

**KERAS RESOURCES PLC**  
**FORMERLY "FERREX PLC"**  
**ANNUAL REPORT 2016**



# KERAS RESOURCES PLC

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Throughout this document 'Keras', 'Keras Resources' or 'the Company' means Keras Resources PLC and 'the Group' means the Company and its subsidiaries.

**KERAS RESOURCES PLC**

**COMPANY INFORMATION**

**Directors:**

B Moritz	Non-Executive Chairman
D Reeves	Managing Director
R Lamming	Non-Executive Director
P Hepburn-Brown	Non-Executive Director

**Company secretary:** Cargil Management Services Limited

**Company number:** 07353748

**Registered office:** 27/28 Eastcastle Street  
London W1W 8DH

**Nominated advisor:** Northland Capital Partners Limited  
60 Gresham Street, 4th Floor,  
London EC2V 7BB

**Broker:** Beaufort Securities Limited  
63 St Mary Axe  
London EC3A 8AA

**Solicitor:** Memery Crystal LLP  
44 Southampton Buildings  
London WC2A 1AP

**Auditor:** Moore Stephens LLP  
150 Aldersgate Street  
London EC1A 4AB

## KERAS RESOURCES PLC HIGHLIGHTS

- Established portfolio of gold mining operations in areas with proven resource potential in Western Australia:
  - Low cost acquisition of 100% of Klondyke Gold Project ('Klondyke')
  - Agreement with Haoma Mining NL ('Haoma') for a Right to Mine and Option to Purchase Agreement on tenements contiguous and near to Klondyke
  - Establishment of joint venture / tribute mining portfolio, following initial acquisition of Chaffers Mining in November 2015
- Primary focus on Klondyke, located in a prospective gold region with 15km of strike, which has a scalable JORC compliant resource of 5.6Mt @ 2.08g/t for 374,000 ounces with significant further upside:
  - Resource covers just 2km of the 7.5km main strike identified, and is also open at depth
  - Right to mine adjacent Haoma tenements, which have excellent discovery potential, highlighted by high-grade drill results, including 3m at 17.58g/t Au from 20m, 4m at 59.48g/t Au from 64m and 11m at 7.23g/t Au from 30m on adjacent shear zones
- Active growth strategy – Klondyke and Haoma transactions provide Keras with control over the Warrawoona Greenstone Belt and the Group continues to assess additional growth opportunities within this prospective area
- Additional upside available through established joint venture / tribute mining portfolio

## **KERAS RESOURCES PLC**

### **CHAIRMAN'S STATEMENT**

During the year under review the Company has changed its area of operation to become an Australian focussed gold company. Having identified the significant potential of the Australian gold market, we have made substantial progress within a short space of time. We established a portfolio of tribute mining operations, which have served as a stepping stone to the transformational acquisition of the Klondyke Gold Project ('Klondyke') in Western Australia.

With an established resource of 5.6Mt at 2.08g/t gold ('Au') for 374,000oz, and further upside opportunity already identified, we believe Klondyke offers significant value uplift potential. Furthermore, at the same time as we acquired Klondyke the Company also reached an agreement with Haoma Mining NL ('Haoma') for a Right to Mine and Option to Purchase Agreement on tenements contiguous and near to Klondyke covering 650 hectares. We believe these tenements have excellent potential due to the high grade drill results that have been returned to date, including 3m @ 17.58g/t Au from 20m, 4m @ 59.48 g/t Au from 64m and 11m @ 7.23 g/t Au from 30m.

Crucially, as we will be the operator of Klondyke and the Haoma tenements, with a 100% interest, we believe there are stronger operating margins available for us here compared to our tribute operations. It is therefore our intention that this will be our primary development focus. With this in mind, our strategy going forward is centred on advancing Klondyke towards production whilst concurrently identifying, assessing and developing low risk, high-margin mining operations, which are intended to provide cash flow to support the development of Klondyke.

Despite not having been profitable in the year to 30 September 2016, our tribute mining operations have served to give us a foothold in the gold mining sector in Australia. In order to ensure that these operations are a profitable investment for the Company, both in terms of capital investment and management time, Keras has implemented rigorous internal screening protocols for assessing new projects.

Aside from our operational activity in Australia, we have an 85% interest in the Nayega Manganese Project in Togo, West Africa, which we believe offers significant upside due to its low capex, open pit, near-term production 250,000 tonne per annum manganese export potential. Whilst we continue to await the award of a mining licence, we remain optimistic about the future development potential of this project, especially given the positive price performance of manganese in 2016.

#### **Corporate Update**

To reflect our increasing operational presence in Australia, we are currently working to finance the development of Klondyke through a proposed listing on the Australian Stock

## **KERAS RESOURCES PLC**

### **CHAIRMAN'S STATEMENT**

Exchange ('ASX'). We will continue to keep shareholders updated with developments relating to a potential listing of either the Company or its subsidiary on the ASX.

With the change in focus of the Company to Australia, we have commenced restructuring our Board. Mr. Roy Pitchford resigned from his role as a non-executive director of the Company in September 2016, when we acquired the Klondyke and Haoma tenements. At the same time, Mr. James Carter, the Finance Director, also resigned from the Board, but he will continue to provide services to the Company in the role of Chief Financial Officer. I would like to take this opportunity to thank both Roy and James for the long-term support and guidance they have given Keras and I look forward to continuing to work with James.

#### ***Financial Review***

In order to fund the acquisition of Klondyke, Keras entered into an Acquisition Finance Facility Agreement ('Finance Agreement') with a consortium of investors arranged by Riverfort Global Capital Ltd (the 'Investors'). The Finance Agreement has been entered into as a bridge funding facility to secure the acquisition of a significant long-term asset for the Company.

The total drawdown available to the Company was US\$2m (£1.5m) ('Principal Amount') and is repayable six months after the initial drawdown at an interest rate of 10% per semi-annum, with a Commitment Fee and an Implementation Fee of 5% each. Draw down of the total facility took place on completion of the project acquisition in October 2016 and the Company granted £389,350 worth of warrants to subscribe for new ordinary shares of 0.01p each ("Ordinary Shares"). The warrants are exercisable at a strike price of 0.8501GBP and are valid for two years from the date of issue.

#### ***Outlook***

This has been a transformational year for Keras, with the change of focus from iron and manganese in Africa to gold in Australia. I believe we now have the necessary foundations in place to build an exciting mining business and increase shareholder value. The acquisition of Klondyke and the Haoma tenements gives us the opportunity to operate our own 100% owned gold mine, and our focus is now on advancing Klondyke into production. The first step is to gain a better understanding of the geology and to expand the resource prior to completing development plans for the project. In line with this, we commenced an initial 600m drill programme in November 2016. We expect the results of this to confirm priority targets for the resource drill programme planned for early 2017, which we believe should extend the current JORC compliant mineral resource estimate.

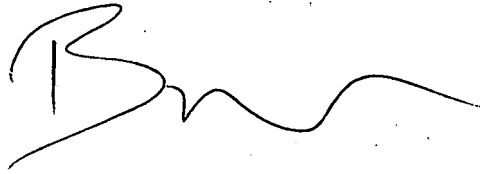
**KERAS RESOURCES PLC**

**CHAIRMAN'S STATEMENT**

In addition to advancing Klondyke and the Haoma tenements, we will continue to investigate profitable gold mining operations.

Finally, I would like to take this opportunity, in what could be my final statement as Chairman, to thank the rest of the Board and our management team for their hard work, and shareholders for their support through a difficult period of transition. We look forward to keeping shareholders updated with our progress over the coming year, which is set to be an extremely active one.

Brian Moritz  
Chairman  
19 December 2016

A handwritten signature in black ink, appearing to be 'B Moritz', written over a horizontal line.

**STRATEGIC REPORT**

The Directors present their Strategic Report for the year ended 30 September 2016.

**Operating Review**

**Principal Activities**

The principal activity of the Group during the reporting period has been the move into gold mining and exploration via the acquisition of Chaffers Mining Pty Ltd ('Chaffers Mining') in November 2015, which gave Keras the right to mine certain defined gold deposits located 30km north of Kalgoorlie in the heart of the Western Australian. The main areas of activity during the reporting period were consequently in Australia, with some limited work at the Company's manganese project in Togo.

Post year end, the Company announced the completion of the acquisition of the Klondyke Gold project in Western Australia and entered into the Haoma Option and right to mine agreement.

**Organisation Overview**

The Group's business is directed by the Board and is managed by the Managing Director David Reeves. The Group has a small senior management team comprising a Chief Financial Officer and a Chief Operating Officer. To date, the Group has mainly engaged the services of external contractors and consultants to provide services to its various projects such as mining and drilling services, metallurgical testwork, engineering design, and environmental studies. The structure reflects the relatively small scale nature of the Group's activities, which necessitates a balance between managing cash expenditure and achieving the Group's work programmes in a professional and timely manner.

**Strategy and Business Plan**

The Group's strategy is to target projects that increase shareholder value by taking projects through the life cycle from feasibility to development.

The Group's business model has established the Company as an efficient and low cost explorer/developer.

During the reporting period the Group was focussed on finalising the acquisition of Chaffers Mining and identifying opportunities for the outright acquisition of an Australian based gold project; the latter being achieved through the acquisition of the Klondyke gold project and Haoma option, both located in the Pilbara region of Western Australia. These projects have existing resources and potential for further exploration upside. Through the acquisition of Chaffers Mining small scale gold production commenced during the year at the Grants

**STRATEGIC REPORT**

Patch projects where the Company has a Tribute Agreement arrangement in place with Paddington Gold.

Minimal work was undertaken at the Nayega Manganese project in Togo as the company awaits the award of a mining licence from the Togolese government. A definitive feasibility study was completed for Nayega in the previous year and the project still holds significant value potential for the Company.

In exploring and developing mineral deposits, the Group accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long-term view of management's good track record in mineral discovery and development. Board and management currently hold 16% of the issued shares in Keras and we believe this stake provides further evidence of the Board's belief in and commitment to its strategy.

To date, the Group has financed its activities through equity and debt raisings. As the Group's projects become more advanced, the Board will seek mining finance, as well as investigating strategic opportunities to obtain funding for projects from future customers via production sharing, royalty and other marketing arrangements.

**Financial and Performance Review**

The Group commenced initial production of gold in Australia during the year under review, having previously had no income other than a small amount of bank interest. Revenue for the period was £1.9m, generated from gold sales proceeds at the Grants Patch projects in Australia. Production at these projects was completed in July 2016. Further information was disclosed in the June quarterly report announced on 28 July 2016. The gross loss from operations was £0.3m, with lower than expected productivity in the small pits resulting in higher operating costs. Mining and milling of ore from the Wycheproof project commenced during the fourth quarter and as at 30 September all production was recorded in inventory.

The results of the Group are set out in detail in the financial statements. The Group reports a loss of £2.2m for the year (2015: £5.7m) after administration and exploration expenses of £1.3m (2015: £1.2m) and an impairment charge in 2015 of £4.5m.

The financial statements show that, at 30 September 2016, the Group had total assets of £3.1m (2015: £1.3m). Total assets include £2.0m (2015: £1.2m) of intangible assets. This primarily comprises exploration, evaluation and development expenditure on the Group's projects. The increase from the previous year is mainly associated with the acquisition of Chaffers Mining in November 2015.

**STRATEGIC REPORT**

Expenditure such as pre-licence and reconnaissance costs is expensed.

The loss reported in any year includes expenditure for specific projects that was carried forward in previous reporting periods as intangible assets but which the Board determines is impaired in the reporting period.

The Directors have assessed the carrying value of the Group's assets, and no impairment has been made to the carrying value of the Nayega manganese project in Togo, or the carrying value of gold mining assets in Australia.

**Key Performance Indicators ("KPI's)**

During the year the Board monitored the following KPI's:

- Cash flow and working capital
  - Short (<3 months) and long term cashflows models are prepared to monitor and forecast the groups funding needs
  - Management accounts prepared on a monthly basis for the group's key subsidiaries and quarterly on a consolidated group basis
  - Weekly reporting of the Group's working capital position
- Production forecasts and mine plans
  - The company undertook modest scale production at the Grants Patch and Wycheproof projects during the year. These projects have subsequently been completed
  - Management prepare mine schedules and cash flow budgets for these projects that were reported against on a daily, weekly and monthly basis.

In the upcoming year there will be greater focus on exploration at the Klondyke and Haoma gold projects. Should the Company also receive a mining permit for the Nayega Manganese project then activities at this project could increase substantially from the current reporting period.

**STRATEGIC REPORT**

**Australian Owner Operator Gold Projects**

***Klondyke Gold Project (100% owned)***

In October 2016 Keras completed the acquisition of Arcadia Minerals Pty Ltd ('Arcadia'), which at the time was the 100% owner of the Klondyke Gold Project ('Klondyke') in the Pilbara region of Western Australia. At the same time, the Company also acquired the Haoma Mining NL ("Haoma") Right to Mine and Option to Purchase Agreement, which gives Keras the right to mine a number of tenements prospective for gold, covering 650 hectares contiguous and near to Klondyke. These transactions are part of the Company's strategy to become a significant gold producer in Western Australia.

Klondyke is located in the prospective Warrawoona Goldfield in the East Pilbara District of the Pilbara Goldfield of Western Australia. The Project comprises four mining licences covering 490 hectares, which includes numerous historic gold mines with very high gold grades, such as the Klondyke Block and the Kopcke's Reward, which have historical mined grades of 574g/t and 90 g/t of gold respectively. Klondyke itself has an established 2012 JORC compliant Inferred Resource of 5.6Mt at 2.08g/t for 374,000oz Au. Crucially, this resource is confined to two separate 1km portions of a 7.5km of mineralised strike length identified, meaning there is significant potential for a large increase in resource along the untested strike length.

Initial optimisation work on the resource suggests, due to its large tonnage, near surface nature, that the deposit could be best exploited via open pit mining, with favourable operating metrics projected. Aside from the open-pit resource, there is also the potential for underground mining on high grade lodes, which would further extend the resource potential of the deposit.

In addition to the upside potential identified within the Klondyke licence area, Keras also has the right to mine the Haoma tenements, which comprise seven tenements covering an area of 650 hectares. These are contiguous and near to the Klondyke deposit, and include historic deposits such as the previously producing Fieldings Gully mine, and the Coronation and Copenhagen deposits.

The Fieldings Gully mine is located approximately 15km from the centre of the Klondyke area and is an old operating mine. Fieldings Gully has a historic non-compliant resource of 315,000t @ 1.8 g/t Au for 18,266oz at a 0.5g/t Au cut-off and the resource remains open at depth and along strike. Significant intersections returned from the deposit include 14m @ 3.09g/t from 53m, 4m @ 5.29 g/t from 12m and 3m @ 17.58g/t from 20m.

Copenhagen is located 10km from Klondyke and is situated on an old mine. No resource has been calculated, but significant intercepts have been returned from the deposit, including

**STRATEGIC REPORT**

4m @ 59.48 g/t Au from 64m, 6m @ 15.47g/t Au from 26m and 10m @ 6.82 g/t Au from 18m. These intercepts are extremely positive, but I would like to advise shareholders that a small open pit was developed in the 1980s at Copenhagen and consequently some of these areas may have been mined. We look forward assessing this deposit in more detail.

Coronation is located 12.5km from Klondyke and is situated on an old mine. Like Copenhagen, no resource has been calculated but significant intercepts underpin the prospectivity of this asset, including 8m @ 7.64g/t Au from 64m, 3m @ 16.67g/t Au from 16m and 2m @ 31.5g/t Au from 30m.

In line with our active growth strategy, work has already commenced at Klondyke and the wider Haoma tenement area. Detailed mapping of the greater Klondyke area commenced in early November 2016 and an initial 600m drill programme commenced in mid-November. The intention of this first phase of drilling is to confirm historical intercepts and finalise assay techniques for the main 12,000m drill programme which is targeted to upgrade the current resource in the Klondyke main shear and to in-fill drill the adjacent Haoma tenements located along strike of the resource.

Following this drill programme, we will look to follow-up significant drill intercepts at Copenhagen and review data from the Fieldings Gully and Coronation deposits in order to ascertain the likelihood that further drilling could add to the current resource. We also intend to complete further metallurgical testwork.

Phase three of our development programme will look to undertake further extensional drilling in order to define the westerly strike potential of the main Klondyke shear and as part of this we hope to complete a scoping study. This would then potentially pave the way for a pre-feasibility study, which covers phase four of our development strategy.

In addition to advancing Klondyke and the Haoma tenements we will continue to assess additional opportunities in the project area that we believe offer prospective upside opportunity, complement our current land holding and further consolidate our presence within the region.

**Australian Tribute Gold Projects**

The Company continues to identify and assess low-risk, tribute operations to enable continuing cash flows while the flagship, 100% owned Klondyke Project is being advanced to a development decision. To support this, Keras has implemented rigorous internal screening protocols for assessing new projects to determine maximum cash costs and profit per month to ensure the Company only invests in low-risk projects that provide an adequate reward for the time spent on the project.

**STRATEGIC REPORT**

The Company's tribute portfolio is focussed on the Western Australian goldfields meaning that infrastructure can be shared across the projects in order to maximise profitability.

**Grants Patch Gold Project**

**Status: Anomaly 22 and Accord – Complete | Prince of Wales Mine – Ongoing**

On 17 November 2015 Keras secured its first tribute contract via the acquisition of a 100% interest of Australian private company Chaffers Mining ('Chaffers'). This gave Keras ownership of a five year tribute mining agreement with Paddington Goldfields, a subsidiary of Norton Goldfields ('Norton'), to mine certain defined gold deposits located on the Norton Grants Patch lease area, situated 30km north of Kalgoorlie in the heart of the Western Australian goldfields ('Grants Patch'). The agreement covers historic resources of 5,741,155t at 2 g/t of gold for 363,599 ounces, with multiple deposits comprised of remnant resources below historic pits and previously unmined near-surface deposits. Ore recovered is treated at Norton's Paddington processing plant located 25km away ('Paddington Mill'). Keras is contracted to pay mining and processing costs, plus 22% royalty on gold recovered to Norton.

Following an initial investigation of the licence area, Keras identified two shallow laterite and oxide gold deposits, Anomaly 22 and Accord, which were recognised as providing potential for rapid targeting in order to generate revenue in the short term. The Company also identified an opportunity for high grade underground mining from the Price of Wales mine, which has a historic resource of 154,000t @ 8g/t gold and an exploration target of 500Kt at 10g/t for 160Koz.

Ore mining commenced at Anomaly 22 in March 2016 and the first batch of ore, totalling 7,548t at a grade of 1.53 g/t containing around 372 ounces of gold, was hauled in early April 2016 to be processed at the Paddington Mill. Following delivery, ore mining commenced at Accord and operations continued to move between the Anomaly 22 and Accord deposits, with a second batch of ore, estimated to total 17,000t of ore at a grade of 1.93 g/t Au containing an estimated 1,055 ounces of gold, delivered to the Paddington Mill in late April 2016.

In total, 63,346 tonnes of ore were mined from Anomaly 22 and Accord, which was toll processed at a provisional grade of 1.36 g/t Au for a total of 2,763 ounces Au. However, lower than expected productivity in the small pits resulted in higher operating costs, with a total operating cost per ounce excluding joint venture costs of A\$1,407/oz and total operating cost including payments to due joint ventures partners of A\$1,736/oz achieved, set against the then average gold price of A\$1,687/oz. This accordingly led us to re-evaluate our joint venture mining protocols for the mining of future deposits, including increasing

**STRATEGIC REPORT**

excavator and trucking capacity, optimising grade control drilling and re-negotiating contracts in order to significantly reduce costs and increase operating margins.

The underground Prince of Wales mine remains a prospective target for Keras, where higher operating margins are modelled. Keras has completed extensive design and costing work in order to help finalise development plans for the mine and a Bulk Sample permit to mine an initial 10,000t was received in July 2016, which will allow the Company to target the shallow, higher-grade ore that can be easily accessed from the existing decline. Further updates relating to this will be provided in due course.

**Wycheproof Gold Deposit**

**Status: Complete**

Keras secured a 50:50 profit share agreement with Kalgoorlie Mining Associates on 23 February 2016 to mine the Wycheproof deposit, which is located 50km north-east of the city of Kalgoorlie in the Western Australian goldfields. With an established resource of 75,600t at 2.87 g/t Au for 6,974 ounces, Wycheproof is a high-grade, shallow deposit, which Keras targeted due to its ability to be brought into production in a short space of time.

To support the exploitation of this asset, Keras concluded a toll milling agreement with Golden Mile Milling (Pty) Ltd ('Golden Mile') on 31 August 2016 to treat ore from Wycheproof at Golden Mile's Lakewood mill, which is located on the outskirts of Kalgoorlie. Following this, in September 2016, the Company commenced milling of the first 10,000t batch of gold ore from Wycheproof and during the quarter ended 30 September 2016 mined 19,522 tonnes of ore at an estimated average grade of 1.80g/t Au. The final batch is currently being processed with total recovered gold estimated to be approximately 1,000 ounces Au.

**Lindsay's Gold Project**

**Status: Ongoing**

On 14 March 2016 Keras signed a binding profit share agreement with KalNorth Gold Mines Limited ('KalNorth') over the Lindsay's Project in the Western Australian goldfields. Under the terms of the Agreement, Keras has been granted an exclusive and irrevocable option to mine the Lindsay's Project in consideration for a share of the net revenues derived from the Lindsay's Project.

The Lindsay's Project is located 65km NNE of Kalgoorlie and about 60km NE of the Grants Patch Gold Tribute Project. It incorporates total open pit and underground resources of 215,100 ounces Au at a grade of 1.7g/t Au of which 77% falls in the Indicated Resource category. It also includes the high-grade Parrot Feathers deposit, which comprises a resource of 401,000t at a grade of 4.2g/t Au containing 54,000 ounces Au with further upside potential.

**STRATEGIC REPORT**

This deposit is likely to be targeted via an underground operation. Keras is currently assessing development plans for this project with a decision to proceed or not to be made in the near future.

On 14 December 2016, the Group entered into a Deed of Release with KalNorth Gold Mines Limited in relation to the binding profit share agreement (see Note 29 to the financial statements).

**African Portfolio**

***Togo – Nayega Manganese Project (85% owned)***

Keras holds an 85% interest in the Nayega manganese project, which covers 92,390 hectares in northern Togo, held through Societe Generale des Mines SARL. The project is 30km from a main road, which has direct access to the regionally important deep-water port of Lome 600km away that has >800,000t per annum back loading capabilities.

Having defined a JORC Code compliant Indicated and Measured Resource of 11.0Mt @ 13.1% manganese, the Company has completed the majority of the Phase 1 Definitive Feasibility Study to develop an initial open-pit, 250,000tpa manganese operation. To support this proposed development, we have applied for a Mining Permit. The Company continues to await the award of this, and consequently we have not undertaken any significant activities during the year. However, we would like to assure shareholders that we have all the relevant documents, government assurances and local support in place so that we are well positioned to deliver first production within approximately nine months from a development decision, subject to the availability of mining finance.

With the manganese price performing well this year we remain unchanged in our view that Nayega offers significant value for Keras and we are currently assessing the best ways in which to realise this.

***Gabon – Mebaga Iron Ore (78% owned)***

The Mebaga licence has had an application for renewal lodged, the Company is considering the best course of action for this project.

***South Africa – Leinster Manganese (74% owned)***

The Company is considering disposal options with regards to this project.

## **KERAS RESOURCES PLC**

### **STRATEGIC REPORT**

#### **Risk Management**

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

##### **Exploration Risk**

The Group's business has been primarily mineral exploration and evaluation which are speculative activities and whilst the Directors are satisfied that good progress is being made, there is no certainty that the Group will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value.

The Group aims to mitigate this risk when evaluating new business opportunities by targeting areas of potential where there is at least some historical drilling or geological data available.

##### **Resource Risk**

All mineral projects have risk associated with defined grade and continuity. Mineral reserves and resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and commodity price assumptions.

The Group reports mineral resources and reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code'). The JORC Code is a professional code of practice that sets minimum standards for public reporting of mineral exploration results, mineral resources and ore reserves. Further information on the JORC Code can be found at [www.jorc.org](http://www.jorc.org).

##### **Development Risk**

Delays in permitting, financing and commissioning a project may result in delays to the Group meeting production targets. Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity.

##### **Mining and Processing Technical Risk**

Notwithstanding the completion of metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, ground water conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable.

## **KERAS RESOURCES PLC**

### **STRATEGIC REPORT**

The Group has a small team of mining professionals experienced in geological evaluation, exploration, financing and development of mining projects. To mitigate development risk, the Group supplements this from time to time with engagement of external expert consultants and contractors.

#### **Environmental Risk**

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

The Group is currently in the exploration stage and also undertook gold mining activities at the Grants patch and Wycheproof projects during the reporting period. Any disturbance to the environment during this phase is minimal and is rehabilitated in accordance with the prevailing regulations of the countries in which we operate. The company engaged a specialist environment consultant to assess and prepare the Company's environment obligations and permitting requirements at our gold projects during the reporting period.

#### **Financing & Liquidity Risk**

The Group has an ongoing requirement to fund its activities through the equity markets and in future to obtain finance for project development. There is no certainty such funds will be available when needed. To date, Keras has managed to raise funds primarily through equity and debt placements despite the very difficult markets that currently exist for raising funding in the junior mining industry.

#### **Political Risk**

All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social permitting risks, risks of strikes and changes to taxation whereas less developed countries can have in addition, risks associated with changes to the legal framework, civil unrest and government expropriation of assets.

#### **Partner Risk**

Whilst there has been no past evidence of this, the Group can be adversely affected if joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments.

The Group aims to mitigate this risk by 1) holding significant majority shareholdings in our projects that we can commit to funding our minority partners until production and positive cash flow and 2) endeavouring to enter into joint venture funding arrangements with large and credible counterparties.

## **KERAS RESOURCES PLC**

### **STRATEGIC REPORT**

#### **Financial Instruments**

Details of risks associated with the Group's financial instruments are given in Note 27 to the financial statements. Given the nature of the Group's activities, Keras does not utilise any complex financial instruments.

#### **Insurance Coverage**

The Group maintains a suite of insurance coverage that is appropriate for the Company. This is arranged via a specialist mining insurance broker and coverage includes public and products liability, travel, property and medical coverage and assistance while Group employees and consultants are travelling on Group business. This is reviewed at least annually and adapted as the Group's scale and nature of activities changes.

#### **Internal Controls and Risk Management**

The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities, the Directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible. The Directors review the effectiveness of internal financial control at least annually.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

The Board takes account of the significance of social, environmental and ethical matters affecting the business of the Group. At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of Keras' stakeholders through individual policies and through ethical and transparent actions.

The Group has adopted an anti-corruption and bribery policy and a whistle blowing policy.

#### **Shareholders**

The Directors are always prepared, where practicable, to enter into dialogue with shareholders to promote a mutual understanding of objectives. The Annual General Meeting provides the Board with an opportunity to informally meet and communicate directly with investors.

## **KERAS RESOURCES PLC**

### **STRATEGIC REPORT**

#### **Environment**

The Board recognises that its principal activities, mineral exploration and mining, have potential to impact on the local environment. To date, activities at the various projects have been limited to mining and drilling activities and the Group does comply with local regulatory requirements with regard to environmental compliance and rehabilitation. The impact on the environment of the Group's activities has the potential to increase should our projects move into a development or production phase. This is currently assessed through baseline environmental studies that are being undertaken and identifying resources needed to manage environmental compliance in the future. During the year the Group engaged an experienced environment consultant to assist with fulfilling our environmental regulatory obligations at the Australian gold projects.

Given the Group's size and scale it is not considered practical or cost effective to collect and report data on carbon emissions.

#### **Employees**

The Group engages its employees to understand all aspects of the Group's business and seeks to remunerate its employees fairly, being flexible where practicable. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Group takes account of employees' interests when making decisions and welcomes suggestions from employees aimed at improving the Group's performance.

The Group has operated projects in South Africa, Gabon and Togo, and commenced operations in Australia. We recruit locally as many of our employees and contractors as practicable.

#### **Suppliers and Contractors**

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers. There have been occasions during the reporting period where this has been extended beyond normal terms as the Group has managed cash flow during the year during current difficult market conditions.

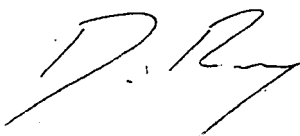
## **KERAS RESOURCES PLC**

### **STRATEGIC REPORT**

#### **Health and Safety**

The Board recognises that it has a responsibility to provide strategic leadership and direction in the development of the Group's health and safety strategy in order to protect all of its stakeholders. Except for the Australian subsidiaries, the Group does not have a formal health and safety policy at this time. This is re-evaluated as and when the Group's nature and scale of activities change.

This Strategic Report was approved by the Board of Directors on 19 December 2016.



David Reeves  
Managing Director  
19 December 2016.

## **KERAS RESOURCES PLC**

### **DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2016.

With effect from 11 December 2015, the name of the Company was changed from Ferrex PLC to Keras Resources PLC.

The Group's projects are set out in the Strategic Report.

#### **Review of business and financial performance**

Further details on the financial position and development of the Group are set out in the Chairman's Statement, the Strategic Report and the annexed financial statements.

#### **Results**

The Group reports an after-tax loss of £2,239,000 (2015: £5,716,000):

#### **Major events after the balance sheet date**

On 5 October 2016, the Company announced that it had completed the acquisition of the Klondyke Gold Project and the Haoma Mining NL Right to Mine and Option to Purchase Agreement in the Pilbara region of Western Australia. These transactions are part of the Company's strategy to become a significant gold producer in Western Australia.

In order to fund the above acquisitions, the Company has entered into an Acquisition Finance Facility Agreement with a consortium of investors arranged by Riverfort Global Capital Ltd. The Finance Agreement has been entered into as a bridge funding facility to secure the acquisition of a significant long-term asset for the Company.

The total drawdown available before fees to the Company is £1.5m with a maturity date six months after the initial drawdown at an interest rate of 10% per semi-annum, with a Commitment Fee and an Implementation Fee of 5% each. During the period before the maturity the Investors may elect to convert such principal amount of the loan outstanding at a 20% premium to the Keras closing share price on the date of drawdown.

On 14 December 2016, the Group entered into a Dead of Release with KalNorth Gold Mines Limited in relation to the binding profit share agreement over the Lindsay's Project. The Group will receive approximately £0.07m relating to the recovery of third party costs incurred.

Further details on these subsequent events can be found in the respective announcements which are available from the Company's website [www.kerasplc.com](http://www.kerasplc.com).

#### **Dividends**

The Directors do not recommend payment of a dividend for the year ended 30 September 2016 (2015: £nil).

#### **Political donations**

There were no political donations during the year (2015: £nil).

## **KERAS RESOURCES PLC**

### **DIRECTORS' REPORT**

#### **Going concern**

The Directors continue to adopt the going concern basis in preparing the financial statements. The Board is confident that external funding can be raised to finance the Group's planned activities. Should a decision to mine be made, any external funding arrangements for the development of the Nayega project will be obtained prior to any commitment for such development.

#### **Directors' indemnities**

The Group maintains Directors and Officers liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers.

#### **Corporate governance statement**

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of its shareholders. Keras complies insofar as the Directors consider appropriate for a company at Keras' stage of development, with the Corporate Governance Code for Small and Mid-size Quoted Companies 2013, published by the Quoted Companies Alliance. The Company has established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

#### **Audit Committee**

The Audit Committee, which comprises R Lamming and B Moritz, and is chaired by B Moritz, is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls. Meetings of the Audit Committee are held at least twice a year, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Audit Committee are re-elected annually by the Board.

#### **Remuneration Committee**

The Remuneration Committee, which now comprises R Lamming and B Moritz and which is chaired by R Lamming, reviews the performance of the executive directors and sets their remuneration, determines the payment of bonuses to executive directors and considers the future allocation of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time to Directors and employees. Meetings of the Remuneration Committee are required to be held at least twice a year. The Remuneration Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Remuneration Committee are re-elected annually by the Board.

## KERAS RESOURCES PLC

### DIRECTORS' REPORT

#### Directors

The following Directors held office during the period:

B Moritz	(Non-Executive Chairman)
D Reeves	(Managing Director)
J Carter	(Finance Director) resigned 12 September 2016
R Lamming	(Non-Executive Director)
R Pitchford	(Non-Executive Director) resigned 12 September 2016
P Hepburn-Brown	(Non-Executive Director) appointed on 17 November 2015

#### Directors' interests

The beneficial interests of the Directors holding office on 30 September 2016 in the issued share capital of the Company were as follows:

	30 September 2016		30 September 2015	
	Number of ordinary shares of 0.01p each	Percentage of issued ordinary share capital	Number of ordinary shares of 0.05p each	Percentage of issued ordinary share capital
B Moritz	25,833,333	1.92%	25,833,333	2.35%
D Reeves <sup>1</sup>	128,577,867	9.54%	128,577,867	11.68%
R Lamming <sup>2</sup>	41,944,444	3.11%	42,881,944	3.81%
P Hepburn-Brown	25,883,400	1.92%	-	-

<sup>1</sup>These ordinary shares are held by the Elwani Trust whose beneficiaries are the spouse and children of D Reeves.

<sup>2</sup>These ordinary shares are held by Clearwater Investments Group Limited, a company owned by the Clearwater Trust whose beneficiaries are members of R Lamming's family.

There have been no material changes to these holdings since 30 September 2016.

#### Directors' remuneration and service contracts

Details of remuneration payable to Directors are disclosed in note 11 to these financial statements:

	Remuneration £'000	Share- based payments £'000	2016 Total £'000	2015 Total £'000
B Moritz	30	8	38	32
D Reeves	125	23	148	131
J Carter	100	17	117	92
R Lamming	55	11	66	35
R Pitchford	19	4	23	21
P Hepburn-Brown	35	11	46	-
	<u>364</u>	<u>74</u>	<u>438</u>	<u>311</u>

Fees payable to non-executive directors and part of the remuneration of the executive directors have not been paid and are included with Trade and Other Payables.

During the year the Company established a share appreciation rights scheme to incentivise Directors and senior management, further details of this scheme can be found in note 24.

## **KERAS RESOURCES PLC**

### **DIRECTORS' REPORT**

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group of the Group's profit or loss for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and 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. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement of disclosure to auditor**

Each Director at the date of approval of this report confirms that;

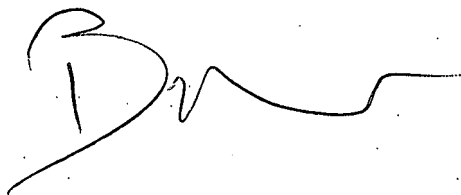
So far as they are aware,

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

#### **Auditor**

A resolution to re-appoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board  
Brian Moritz  
Director  
19 December 2016



## **KERAS RESOURCES PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KERAS RESOURCES PLC (CONTINUED)**

#### **Independent Auditor's Report to the Members of Keras Resources Plc**

We have audited the financial statements of Keras Resources Plc for the year ended 30 September 2016 which are set out on pages 25 to 61. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 30 September 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**KERAS RESOURCES PLC**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF KERAS RESOURCES PLC (CONTINUED)**

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Group incurred a net loss of £2,239,000 during the year ended 30 September 2016 and, at that date, had net current liabilities of £1,788,000. The continuation of operations is largely dependent on seeking finance through external sources. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the Group and Company were unable to continue as a going concern.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Simms, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street  
London  
EC1A 4AB

19 December 2016

**KERAS RESOURCES PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Notes	2016 £'000	2015 £'000
<b>Revenue</b>	<b>8</b>	1,936	-
Cost of sales		<u>(2,242)</u>	<u>-</u>
<b>Gross loss</b>		(306)	-
Administrative and exploration expenses		(1,320)	(1,180)
<b>Loss from operating activities</b>		<u>(1,626)</u>	<u>(1,180)</u>
Finance costs	<b>12</b>	(486)	(78)
<b>Net finance costs</b>		<u>(486)</u>	<u>(78)</u>
<b>Results from operating activities after finance costs</b>		<u>(2,112)</u>	<u>(1,258)</u>
Impairment of assets	<b>15</b>	(10)	(4,458)
<b>Loss before tax</b>		<u>(2,122)</u>	<u>(5,716)</u>
Tax	<b>13</b>	(117)	-
<b>Loss for the year</b>		<u>(2,239)</u>	<u>(5,716)</u>
<b>Other comprehensive income</b>			
Exchange translation on foreign operations		95	19
<b>Total comprehensive loss for the year</b>		<u>(2,144)</u>	<u>(5,697)</u>
<b>Loss attributable to:</b>			
Owners of the Company		(2,211)	(5,450)
Non-controlling interests		<u>(28)</u>	<u>(266)</u>
<b>Loss for the year</b>		<u>(2,239)</u>	<u>(5,716)</u>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(2,075)	(5,373)
Non-controlling interests		<u>(69)</u>	<u>(324)</u>
<b>Total comprehensive loss for the year</b>		<u>(2,144)</u>	<u>(5,697)</u>
<b>Loss per share</b>			
Basic and diluted loss per share (pence)	<b>23</b>	<u>(0.176)</u>	<u>(0.528)</u>

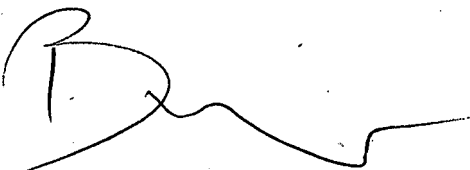
All activities are classed as continuing

**KERAS RESOURCES PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	Notes	2016 £'000	2015 £'000
<b>Assets</b>			
Property, plant and equipment	14	51	35
Intangible assets	15	2,041	1,171
Trade and other receivables	20	29	-
<b>Non-current assets</b>		<u>2,121</u>	<u>1,206</u>
Inventory	19	604	-
Trade and other receivables	20	200	52
Cash and cash equivalents	21	134	64
<b>Current assets</b>		<u>938</u>	<u>116</u>
<b>Total assets</b>		<u>3,059</u>	<u>1,322</u>
<b>Equity</b>			
Share capital	22	6,123	5,504
Share premium		7,666	6,371
Other reserves		(339)	523
Retained deficit		(12,387)	(11,275)
<b>Equity attributable to owners of the Company</b>		<u>1,063</u>	<u>1,123</u>
Non-controlling interests		(730)	(661)
<b>Total equity</b>		<u>333</u>	<u>462</u>
<b>Liabilities</b>			
Loans and borrowings	25	1,136	375
Trade and other payables	26	1,590	485
<b>Current liabilities</b>		<u>2,726</u>	<u>860</u>
<b>Total liabilities</b>		<u>2,726</u>	<u>860</u>
<b>Total equity and liabilities</b>		<u>3,059</u>	<u>1,322</u>

The financial statements were approved by the Board of Directors and authorised for issue on 19 December 2016. They were signed on its behalf by:

  
Brian Moritz, Director

KERAS RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share capital	Attributable to owners of the Company				Total	Non- controlling interests	Total equity
		Share premium	Share option /warrant reserve	Exchange reserve	Retained deficit			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2015	5,504	6,371	250	273	(11,275)	1,123	(661)	462
Loss for the year	-	-	-	(839)	(1,372)	(2,211)	(28)	(2,239)
Other comprehensive income	-	-	-	161	(25)	136	(41)	95
<b>Total comprehensive loss for the year</b>	-	-	-	(678)	(1,397)	(2,075)	(69)	(2,144)
Issue of ordinary shares	619	1,306	-	-	-	1,925	-	1,925
Costs of share issue	-	(11)	-	-	-	(11)	-	(11)
Transfer reserve on cancellation of options	-	-	(250)	-	250	-	-	-
Warrants issued in lieu of finance costs	-	-	101	-	-	101	-	101
Transfer in respect of warrants exercised	-	-	(35)	-	35	-	-	-
	619	1,295	(184)	-	285	2,015	-	2,015
<b>Balance at 30 September 2016</b>	<b>6,123</b>	<b>7,666</b>	<b>66</b>	<b>(405)</b>	<b>(12,387)</b>	<b>1,063</b>	<b>(730)</b>	<b>333</b>

The notes on pages 33 to 61 are an integral part of these consolidated financial statements.  
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KERAS RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Exchange reserve	Retained deficit			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2014	4,669	6,439	229	196	(5,825)	5,708	(337)	5,371
Loss for the year	-	-	-	(183)	(5,267)	(5,450)	(266)	(5,716)
Other comprehensive income	-	-	-	260	(183)	77	(58)	19
<b>Total comprehensive loss for the year</b>	-	-	-	77	(5,450)	(5,373)	(324)	(5,697)
Issue of ordinary shares	835	-	-	-	-	835	-	835
Costs of share issue	-	(68)	-	-	-	(68)	-	(68)
Share-based payments	-	-	21	-	-	21	-	21
	835	(68)	21	-	-	788	-	788
<b>Balance at 30 September 2015</b>	<b>5,504</b>	<b>6,371</b>	<b>250</b>	<b>273</b>	<b>(11,275)</b>	<b>1,123</b>	<b>(661)</b>	<b>462</b>

The notes on pages 33 to 61 are an integral part of these consolidated financial statements.

**KERAS RESOURCES PLC**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Cash flows from operating activities</b>		
Loss from operating activities	(1,626)	(1,180)
Adjustments for:		
Depreciation and amortisation	107	15
Profit on disposal of property, plant and equipment	-	(1)
Foreign exchange differences	(90)	139
Equity-settled share-based payments	-	21
	<u>(1,609)</u>	<u>(1,006)</u>
Changes in:		
- inventories	(604)	-
- trade and other receivables	(177)	12
- trade and other payables	942	177
<b>Cash used in operating activities</b>	<u>(1,448)</u>	<u>(817)</u>
Finance costs	(344)	(15)
<b>Net cash used in operating activities</b>	<u>(1,792)</u>	<u>(832)</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	-	13
Acquisition of property, plant and equipment	(21)	-
Exploration and licence expenditure	(286)	(224)
<b>Net cash used in investing activities</b>	<u>(307)</u>	<u>(211)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of share capital	1,434	655
Proceeds from short term borrowings	735	345
<b>Net cash flows from financing activities</b>	<u>2,169</u>	<u>1,000</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	70	(43)
Cash and cash equivalents at beginning of year	64	107
<b>Cash and cash equivalents at 30 September</b>	<u>134</u>	<u>64</u>

The notes on pages 33 to 61 are an integral part of these consolidated financial statements.

**KERAS RESOURCES PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2016**

	Notes	2016 £'000	2015 £'000
<b>Assets</b>			
Property, plant and equipment	14	-	1
Investments	17	465	-
<b>Non-current assets</b>		<u>465</u>	<u>1</u>
Loans	18	2,434	1,770
Trade and other receivables	20	231	29
Cash and cash equivalents	21	82	57
<b>Current assets</b>		<u>2,747</u>	<u>1,856</u>
<b>Total assets</b>		<u>3,212</u>	<u>1,857</u>
<b>Equity</b>			
Share capital	22	6,123	5,504
Share premium		7,666	6,371
Reserves		66	250
Retained deficit		(12,473)	(11,055)
<b>Total equity attributable to owners of the Company</b>		<u>1,382</u>	<u>1,070</u>
<b>Liabilities</b>			
Loans and borrowings	25	1,136	375
Trade and other payables	26	694	412
<b>Current liabilities</b>		<u>1,830</u>	<u>787</u>
<b>Total liabilities</b>		<u>1,830</u>	<u>787</u>
<b>Total equity and liabilities</b>		<u>3,212</u>	<u>1,857</u>

The financial statements of Keras Resources PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 19 December 2016. They were signed on its behalf by:

  
Brian Moritz, Director

KERAS RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share capital	Share premium	Share option /warrant reserve	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2014	4,669	6,439	229	(3,465)	7,872
Loss for the year	-	-	-	(7,590)	(7,590)
<b>Total comprehensive loss for the period</b>	-	-	-	(7,590)	(7,590)
Issue of ordinary shares	835	-	-	-	835
Costs of share issue	-	(68)	-	-	(68)
Share-based payments	-	-	21	-	21
	<u>835</u>	<u>(68)</u>	<u>21</u>	<u>-</u>	<u>788</u>
<b>Balance at 30 September 2015</b>	<u>5,504</u>	<u>6,371</u>	<u>250</u>	<u>(11,055)</u>	<u>1,070</u>
Balance at 1 October 2015	5,504	6,371	250	(11,055)	1,070
Loss for the year	-	-	-	(1,703)	(1,703)
<b>Total comprehensive loss for the year</b>	-	-	-	(1,703)	(1,703)
Issue of ordinary shares	619	1,306	-	-	1,925
Costs of share issue	-	(11)	-	-	(11)
Transfer reserve on cancellation of options	-	-	(250)	250	-
Warrants issued in lieu of finance costs	-	-	101	-	101
Transfer in respect of warrants exercised	-	-	(35)	35	-
	<u>619</u>	<u>1,295</u>	<u>(184)</u>	<u>285</u>	<u>2,015</u>
<b>Balance at 30 September 2016</b>	<u>6,123</u>	<u>7,666</u>	<u>66</u>	<u>(12,473)</u>	<u>1,382</u>

**KERAS RESOURCES PLC****COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Loss from operating activities	(1,228)	(723)
Adjustments for:		
Intercompany debt written off	607	-
Depreciation	1	-
Equity-settled share-based payments	-	21
	<u>(620)</u>	<u>(702)</u>
Changes in:		
- trade and other receivables	(202)	14
- trade and other payables	282	159
<b>Cash used in operating activities</b>	<u>(540)</u>	<u>(529)</u>
Finance costs	<u>(334)</u>	<u>(23)</u>
<b>Net cash used in operating activities</b>	<u>(874)</u>	<u>(552)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of share capital	1,434	655
Proceeds from short term borrowing	735	345
Loans to subsidiaries	(1,270)	(463)
<b>Net cash flows from financing activities</b>	<u>899</u>	<u>537</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	25	(15)
Cash and cash equivalents at beginning of year	57	72
<b>Cash and cash equivalents at 30 September</b>	<u>82</u>	<u>57</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**1. Reporting entity**

Keras Resources PLC is a company domiciled in England and Wales. The address of the Company's registered office is 27/28 Eastcastle Street, London, W1W 8DH. The Group currently operates as an explorer and developer and commenced production at its Australian gold projects in 2016.

**2. Going concern**

After making enquiries and as more fully explained in the Directors Report on page 20, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. This assumption relies on external funding being raised, either via a potential listing on the ASX or through other sources, to finance the Group's planned activities. For this reason, the Directors have adopted the going concern basis in preparing the accounts. At this stage, however, there can be no certainty as regards the raising of the external funding necessary.

**3. Basis of preparation**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union, and the Companies Act 2006 as applicable to entities reporting in accordance with IFRS.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements having taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive loss for the year ended 30 September 2016 was £1,703,000 (2015: £7,590,000).

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated.

**(c) Functional and presentation currency**

These consolidated financial statements are presented in Pounds Sterling ('GBP' or '£'), which is the Group's functional currency and is considered by the Directors to be the most appropriate presentation currency to assist the users of the financial statements. All financial information presented in GBP has been rounded to the nearest thousand, except when otherwise indicated.

**(d) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods of the revision if it affects both current and future periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**(d) Use of estimates and judgements (continued)**

Critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Carrying value of intangible assets - Notes 4(e)(i) and 15
- Intercompany receivables (Company only) - Note 18

**4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

**(a) Basis of consolidation**

**(i) Business combinations**

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

**(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(iii) Non-controlling interests**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**(iv) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**(v) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**4. Significant accounting policies (continued)**

**(b) Foreign currency**

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

**(i) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to GBP at exchange rates at the reporting date. The income and expenses of foreign operations are translated to GBP at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve except to the extent that the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**(c) Financial instruments**

**(i) Non-derivative financial assets**

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables.

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 4(g)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

**Loans and receivables (continued)**

Loans and receivables comprise trade and other receivables.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

**Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

4. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in the statement of comprehensive income over the estimated useful lives of each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of significant items of property, plant and equipment are as follows:

- plant and equipment 10 years
- office equipment 2 years
- computer equipment 2 years
- motor vehicles 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

(i) Prospecting and exploration rights

Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and evaluation expenditure are recognised at cost.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Prospecting and exploration rights Life of mine based on units of production
- The "Chaffer" tribute agreement Amortised over a period of 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is included within administrative expenses in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

4. Significant accounting policies (continued)

(f) Inventories

Inventories are initially recognised at cost, and subsequently at lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

Mining inventory includes run of mine stockpiles, minerals in circuit, finished goods and consumables. Stockpiles, minerals in circuit and finished goods are valued at their cost of production to their point in process using a weighted average cost of production, or net realisable value, whichever is the lower. Low grade stockpiles are only recognised as an asset when there is evidence to support the fact that some economic benefit will flow to the Company on the sale of such inventory. Consumables are valued at their cost of acquisition, or net realisable value, whichever is the lower.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and had an impact on the estimated future cash flows from that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

**Financial assets measured at amortised cost**

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

4. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment or when there is an indication of impairment. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

**Share-based payments**

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of Share Appreciation Rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**4. Significant accounting policies (continued)**

**(i) Compound financial instruments**

Compound financial instruments comprise both liability and equity components. At issue date the fair value of the liability component is estimated by discounting its future cashflows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option. The liability component is accounted for as a financial liability. The difference between the net issue proceeds and the liability component, at the time of issue, is the residual, or equity component, which is accounted for as an equity reserve.

The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument. The difference between any repayments and the interest expense is deducted from the carrying amount of the liability.

**(j) Revenue**

Revenue from the sale of precious metals is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer excluding sales taxes.

**(k) Finance income and finance costs**

Finance income comprises interest income on bank funds. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

**(l) Taxation**

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**4. Significant accounting policies (continued)**

**(l) Taxation (continued)**

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

**(m) Segment reporting**

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

**5. New standards and interpretations not yet adopted**

Amendments to the following International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been implemented by the Group in the period ended 30 September 2016:

IAS 24 Related Party Disclosures

IFRS 8 Operating Segments

*Standards, Amendments to published Standards and Interpretations issued but not yet effective*

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning after 1 October 2015 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Amendments to IAS 1 Presentation of Financial Statements

Amendments to IFRS 7 Financial Instruments : Disclosures

Amendments to IAS 27 Separate Financial Statements

Amendments to IAS 7 Statement of Cash Flows

Amendments to IFRS 2 Share-Based Payments

IFRS 9 Financial Instruments

IFRS 11 Joint Arrangements

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

Where relevant, the Group is evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**6. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**(i) Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

**(ii) Intangible assets**

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**(iii) Trade and other receivables**

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

**(iv) Share-based payments**

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**7. Operating segments**

The Group considers that it operates in three distinct business areas, being that of iron ore exploration, that of manganese exploration and that of gold exploration and extraction. These business areas form the basis of the Group's operating segments. For each segment, the Group's Managing Director (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

Other operations relate to the Group's administrative functions conducted at its head office and by its intermediate holding company together with consolidation adjustments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment results are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within the exploration industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 7. Operating segments (continued)

## Information about reportable segments

## 2016

	Gold £'000	Iron Ore £'000	Manganese £'000	Other operations £'000	Total £'000
External revenue	1,936	-	-	-	1,936
Interest expense	(23)	-	-	(463)	(486)
Depreciation, amortisation, and impairment	(93)	(15)	(8)	(1)	(117)
Loss before tax	(830)	(97)	(108)	(1,087)	(2,122)
Assets	1,941	22	575	521	3,059
Exploration and capital expenditure	794	10	8	5	817
Liabilities	1,111	4	13	1,598	2,726

## 2015

	Gold £'000	Iron Ore £'000	Manganese £'000	Other operations £'000	Total £'000
External revenue	-	-	-	-	-
Interest expense	-	-	-	(78)	(78)
Depreciation, amortisation and impairment	-	(3,947)	(525)	(1)	(4,473)
Loss before tax	-	(4,100)	(782)	(834)	(5,716)
Assets	-	36	806	480	1,322
Exploration and capital expenditure	-	38	186	-	224
Liabilities	-	7	31	822	860

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**7. Operating segments (continued)**

**Information about geographical segments**

**2016**

	<b>Australia</b>	<b>South Africa</b>	<b>West Africa</b>	<b>Other operations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
External revenue	1,936	-	-	-	1,936
Interest expense	(23)	-	-	(463)	(486)
Depreciation, amortisation and impairment	(93)	-	(13)	(11)	(117)
Loss before tax	(830)	(12)	(184)	(1,096)	(2,122)
Assets	1,940	8	589	522	3,059
Exploration and capital expenditure	794	-	8	15	817
Liabilities	1,111	-	17	1,598	2,726

**2015**

	<b>Australia</b>	<b>South Africa</b>	<b>West Africa</b>	<b>Other operations</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
External revenue	-	-	-	-	-
Interest expense	-	-	-	(78)	(78)
Depreciation, amortisation and impairment	-	(2,682)	(1,790)	(1)	(4,473)
Loss before tax	-	(2,674)	(2,202)	(840)	(5,716)
Assets	-	7	1,226	89	1,322
Exploration and capital expenditure	-	16	208	-	224
Liabilities	-	-	38	822	860

**8. Revenue**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Sales of precious metals – Mining and exploration	1,936	-
	<u>1,936</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**9. Expenses**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Expenses include:		
Depreciation and amortisation expense	107	15
Auditor's remuneration		
- Audit fee	35	28
- Other services	3	3
-Tax services	-	-
Foreign exchange differences	<u>27</u>	<u>4</u>

Auditor's remuneration in respect of the Company amounted to £10,000 (2015: £10,000).

**10. Personnel expenses**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	318	284
Fees	277	228
Equity-settled share-based payments	74	21
	<u>669</u>	<u>533</u>

Fees in respect of the services of D Reeves are payable to a third party, Wilgus Investments (Pty) Limited.

Fees in respect of the services of R Lamming are payable to a third party, Parallel Resources Limited.

The average number of employees (including directors) during the period was:

	<b>2016</b>	<b>2015</b>
Directors	6	5
Key management personnel	2	2
Other	5	5
	<u>13</u>	<u>12</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**11. Directors' emoluments**

**2016**

	<b>Executive directors £'000</b>	<b>Non- executive directors £'000</b>	<b>Total £'000</b>
Wages and salaries (incl. fees)	225	139	364
Compulsory social security contributions	-	-	-
Equity-settled share-based payments	40	34	74
	<u>265</u>	<u>173</u>	<u>438</u>

**2015**

	<b>Executive directors £'000</b>	<b>Non- executive directors £'000</b>	<b>Total £'000</b>
Wages and salaries (incl. fees)	228	70	298
Compulsory social security contributions	-	-	-
Equity-settled share-based payments	8	5	13
	<u>236</u>	<u>75</u>	<u>311</u>

These amounts are disclosed by director in the Directors' report on page 21.

Emoluments disclosed above include the following amounts payable to the highest paid director:

	<b>2016 £'000</b>	<b>2015 £'000</b>
Emoluments for qualifying services	<u>148</u>	<u>131</u>

**Key management personnel**

Included in note 10 are emoluments paid to key management personnel in the year which amounted to £102,000 (2015: £90,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**12. Finance costs****Recognised in loss for period**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Interest on loans	453	-
Other	33	78
<b>Finance costs</b>	<u>486</u>	<u>78</u>

**13. Taxation****Current tax expense**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Tax recognised in profit or loss</b>		
<b>Current tax expense</b>		
Current period	<u>117</u>	<u>-</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<u>-</u>	<u>-</u>
<b>Total tax expense</b>	<u>117</u>	<u>-</u>

**Reconciliation of effective tax rate**

	<b>2016 £'000</b>	<b>2015 £'000</b>
Loss before tax	<u>(2,122)</u>	<u>(5,716)</u>
Tax using the Company's domestic tax rate of 20.0% (2015: 20.5%)	(424)	(1,172)
Effects of:		
Expenses not deductible for tax purposes	136	974
Overseas losses	189	95
Equity-settled share-based payments	15	4
Tax claimed, repaid on research and development expenditure	117	-
Tax losses carried forward not recognised as a deferred tax asset	<u>84</u>	<u>99</u>
	<u>117</u>	<u>-</u>

None of the components of other comprehensive income have a tax impact.

**Factors that may affect future tax charges**

At the year end, the Group had unused tax losses available for offset against suitable future profits of approximately £3,413,000 (2015: £2,992,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 14. Property, plant and equipment

## Group

	Plant and equipment £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
Balance at 1 October 2014	28	49	63	140
Disposals	-	(1)	(39)	(40)
Effect of movements in exchange rates	(1)	-	(3)	(4)
<b>Balance at 30 September 2015</b>	<b>27</b>	<b>48</b>	<b>21</b>	<b>96</b>
Balance at 1 October 2015	27	48	21	96
Additions	19	8	-	27
Effect of movements in exchange rates	6	6	4	16
<b>Balance at 30 September 2016</b>	<b>52</b>	<b>62</b>	<b>25</b>	<b>139</b>
<b>Depreciation and impairment provisions</b>				
Balance at 1 October 2014	8	29	38	75
Depreciation for the year	4	5	6	15
Depreciation eliminated on disposals	-	(1)	(27)	(28)
Effect of movements in exchange rates	-	-	(1)	(1)
<b>Balance at 30 September 2015</b>	<b>12</b>	<b>33</b>	<b>16</b>	<b>61</b>
Balance at 1 October 2015	12	33	16	61
Depreciation for the year	4	9	6	19
Effect of movements in exchange rates	2	3	3	8
<b>Balance at 30 September 2016</b>	<b>18</b>	<b>45</b>	<b>25</b>	<b>88</b>
<b>Carrying amounts</b>				
At 30 September 2014	20	20	25	65
At 30 September 2015	15	15	5	35
At 30 September 2016	34	17	-	51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 14. Property, plant and equipment (continued)

## Company

	Computer equipment £'000	Total £'000
<b>Cost</b>		
Balance at 1 October 2014	5	5
Additions	-	-
<b>Balance at 30 September 2015</b>	<u>5</u>	<u>5</u>
Balance at 1 October 2015	5	5
Additions	-	-
<b>Balance at 30 September 2016</b>	<u>5</u>	<u>5</u>
<b>Depreciation and impairment provisions</b>		
Balance at 1 October 2014	4	4
Depreciation for the year	-	-
<b>Balance at 30 September 2015</b>	<u>4</u>	<u>4</u>
Balance at 1 October 2015	4	4
Depreciation for the year	1	1
<b>Balance at 30 September 2016</b>	<u>5</u>	<u>5</u>
<b>Carrying amounts</b>		
At 30 September 2014	<u>1</u>	<u>1</u>
At 30 September 2015	<u>1</u>	<u>1</u>
At 30 September 2016	<u>-</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**15. Intangible assets**

	<b>Prospecting and exploration rights £000</b>
<b>Cost</b>	
Balance at 1 October 2014	5,526
Additions	224
Effect of movement in exchange rates	(160)
<b>Balance at 30 September 2015</b>	<u>5,590</u>
Balance at 1 October 2015	5,590
Additions	790
Effect of movements in exchange rates	306
<b>Balance at 30 September 2016</b>	<u>6,686</u>
<b>Amortisation and impairment losses</b>	
Balance at 1 October 2014	-
Impairment	4,458
Effect of movements in exchange rates	(39)
<b>Balance at 30 September 2015</b>	<u>4,419</u>
Balance at 1 October 2015	4,419
Impairment	10
Amortisation	88
Effect of movements in exchange rates	128
<b>Balance at 30 September 2016</b>	<u>4,645</u>
<b>Carrying amounts</b>	
Balance at 30 September 2014	<u>5,526</u>
Balance at 30 September 2015	<u>1,171</u>
Balance at 30 September 2016	<u>2,041</u>

The carrying value of the prospecting and exploration rights is supported by the estimated resource and current market values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**16. Business combinations**

On 16 November 2015, the Group acquired 100 per cent of the ordinary share capital of Chaffers Mining Pty Limited (now renamed Keras (Gold) Australia Pty Limited), an Australian registered private company. The acquisition was settled by way of a share issue and a further share issue to be made once 10,000 oz of gold have been extracted. At the interim financial date the further share issue to the value of £465,000 was treated as a deferred liability against mineral rights. At the year end however the directors have reconsidered the measurement of the acquisition and have determined that the further share issue should be treated as a contingent liability with the mineral rights recognised being reassessed accordingly but the valuation of these rights will be revisited upon determination of any liability. The transaction has been accounted for using the acquisition method of accounting.

This acquisition contributed to entire revenue generated by the group during the year.

The details of the business combination are as follows:

	<b>Book value £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value £'000</b>
Mineral rights	-	504	504
Fixed assets	6	-	6
Bank balances and cash	19	-	19
Trade and other payables	(64)	-	(64)
	<u>(39)</u>	<u>504</u>	<u>465</u>

**£'000**

**Satisfied by:**

Share consideration (actual and deferred)	930
Reassessment of consideration at 30 September 2016 (see below)	(465)
	<u>465</u>

Included in the share consideration is £465,000 which relates to deferred consideration payable based on the expectation that there will be 10,000 oz of gold production over the life of the tribute agreement.

At the year end the directors consider that the balance of the consideration for the Chaffers acquisition, the further share issue to the value of £465,000, will no longer be payable as they consider it unlikely that 10,000 oz of gold will be extracted from this resource. This matter will be reassessed on an annual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 17. Investment in subsidiaries

## Company

	2016 £'000	2015 £'000
<b>Equity investments</b>		
Balance at beginning of period	-	1,778
Additions	465	-
Impairment	-	(1,778)
<b>Balance at 30 September</b>	<u>465</u>	<u>-</u>

	Activity	Country of incorporation	Ownership interest	
			2016	2015
<b>Directly</b>				
Ferrex Iron Limited	Investment	United Kingdom	100%	100%
Ferrex Manganese Limited	Investment	United Kingdom	100%	100%
Southern Iron Limited	Investment	Guernsey	100%	100%
Keras Australia Pty Limited	Research and development	Australia	100%	100%
Keras (Gold) Australia Pty Limited	Mining minerals	Australia	100%	-
<b>Indirectly</b>				
Moongate 218 (Pty) Limited	<b>Exploration</b>	South Africa	74%	74%
Southern MN (Pty) Limited	Exploration	South Africa	74%	74%
Société Générale de Mine	Exploration	Togo	85%	85%
Ressources Equatoriales SARL	Exploration	Gabon	78.3%	78.3%

## 18. Loans

## Group

	2016 £'000	2015 £'000
Balance at beginning of period	-	119
Provisions against loans at beginning of period	-	(119)
<b>Balance at 30 September</b>	<u>-</u>	<u>-</u>

## Company

	2016 £'000	2015 £'000
Balance at beginning of period	1,770	6,322
Funds advanced to subsidiaries	1,270	463
Provisions against loans	(606)	(5,015)
<b>Balance at 30 September</b>	<u>2,434</u>	<u>1,770</u>

Group loans are to third parties in respect of costs relating to exploration rights. Due to the uncertainty of obtaining the necessary licences a provision was made against these loans in the current and previous year. All loans are currently unsecured and interest free and repayable on demand apart from that between the parent and Keras Australia (Gold) Pty Limited on which interest is charged at LIBOR plus 2%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 19. Inventories

	2016 £'000	2015 £'000
Minerals held for sale	426	-
Production stockpiles	178	-
	<u>604</u>	<u>-</u>

Amount of inventory charged as an expense was £2,242,000 (2015: £nil).

## 20. Trade and other receivables

## Group

	2016 £'000	2015 £'000
Other receivables	149	37
Prepayments	80	15
	<u>229</u>	<u>52</u>
Non current	29	-
Current	200	52
	<u>229</u>	<u>52</u>

## Company

	2016 £'000	2015 £'000
Other receivables	194	15
Prepayments	37	14
	<u>231</u>	<u>29</u>

Other receivables are stated at their nominal value less allowances for non-recoverability.

The Group and Company's exposure to credit and currency risk is disclosed in note 27.

## 21. Cash and cash equivalents

## Group

	2016 £'000	2015 £'000
Bank balances	134	64
Cash and cash equivalents	<u>134</u>	<u>64</u>

## Company

	2016 £'000	2015 £'000
Bank balances	82	57
Cash and cash equivalents	<u>82</u>	<u>57</u>

There is no material difference between the fair value of cash and cash equivalents and their book value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**22. Capital and reserves**

**Share capital**

	Number of ordinary shares of £0.001 each of £0.005 each	
	2016	2015
In issue at beginning of year	1,100,794,390	933,794,390
Issued for cash	152,811,597	167,000,000
Issued in settlement of debt	1,363,636	-
Issued in connection with acquisition of subsidiary	93,000,000	-
In issue at 30 September – fully paid	<u>1,347,969,623</u>	<u>1,100,794,390</u>

	Number of deferred shares of £0.004 each	
	2016	2015
In issue at beginning of year	-	-
Issued on subdivision	1,193,794,390	-
	<u>1,193,794,390</u>	<u>-</u>

	Ordinary share capital	
	2016	2015
	£'000	£'000
Balance at beginning of year	5,504	4,669
Share issues	619	835
<b>Balance at 30 September</b>	<u>6,123</u>	<u>5,504</u>

All ordinary shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

At a general meeting of the Company on 10 December 2015, the Company's shareholders approved resolutions to, inter alia, subdivide each ordinary share of £0.005 each into 1 new ordinary share of £0.001 each and 1 deferred share of £0.004 each.

The ordinary shares of £0.001 each carry the same rights as those previously attached to the ordinary shares of £0.005 each (save for the reduction in nominal value).

The deferred shares do not entitle the holders thereof to receive notice of or attend and vote at any general meeting of the Company or to receive dividends or other distributions. As regards any return on capital on a winding up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the deferred shares shall be entitled to receive the amount paid up on their shares after holders of the ordinary shares the amount of £1,000 in respect of each ordinary share held by them respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**22. Capital and reserves (continued)**

**Issue of ordinary shares**

On 16 November 2015, 93 million ordinary shares were issued as part of the consideration of the acquisition of Chaffers Mining Pty Ltd at a price of £0.005 per ordinary share, details of the transaction can be found in note 16.

Further to the exercise of warrants detailed below, 14,000,000 shares were issued on 15 March 2016 at a price of £0.005 per ordinary share.

On 7 April 2016, further to the exercise of warrants detailed below, 17,752,933 ordinary shares were issued for cash at £0.005 per ordinary share.

On 13 April 2016, further to the exercise of warrants detailed below, 3,000,000 ordinary shares were issued for cash at £0.005 per ordinary share.

On 14 April 2016, 113,636,364 ordinary shares were issued for cash at £0.011 per ordinary share.

On 14 April 2016, 1,363,636 ordinary shares were issued at £0.011 per ordinary share in consideration of fees relating to the placement of shares.

On 27 April 2016, further to the exercise of warrants detailed below, 1,422,300 ordinary shares were issued for cash at £0.005 per ordinary share.

On 23 September 2016, further to the exercise of warrants detailed below, 3,000,000 ordinary shares were issued for cash at £0.005 per ordinary share.

**Warrants**

On 1 February 2016, 112,777,800 warrants were issued. These warrants are exercisable at £0.005 and are valid for two years from the date of issue.

	<b>Number of warrants</b>	
	<b>of £0.005 each 2016</b>	<b>of £0.005 each 2015</b>
In issue at beginning of year	-	38,501,656
Cancelled in year	-	(38,501,656)
Issued in year	112,777,800	-
Exercised in year	(39,175,233)	-
In issue at 30 September	<u>73,602,567</u>	<u>-</u>

**Share option/warrant reserve**

The share option/warrant reserve comprises the cumulative entries made to the consolidated statement of comprehensive income in respect of the equity-settled share-based payments and cumulative entries made to the liability for loan notes with an 8% redemption in respect of warrants issued with the notes as adjusted for share options cancelled and warrants exercised.

**Exchange reserve**

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

## 23. Loss per share

**Basic and diluted loss per share**

The calculation of basic loss per share at 30 September 2016 is based on the loss attributable to ordinary shareholders of £2,211,000 (2015: £5,450,000), and a weighted average number of ordinary shares in issue of 1,253,614,650 (2015: 1,033,079,321), calculated as follows:

**Weighted average number of ordinary shares**

	2016	2015
Issued ordinary shares at beginning of year	1,100,794,390	933,794,390
Effect of shares issued	<u>152,820,260</u>	<u>99,284,931</u>
Weighted average number of ordinary shares	<u>1,253,614,650</u>	<u>1,033,079,321</u>

The warrants in issue are considered to be antidilutive and as a result, basic and diluted loss per share are the same.

## 24. Share-based payments

On 28 April 2016, the Company established a Share Appreciation Right Scheme to incentivise Directors and senior executives. Shares granted under the scheme at that date total 97,500,000 at 1.0674p per share with 64,500,000 vesting on 31 December 2016 and the balance, 33,000,000, vesting on 31 December 2017. Share Appreciation Rights have a vesting period of 3 years and the aggregate number of shares which may be allocated under the Scheme will not exceed 15% of the Company's issued share capital from time to time. No vesting had taken place at 30 September 2016.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 60%. A charge for the year ended 30 September 2016 amounted to £74,000.

## 25. Loans and borrowings

**Group and Company**

	2016 £'000	2015 £'000
Unsecured loan notes – 10%	314	375
Unsecured loan notes – 8% redemption	556	-
Y A Global loan	<u>266</u>	<u>-</u>
	<u>1,136</u>	<u>375</u>

The loan notes carry interest at 10% per annum and are repayable on demand. This loan was provided by the Managing Director David Reeves.

The unsecured loan notes which carry an 8% redemption premium are repayable on demand. These loan notes also carried a 10% coupon payable upfront and received 1GBP worth of warrants to subscribe for new ordinary shares of £0.001 for every £1 nominal of the note. As detailed in note 22, the warrants are exercisable at £0.005 and are valid for two years from the date of issue.

The YA Global Loan relates to the closure of the equity swap agreement. It is unsecured and is scheduled for repayment on 17 February 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**26. Trade and other payables  
Group**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	496	98
Accrued expenses	579	347
Other payables	515	40
	<u>1,590</u>	<u>485</u>

**Company**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Accrued expenses	347	339
Other payables	347	73
	<u>694</u>	<u>412</u>

There is no material difference between the fair value of trade and other payables and accruals and their book value. The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

**27. Financial instruments**

**Financial risk management**

The Group's operations expose it to a variety of financial risks that include liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effect of such risks on its financial performance.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's only customer during the reporting period was Paddington Gold Pty Ltd ("Paddington"), who the Group entered a Tribute arrangement to mine and process gold through Paddington processing mill. As at 30 September 2016 all net sales proceeds had been received from Paddington.

In July, the Group commenced mining operations at Wycheproof. Ore from Wycheproof would be processed through a 3<sup>rd</sup> party processing plant with proceeds from previous metals sold to the Perth Mint. The risk of default of payment from the Perth Mint is considered virtually to be nil.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

**Group**

	<b>Carrying amount</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade and other receivables	229	52
Cash and cash equivalents	134	64
	<u>363</u>	<u>116</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 27. Financial instruments (continued)

## Company

	Carrying amount	
	2016 £'000	2015 £'000
Loans	2,434	1,770
Trade and other receivables	231	29
Cash and cash equivalents	82	57
	<u>2,747</u>	<u>1,856</u>

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group reviews its facilities regularly to ensure it has adequate funds for operations and expansion plans.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group  
2016

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	1,136	(1,136)	(145)	(991)
Trade and other payables	1,590	(1,590)	(265)	(1,325)
	<u>2,726</u>	<u>(2,726)</u>	<u>(410)</u>	<u>(2,316)</u>

## 2015

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000
<b>Non-derivative financial liabilities</b>			
Loans and borrowings	375	(375)	(375)
Trade and other payables	485	(485)	(485)
	<u>860</u>	<u>(860)</u>	<u>(860)</u>

Company  
2016

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
<b>Non-derivative financial liabilities</b>				
Loans and borrowings	1,136	(1,136)	(145)	(991)
Trade and other payables	694	(694)	(116)	(578)
	<u>1,830</u>	<u>(1,830)</u>	<u>(261)</u>	<u>(1,569)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**27. Financial instruments (continued)**

**Company**

**2015**

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000
<b>Non-derivative financial liabilities</b>			
Loans and borrowings	375	(375)	(375)
Trade and other payables	412	(412)	(412)
	<u>787</u>	<u>(787)</u>	<u>(787)</u>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. At present, the Directors do not consider these risks to be significant to the Group.

**Currency risk**

The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than GBP. The currencies giving rise to this risk are primarily South African Rand and the Australian Dollar. The Group places deposits in these currencies to manage the exposure to changes in future cash outflows in these currencies.

**Fair values**

The fair values of financial instruments such as trade and other receivables/payables are substantially equivalent to carrying amounts reflected in the balance sheet.

**Capital management**

The Group's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations.

The Group considers its capital to be total shareholders' equity which at 30 September 2016 for the Group totalled £1,063,000 (2015: £1,123,000) and for the Company totalled £1,382,000 (2015: £1,070,000).

**28. Related parties**

The Group's related parties include its key management personnel and others as described below.

No guarantees have been given or received and all outstanding balances are usually settled in cash.

D Reeves advanced £375,000 to the Group in the previous period via loan notes, subject to an arrangement fee of £30,000 and he advanced a further £100,000 in this period, subject to an arrangement fee of £14,000. As detailed in note 25 these loan notes carry interest at 10% per annum and are repayable on demand. During the year, £175,000 of this loan was converted into unsecured loan notes which carry an 8% redemption premium are repayable on demand, as detailed in note 25. These loan notes also carried a 10% coupon payable upfront and received 1GBP worth of warrants to subscribe for new ordinary shares of £0.001 for every £1 nominal of the note. The total amount due to D Reeves at the year end was £508,000 (2015 : £375,000). D Reeves also let a property to the company in Australia and received £21,000 in this respect.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**28. Related parties (continued)**

**Other related party transactions**

**Transactions with Group companies**

The Company had the following related party balances from financing activities:

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Southern Iron Limited</b>		
- Loans and receivables (interest free)	1,155	1,000
<b>Ferrex Manganese Limited</b>		
- Loans and receivables (interest free)	-	503
<b>Keras Australia Pty Limited</b>		
- Loans and receivables (interest free)	292	267
<b>Keras (Gold) Australia Pty Limited</b>		
- Loans and receivables	1,179	-

Southern Iron Limited had the following related party balances from financing activities:

<b>Moongate 218 (Pty) Limited</b>		
- Loans and receivables (interest free)	1,196	1,194
<b>Southern MN (Pty) Limited</b>		
- Loans and receivables (interest free)	3	3
<b>Société Générale de Mine SARL</b>		
- Loans and receivables (interest free)	1,458	1,357

Ferrex Iron Limited had the following related party balances from financing activities:

<b>Ressources Equatoriales SARL</b>		
- Loans and receivables (interest free)	-	967

Ferrex Manganese Limited had the following related party balances from financing activities:

<b>Southern MN (Pty) Limited</b>		
- Loans and receivables (interest free)	-	55

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**29. Subsequent events**

On 5 October 2016, the Company announced that it had completed the acquisition of the Klondyke Gold Project and the Haoma Mining NL Right to Mine and Option to Purchase Agreement in the Pilbara region of Western Australia. Consideration for the acquisitions is a payment of A\$ 1.42m (£0.8m) in cash and the balance via the issue of 100,000,000 ordinary shares of 0.1p each in the Company at a price of 0.62p. These transactions are part of the Company's strategy to become a significant gold producer in Western Australia.

In order to fund the above acquisitions, the Company has entered into an Acquisition Finance Facility Agreement with a consortium of investors arranged by Riverfort Global Capital Ltd. The Finance Agreement has been entered into as a bridge funding facility to secure the acquisition of a significant long-term asset for the Company. The accounting for this transaction is yet to be finalised and therefore detailed analysis on the company financials cannot be determined.

The total drawdown available before fees to the Company is £1.5m with a maturity date six months after the initial drawdown at an interest rate of 10% per semi-annum, with a Commitment Fee and an Implementation Fee of 5% each. During the period before the maturity the Investors may elect to convert such principal amount of the loan outstanding at a 20% premium to the Keras closing share price on the date of drawdown.

On 14 December 2016, the Group entered into a Dead of Release with KalNorth Gold Mines Limited in relation to the binding profit share agreement over the Lindsay's Project. The Group will receive approximately £0.07m relating to the recovery of third party costs incurred.

Further details on both of these subsequent events can be found in the respective announcement which are available from the Company's website [www.kerasplc.com](http://www.kerasplc.com).