxes tend to be payable on an annual basis. These taxes are also included in our operating costs.

Indirect taxes

These comprise VAT and other fuel levies that arise on the purchase of goods and services and are paid to third parties, to be refunded by Governments. Typically, these taxes would form part of a sales tax return made to Governments. Refunds received are included in the taxes refunded category.

Stamp duty

This comprises taxes that arise on transfers of assets or capital. Typically, these taxes would be reflected in stamp duty returns made to Governments and tend to become payable, and are paid, to Governments shortly after capital or assets are transferred.

Taxes collected

These are taxes that a company is obliged to collect from others and pay to Government. The main taxes that we have included in this category are:

Employee payroll taxes

These comprise payroll and employee taxes withheld from employee remuneration and paid to Governments, i.e. taxes collected by Acacia and remitted to Governments on behalf of employees under arrangements such as PAYE schemes. Typically, these taxes would be reflected in payroll tax returns made to Governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after submission of the return.

Withholding taxes collected from suppliers

These comprise taxes that are required to be withheld in advance on payments made to suppliers. Typically, these taxes would be reflected in income tax returns made to Governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year shortly after the submission of the return.

Taxes refunded

These are taxes that are refunded by Governments to Acacia, and mostly comprise the following:

Indirect taxes (mainly VAT and fuel levies)

Typically, indirect taxes would tend to become repayable and are repaid by Governments regularly (often quarterly) throughout the year, shortly after the submission of relevant sales tax returns. Also included are other refunds received.

SHAREHOLDER ENQUIRIES

All enquiries concerning shareholdings, including notification of change of address or dividend payments, should be made to Acacia's registrars, Computershare Investor Services plc, whose contact details are as follows:

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Helpline number: +44 (0) 370 707 1895

Computershare online enquiry service

Computershare provides a range of services through its online portal, Investor Centre, which can be accessed free of charge at www.investorcentre.co.uk

This service enables shareholders to check details of their shareholdings or dividends, download forms to notify changes in personal details and access other relevant information.

Payment of dividends

As a result of the inability to export concentrates following the imposition of the concentrate ban in 2017, the uncertainty around a resolution of the ongoing dispute between the Company and the GoT, and the current liquidity requirements, no interim dividend was paid during 2018 and the Board has not recommended the payment of any final dividend for the year ended 31 December 2018.

Electronic communications

Acacia has obtained shareholders' consent to send and supply documents and information to shareholders in electronic form and via Acacia's website, in accordance with provisions contained in Acacia's Articles of Association.

Increased use of electronic communications will deliver additional savings to Acacia in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits.

Shareholder security

Shareholders should be cautious of any unsolicited financial advice, offers to buy shares at a discount or any other unsolicited advice regarding investment matters. More detailed information is provided at www.fca.org.uk/consumers

Financial calendar	
Financial year-end	31 December 2018
Preliminary results for 2018	11 February 2019
Quarterly results Q1 2019	25 April 2019
Annual General Meeting	23 May 2019
Half year report 2019	July 2019
Quarterly results Q3 2019	October 2019
Production results Q4 2019	January 2020

Forward-looking statements

This report includes "forward-looking statements" that express or imply expectations of future events or results. Forward-looking statements are statements that are not historical facts. These statements include, without limitation, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future production, operations, costs, projects, and statements regarding future performance. Forward-looking statements are generally identified by the words "plans," "expects," "anticipates," "believes," "intends," "estimates" and other similar expressions.

All forward-looking statements involve a number of risks, uncertainties and other factors, many of which are beyond the control of Acacia, which could cause actual results and developments to differ materially from those expressed in, or implied by, the forward-looking statements contained in this report. Factors that could cause or contribute to differences between the actual results, performance and achievements of Acacia include, but are not limited to, changes or developments in political, economic or business conditions or national or local legislation or regulation in countries in which Acacia conducts – or may in the future conduct – business, industry trends, competition, fluctuations in the spot and forward price of gold or certain other commodity prices (such as copper and diesel), currency fluctuations (including the US dollar, South African rand, Kenyan shilling and Tanzanian shilling exchange rates), Acacia's ability to successfully integrate acquisitions, Acacia's ability to recover its reserves or develop new reserves, including its ability to convert its resources into reserves and its mineral potential into resources or reserves, and to process its mineral reserves successfully and in a timely manner, Acacia's ability to complete land acquisitions required to support its mining activities, operational or technical difficulties which may occur in the context of mining activities, delays and technical challenges associated with the completion of projects, risk of trespass, theft and vandalism, changes in Acacia's business strategy including, the ongoing implementation of operational reviews, as well as risks and hazards associated with the business of mineral exploration, development, mining and production and risks and factors affecting the gold mining industry in general. Although Acacia's management believes that the expectations reflected in such forward-looking statements are reasonable, Acacia cannot give assurances that such statements will prove to be correct. Accordingly, investors should not place reliance on forward-looking statements contained in this report.

Any forward-looking statements in this report only reflect information available at the time of preparation. Save as required under the Market Abuse Regulation or otherwise under applicable law, Acacia explicitly disclaims any obligation or undertaking publicly to update or revise any forward-looking statements in this report, whether as a result of new information, future events or otherwise. Nothing in this report should be construed as a profit forecast or estimate and no statement made should be interpreted to mean that Acacia's profits or earnings per share for any future period will necessarily match or exceed the historical published profits or earnings per share of Acacia.

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www.acaciamining.com