Company Registration No 03896382 (England and Wales)

PREMIER GOLD RESOURCES PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

CONTENTS

COMPANY INFORMATION

Directors	Colonel Robert Stewart (Appointed 1 June 2012) Richard Nolan Dr Reza Tabrizi Gerry Desler FCA Christian Schaffalitzky Garth Earls (Appointed 1 November 2012)
Secretary	Gerry Desler FCA
Company number	03896382
Registered office	Stonebridge House Chelmsford Road Hatfield Heath Essex CM22 7BD
Auditors	Adler Shine LLP Chartered Accountants & Statutory Auditor Aston House Cornwall Avenue London N3 1LF
Bankers	Royal Bank of Scotland Plc London Blackfriars Branch 36 – 37 New Bridge Street London EC4V 6BJ
Solicitors	Nabarro LLP Lacon House Theobald s Road London WC1X 8RW
Nominated Adviser and Sole Broker	Sanlam Securities UK Limited (formerly Merchant Securities Limited) 10 King William Street London EC4N 7TW
Registrars	Capita IRG PLC The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S REPORT

2012 marked Premier Gold's first year as an operational gold explorer and the achievement of a number of operational and corporate successes

On 30 March 2012, following the acquisition of Central Asia Resources Ltd, Premier Gold began trading on the AIM market of the London Stock Exchange The acquisition delivered the Cholokkaindy licence in the Kyrgyz Republic, held through an 80%-owned subsidiary, within which four significant gold prospects had been identified The geology of the Kyrgyz Republic is dominated by the Tien Shan gold belt which is highly prospective and host to several world class deposits Cholokkaindy is situated in the Northern Tien Shan, 20 kilometres south of Kara Balta and 80 kilometres southwest of the capital Bishkek There are several key indicators found at Cholokkaindy which are associated with other large gold deposits in the northern Tien Shan metallogenic belt

Operational Developments

Exploration activities in the Tien Shan typically take place outside of the winter months, when the snow has melted Premier Gold's exploration programme in 2012 began in May and produced highly encouraging results Where Premier Gold had previously identified a strike length in one of the four identified prospects of 1,200 metres and a width of 400 metres, the newly acquired data depicts a significantly larger mineralising system with two trends of a minimum of 3 5 kilometres in length and totalling over five square kilometres (open in all directions) thereby linking all four prospects Highlights included trench samples of 3 7 grammes per tonne of gold (g/t Au) over 8 metres and a 64 g/t Au grab sample Significant progress towards establishing an access route for a drilling rig on the lower slopes of the Talbaital prospect area has been made in preparation for the drilling planned for this year

In February 2013, after the period under review, Premier Gold was sucesful in achieving a licence extension on Cholokkaindy through to 31 December 2017 This was an excellent outcome for the Company and indicative of Premier Gold's standing with the Kyrgyz Government at both a local and national ministerial level The length of the extension is also demonstrative of the efforts being made by the Kyrgyz Government to make its mining sector increasingly attractive to outside investors

In May 2013 Premier Gold also announced the sanctioning of an 8 square kilometre extension of the Cholokkaindy licence boundary, into an area in which we believe the mineralised zone further extends This has obvious beneficial impacts on the size of the future potential resource at Cholokkaindy

National and Regional Engagement

Deep engagement and alignment with the local communities lies at the heart of any successful exploration and development programme This is a priority for Premier Gold The Company has strong local support and is intent upon maintaining this for the long term benefit of the project

During 2012 our local management engaged in an intensive local community relations programme to improve knowledge and understanding among the local communities and wider areas about Premier Gold and its objectives at Cholokkaindy

In August 2012 I travelled to Bishkek to meet senior Kyrgyz Goverment ministers including the Prime Minister, Deputy Prime Minister and the Governor of Chuy Valley, the county in which Premier Gold's Cholokkaindy licence is located Each of them offered their unequivocal support of Premier Gold's activities

Kyrgyz Republic

I have repeatedly been struck by just what potential exists in the Kyrgyz Republic To start with it has genuine elections where the people actually do choose who governs them Their choice is then put into practice in Government This approach is fantastic in a region that too often pays scant attention to democracy Such politics is tremendous for business I have met many members of the current Government in the Kyrgyz Republic and they have impressed me with their determination to make the economy thrive They definitely want western investment and expertise and have asked me repeatedly to encourage British businessmen and missions to come and see the opportunities for themselves New mining laws have encouraged foreign investment by increasing transparency and easing the acquisition and maintenance of exploration licences by both local and foreign investors I was delighted to observe that these improvements were being recognised by the international mining industry when in March the Kyrgyz Republic was named as the "Mining Country of the Year" in the 2013 Asia Mining Awards

With huge mineral potential and politics which both encourages and guarantees support for the long run, the mining opportunities in the Kyrgyz Republic are among the best in the world at the moment

Corporate Developments

Key to the success of Premier Gold is the quality of its board and management which, I believe, is befitting of a larger, more advanced mining company I was extremely pleased to be appointed in May 2012 as Non-executive Chairman of Premier Gold

In November 2012 Richard Nolan was promoted to the position of Chief Executive Officer, following his previous role as Chief Operating Officer Since joining the Company in September 2011 Richard has led the Company from both an operational and executive level

Garth Earls, previously Head of Exploration, was appointed to the board as Chief Operating Officer in November 2012 Garth joined Premier Gold in May 2012 with significant experience of exploration and development of gold, silver and base metal deposits He is highly thought of within the industry having received numerous awards and is a Member of the Institute of Mining, Materials and Metallurgy, a Member of the Society of Economic Geologists and a Member of the Society for Geology Applied to Mineral Deposits

I believe we have an effective blend of relevant experience, from my own in politics and international relations to Richard Nolan's ability to manage the project and interface with the investment community, Dr Reza Tabrizi's extensive knowledge of the Kyrgyz Republic, Gerry Desler's financial acumen, Christian Schaffalitzky's wealth of experience on the boards of exploration mining companies and Garth Earls' previous geological track record of taking projects from exploration through to production

Gross funds of £1 55 million were invested in Premier Gold, in two issues during 2012 (May and December), to advance its exploration programme as described above The most significant of these investments came from Lanstead Capital L P, an institutional investor which, following an investment of £1 million in December 2012 by way of an Equity Swap Agreement, became Premier Gold's largest shareholder I am delighted to welcome them to the shareholder register and grateful for their support of Premier Gold's strategy to develop what we believe is the potential for a world class gold deposit. Perhaps the strongest indication of the board's own belief in this potential is illustrated in the investments made by every board member in the company's December 2012 subscription

Financial Results

Premier Gold is an early-stage exploration company and, as such, has no revenues The Company's expenditure relates predominantly to the exploration, development and analysis work on the Cholokkaindy gold project The Company recorded a loss before tax for the period of £1,473,742 (2011 £892,651) The Company had cash and cash equivalents at 31 December 2012 of £181,857(2011 £919,427)

Outlook

The Company's operational focus is now to test the bedrock mineralisation by drilling at the Talbaital prospect within the Cholokkaindy licence and to upgrade and extend, through further trenching work and soil sampling, the known mineralisation in the area The drilling will allow a three dimensional picture of the mineralisation to be assessed and will facilitate Premier Gold's establishment of a maiden gold resource at Cholokkaindy This will be an important milestone in the Company's development and the board looks forward to updating shareholders on progress towards this goal

Bob Stewart

Colonel Robert Stewart DSO MP
Chairman

31 May 2013

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2012

On 29 March 2012, the Company changed its name from Premier Management Holdings Plc to Premier Gold Resources Plc

Principal activities and review of the business

The principal activity of the Group during the year ended 31 December 2012 is mineral exploration for gold and precious metals The Group is currently operating in Kyrgyzstan

A review of the Group's activities and future development are set out in the Chairman's Report on pages 3 to 4

Results and dividends

The results for the year are set out on page 4

The directors do not recommend payment of an ordinary dividend

Key performance indicators

The business Key Performance Indicators ('KPI') monitored by the Board are focussed on managing the activities of the Group in the exploration and appraisal of mineral reserves The financial KPI is to ensure that there is adequate funding in place to cover the Group's exploration expenditure and holding company costs

Principal risks and uncertainties

The Board regularly reviews the risks to which the Group is exposed and seeks to minimise the effects of these risks through careful monitoring of the risks on an ongoing basis

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

Operational

In common with other businesses operating in minerals exploration, the Group s activities are speculative and are inherently subject to a high degree of risk

The Group's operational work involves geological exploration and the implementation of geological work programmes Interpretation of the results of these programmes is dependent upon judgements and assessments that by their very nature are speculative, these interpretations are applied in designing further work programmes to which the Group can commit significant resources

Work programmes may involve excavation of former mine workings, drilling operations and other geological work that present significant engineering challenges which are subject to unexpected operational problems The actual cost of programmed operations can vary significantly from planned levels as a result of such unexpected issues arising

The Group is, with the assistance of external experts, conducting numerous geological studies and assessments and modelling of the resources and reserves of its project The projections contained within these models will be regularly reconciled to the actual results of mining and production activity and the models updated as appropriate The knowledge of the deposits acquired through this process allows management to mitigate mining and production risk

Commodity Prices

The demand for and price of, precious metals and other minerals is dependent on global and local supply and demand, actions of governments or cartels and general global economic and political developments Gold prices have fluctuated widely in recent years and any decline in its price may have a negative impact on the Group The market price of commodities is volatile and is affected by numerous factors beyond the Group s control These other factors include delivery uncertainties related to the proximity of resources to processing facilities and government regulation relating to price taxes, royalties, allowable production land tenure, the import and export of minerals and precious metals and many other aspects of the mining business The impact of the price of minerals and precious metals on the economics of the Group's project is kept under close review

Climate

The Group's activities generally take place in remote locations that can be subject to severe climate events, particularly during the winter season Severe winter weather can cause delays in implementation of planned programmes and can have cost consequences in recovering from damage caused by climatic events

Political, economic, legal, regulatory and social

The Group operates in Kyrgyzstan and may be subject to political, economic and other uncertainties, including but not limited to terrorism, war or unrest, changes in national laws and energy policies and exposure to its legal system

The Group assesses legal and political risks as part of its evaluation of potential projects It actively monitors legal and political developments in Kyrgyzstan where its operation is located The Group actively engages in dialogue with the local government and legal policy makers to discuss all key legal and regulatory developments applicable to its operations

Foreign exchange

The Group operates internationally and therefore is exposed to the effects of changes in currency exchange rates The Group has cash resources principally denominated in Pounds Sterling but the majority of its expenditure is denominated in other currencies The Group does not currently hedge this risk

Organisational

The Company is highly dependent on the Directors and John McKeon, a consultant of the Company Whilst the board will continue to ensure that the Directors and John McKeon are appropriately incentivised, their services cannot be guaranteed, and the loss of their services to the Company may have a material adverse effect on the performance of the Company and the Group In addition, the competition for qualified personnel in the mining industry can be intense and there can be no assurance that the Company will be able to attract and retain all personnel necessary in the required jurisdictions for the future development and operation of its business

Financial instruments

The company s financial risk management objectives and policies are set out in note 26 to the financial statements

Going concern

The Company is currently seeking to obtain further equity funding to progress the exploration programme and fund working capital However, the receipt of these funds is not certain and the amount realised may or may not provide sufficient funds to cover future requirements Should these expected transactions not take place, the Company would need to obtain alternative finance There can be no certainty that further financing will be available

These conditions constitute a material uncertainty that may cast doubt about the Company's ability to continue as a going concern The financial statements do not contain the adjustments that would result if the Company were unable to continue as a going concern

Subsequent events

On 3 February 2013, the State Agency for Geology and Mineral Resources of the Kyrgyz Republic prolonged the term of validity of License No 1684 AP provided to Alji LLC for geological exploration of gold and silver on Cholokkaindy licensing area in Chui region until 31 December 2017

In May 2013, the State Agency for Geology and Mineral Resources, the controlling mining authority in the Kyrgyz Republic, has granted an 8 square kilometre extension to the south-east of the Company's Cholokkaindy licence Premier Gold made the application for expansion on the basis of strong evidence that the mineralised trends identified at Cholokkaindy are likely to continue beyond the south-eastern boundary of the pre-existing licence into the newly expanded area of the licence The application for the additional licence area was approved by the Kyrgyz mining authority on the basis that Premier Gold had provided justification for increasing its area of operation The expanded area now forms part of the Cholokkaindy licence which was recently extended through to 31 December 2017

Directors

The following Directors held office during the period

Colonel Robert Stewart	(Appointed 1 June 2012)
Richard Nolan	
Dr Reza Tabrizi	
Gerry Desler FCA	
Christian Schaffalitzky	
Garth Earls	(Appointed 1 November 2012)

Directors' interests

Share interests

The Directors of the Company held the following beneficial interests in the ordinary shares of the Company

	31 December 2012	*1 January 2012*
Colonel Robert Stewart	3,000,000	—
Richard Nolan	5,000,000	—
Dr Reza Tabrizi	21,666,667	16,666,667
Gerry Desler	5,488,169	488,169
Christian Schaffalitzky	9,166,667	4,166,667
Garth Earls	5,000,000	—
	49,321,503	21,321,503

Share options

The Directors of the Company held share options granted under the Company share option scheme, as indicated below No share options were exercised during the year

	31 December 2012 No of shares	*1 January 2012 No of shares*
Colonel Robert Stewart	2 000,000	—
Richard Nolan	10,000,000	—
Dr Reza Tabrizi	10,000,000	—
Gerry Desler	14 250,000	4 250 000
Christian Schaffalitzky	10,000,000	—
Garth Earls	10,000,000	—
	56,250,000	4 250,000

Directors' insurance

The Directors and officers of the Company are insured against any claims against them for any wrongful act in their capacity as a Director officer or employee of the Group, subject to the terms and conditions of the policy

Substantial shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital are as follows

	Number of ordinary shares	*% of issued share capital*
Lanstead Capital L P	275,000,000	27 26%
John McKeon	128 557,877	12 74%
Barry Gold	87,138,699	8 64%
TD Wealth	52,549,079	5 21%
Mark Pearson	32,833,334	3 25%

The market value of the Company's shares at 31 December 2012 was 0 43p and the high and low share prices during the period were 1 00p and 0 25p respectively

The Company's shares were temporarily suspended from trading on 16 November 2011 until 30 March 2012 following the completion of the acquisition of Central Asia Resources Limited

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations On average, trade creditors at the year end represented 56 days' purchases

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Adler Shine LLP be reappointed as auditors of the company will be put to the Annual General Meeting

Statement of disclosure to auditor

So far as each person serving as a Director of the Company at the date this report is approved is aware, there is no relevant audit information of which the Company's auditors are unaware The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Corporate governance

Given the current size of the Company, it is not considered practical nor appropriate by the Directors that the Company should adopt all of the recommendations on Corporate Governance contained in the Combined Code However, the Company has adopted a code of corporate governance practice embodying those principal tenets of the Combined Code which are relevant to the Company The following committees deal with specific aspects of the company's affairs -

Remuneration committee

The Remuneration Committee is chaired by G Desler It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration The Remuneration Committee also administers and establishes performance targets for the Company's employee share schemes and executive incentive schemes for key management

Audit committee

The Audit Committee is chaired by G Desler The purpose of the committee is to ensure good financial practices are followed, to monitor the integrity of the financial information and to review the interim and annual financial statements

Directors' responsibilities

The Directors are responsible for preparing 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, as required by the AIM Rules of the London Stock exchange, the Directors have chosen to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation of financial statements' In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs A fair presentation also requires Directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Website publication

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions The maintenance and integrity of the Group's website is the responsibility of the Directors The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

This report was approved by the board of directors and signed on its behalf by

Richard Nolan
Director

31 May 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PREMIER GOLD RESOURCES PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Premier Gold Resources Plc for the year ended 31 December 2012 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and the related notes 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

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 auditors 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 Parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 2 to the financial statements concerning the Company's ability to continue as a going concern The going concern assumption is predicated on the receipt of funds from the issue of shares The receipt of these funds is not yet certain These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent 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

Adler Shine LLP

Christopher Taylor
(Senior Statutory Auditor)
for and on behalf of Adler Shine LLP
Chartered Accountants
Statutory Auditor

31 May 2013

Aston House
Cornwall Avenue
London
N3 1LF

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	*Year ended 31 December 2012* £	*11 Months ended 31 December 2011* £
Administrative expenses	4	(1,232,234)	(931,970)
Share based payments	19	(69,655)	5,034
Operating loss	5	(1,301,889)	(926,936)
Finance income	6	1,802	34,285
Fair value loss on derivative financial assets	16	(193,750)	—
Finance expense	7	(34,523)	—
Loss before income taxation		(1,528,360)	(892,651)
Income tax expense	8	—	—
Loss on ordinary activities after taxation		(1,528,360)	(892,651)
Non-controlling interests		54,618	—
Loss for the year and total comprehensive income attributable to owners of the parent		(1,473,742)	(892,651)
Loss per share – basic and diluted	9		
From continuing operations		(0 22)p	(0 17)p

The notes on pages 18 – 38 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Notes		2012 £		2011 £
ASSETS					
Fixed assets					
Intangible assets	10		3,780,831		—
Tangible assets	11		23,789		—
Derivative financial assets	16		436,719		—
			4,241,339		—
Current assets					
Inventories	14	68		—	
Trade and other receivables	15	117,699		727,287	
Derivative financial assets	16	369,531		—	
Cash and cash equivalents	17	181,857		919,427	
		669,155		1,646,714	
LIABILITIES					
Current liabilities					
Trade and other payables	18	(218,145)		(174,916)	
Net current assets			451,010		1,471,798
Net assets			4,692,349		1,471,798
EQUITY					
Share capital	20		1,951,415		1,471,207
Share premium account			5,932,983		4,821,530
Capital redemption reserve			43,333		43,333
Merger reserve			2,416,667		—
Profit and loss account			(6,268,359)		(4,864,272)
Foreign currency reserve			26,230		—
			4,102,269		1,471,798
Non-controlling interests			590,080		—
Total equity			4,692,349		1,471,798

Approved by the Board and authorised for issue on 31 May 2013

Richard Nolan
Director

Company Registration No. 03896382

The notes on pages 18 – 38 form an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes		2012 £		2011 £
ASSETS					
Fixed Assets					
Investments	12		2,503,170		—
Derivative financial assets	16		436,719		—
			2,939,889		—
Current Assets					
Trade and other receivables	15	1,099,789		727,287	
Derivative financial assets	16	369,531		—	
Cash and cash equivalents	17	170,304		919,427	
		1,639,624		1,646,714	
LIABILITIES					
Current liabilities					
Trade and other payables	18	(199,956)		(174,916)	
Net current assets			1,439,668		1,471,798
Net assets			4,379,557		1,471,798
EQUITY					
Share capital	20		1,951,415		1,471,207
Share premium account			5,932,983		4,821,530
Capital redemption reserve			43,333		43,333
Merger reserve			2,416,667		—
Profit and loss account			(5,964,841)		(4,864,272)
Total shareholders' equity			4,379,557		1,471,798

The financial statements were approved by the Board on 31 May 2013

Richard Nolan
Director

Company Registration No. 6003737

The notes on pages 18 – 38 form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	*Share capital* £	*Share premium* £	*Retained earnings* £	*Foreign currency reserve* £	*Capital redemption reserve* £	*Merger reserve* £	*Non controlling interests* £	*Total* £
Balance at 1 February 2011		1,385 640	2,649,906	(3,966,587)	—	43,333	—	—	112,292
Changes in equity for 2011									
Total comprehensive income for the year		—	—	(892,651)	—	—	—	—	(892,651)
Issue of shares		85,567	2,263,100	—	—	—	—	—	2,348,667
Costs in respect of shares issued		—	(91,476)	—	—	—	—	—	(91,476)
Equity-settled share-based payments	19	—	—	(5,034)	—	—	—	—	(5,034)
Balance at 31 December 2011		1,471,207	4,821,530	(4,864,272)	—	43,333	—	—	1,471,798
Changes in equity in 2012									
Total comprehensive income for the year		—	—	(1,473,742)	—	—	—	(54,618)	(1,528,360)
On acquisition of subsidiaries		—	—	—	—	—	—	642 950	642,950
Issue of shares	20	480 208	1,260,625	—	—	—	—	—	1,740,833
Costs in respect of shares issued		—	(149,172)	—	—	—	—	—	(149,172)
On issue of shares for acquisition of Central Asia Resources Limited		—	—	—	—	—	2,416,667	—	2,416,667
Equity-settled share-based payments	19	—	—	69,655	—	—	—	—	69,655
Currency translation differences on foreign currency net investments		—	—	—	26,230	—	—	1,748	27,978
Balance at 31 December 2012		1,951,415	5,932,983	(6 268,359)	26,230	43,333	2,416,667	590,080	4,692,349

Merger reserve

The merger reserve has been created as a result of the acquisition of the whole of the issued share capital of Central Asia Resources Limited ('CAR') by the Company in exchange for shares in the Company and the nominal value It represents the difference between the fair value of the share capital issued by the Company and the nominal value

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

		Year ended 31 December 2012		*11 Months ended 31 December 2011*
	£	£	£	£
Cash flows from operating activities				
Operating loss		(1 301,889)		(926,936)
Depreciation		8,334		—
Decrease in inventories		4,700		—
(Decrease)/increase in trade and other receivables		659,899		(462,689)
Increase/(decrease) in trade and other payables		(551,141)		45,314
Equity-settled share based payments		69,655		(5,034)
Other movement		39,093		—
Net cash used in operating activities		(1,071,349)		(1,349,345)
Investing activities				
Finance income	1,802		2,916	
Finance expense	(34,523)		—	
Net cash generated from/(used in) investing activities		(32,721)		2,916
Capital expenditure				
Payments to acquire intangible assets	(154,613)		—	
Payments to acquire tangible assets	(5,805)		—	
Net cash outflow for capital expenditure		(160,418)		—
Acquisitions and disposals				
Purchase of subsidiary undertakings	(3,170)		—	
Cash acquired on acquisition of subsidiary undertakings	21,760		—	
Net cash outflow for acquisitions and disposals		18,590		—
Financing activities				
Issue of share capital	557,500		2 348,667	
Cost of share issue	(49,172)		(91,476)	
Net cash generated from financing activities		508,328		2,257,191
Net(decrease)/increase in cash in period		(737,570)		910,762
Cash and cash equivalents at beginning of the year		919,427		8,665
Cash and cash equivalents at end of the year		181,857		919,427

The notes on pages 18 – 38 form an integral part of these financial statements

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

		Year ended 31 December 2012		*11 Months ended 31 December 2011*
	£	£	£	£
Cash flows from operating activities				
Operating loss		(1,052,412)		(926,936)
Increase in trade and other receivables		(372,502)		(462,689)
Increase in trade and other payables		25,040		45,314
Equity-settled share based payments		69,655		(5,034)
Net cash used in operating activities		(1,330,219)		(1,349,345)
Investing activities				
Finance income	75,938		2,916	
Net cash generated from/(used in) investing activities		75,938		2,916
Acquisitions and disposals				
Purchase of subsidiary undertakings	(3,170)		—	
Net cash outflow for acquisitions and disposals		(3,170)		—
Financing activities				
Issue of share capital	557,500		2,348 667	
Cost of share issue	(49 172)		(91,476)	
Net cash generated from financing activities		508,328		2,257,191
Net (decrease)/increase in cash in the year		(749,123)		910,762
Cash and cash equivalents at beginning of the year		919,427		8,665
Cash and cash equivalents at end of the year		170,304		919,427

The notes on pages 18 – 38 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies and basis of preparation

1.1 General information

Premier Gold Resources Plc is incorporated in England and Wales and is listed on the AIM Market of the London Stock Exchange Plc The address of its registered office is Stonebridge House, Chelmsford Road Hatfield Heath, Essex CM22 7BD

These financial statements cover the year ended 31 December 2012 The comparative figures are for the 11 month period from 1 February 2011 to 31 December 2011

The registered number of the company is 03896382

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates

1.2 Going concern

The Company is currently seeking to obtain further equity funding to progress the exploration programme and fund working capital However, the receipt of these funds is not certain and the amount realised may or may not provide sufficient funds to cover future requirements Should these expected transactions not take place, the Company would need to obtain alternative finance There can be no certainty that further financing will be available

These conditions constitute a material uncertainty that may cast doubt about the Company's ability to continue as a going concern The financial statements do not contain the adjustments that would result if the Company were unable to continue as a going concern

1.3 Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The Group financial statements have been prepared under the historical cost convention or fair value where appropriate

1.4 Parent company profit and loss account

A separate profit and loss account for the parent company, Premier Gold Resources Plc, has been omitted under the provisions of Section 408 of the Companies Act 2006 The loss dealt with in the financial statements of the parent company was £1,170,224 (2011 loss – £892,651)

1.5 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries ('the Group') Subsidiaries include all entities over which the Group has the power to govern financial and operating policies The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity Subsidiaries are consolidated from the date on which control commences until the date that control ceases Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

1 Accounting policies and basis of preparation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination

1.6 Business combination

The Group adopts the acquisition method in accounting for the acquisition of subsidiaries On acquisition the cost is measured at the fair value of the assets given, plus equity instruments issued and liabilities incurred or assumed at the date of exchange The assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition Any excess of the fair value of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill

Any deficiency of the fair value of the consideration below the fair value of identifiable net assets acquired is credited to the income statement in the period of the acquisition

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group

1.7 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the Group's share of the net identfiable net assets and contingent liabilities acquired Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable Goodwill on acquisition of subsidiaries is included in intangible assets Goodwill is not amortised but tested annually, or when trigger events occur, for impairment and is carried at cost less accumulated impairment losses

Goodwill is initially recognised at fair value Any negative goodwill is credited to the income statement in the year of acquisition If an undertaking is subsequently sold, the amount of goodwill carried on the balance sheet at the date of disposal is charged to the income statement in the period of disposal as part of the gain or loss on disposal

1.8 Exploration and evaluation development costs

Capitalisation

Certain costs (other than payments to acquire the legal right to explore and costs which are directly attributable to those payments) incurred prior to acquiring the rights to explore are charged directly to the income statement All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration and appraisal are accumulated and capitalised as intangible exploration and evaluation ('E&E") assets These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the areas or where activities in the areas have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves

E&E costs are not amortised prior to the conclusion of appraisal activities

At completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production ('D&P") asset but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted If after completion of appraisal activities in the area, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Group decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation are written off to the income statement in the period the relevant events occur

1 Accounting policies and basis of preparation (continued)

Impairment

If and when facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount, an impairment review is performed For E&E assets when there are such indications, an impairment test is carried out by grouping the E&E assets with the D&P assets belonging to the same geographic segment to form the Cash Generating Unit ("CGU") for impairment testing The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment loss is written off to the income statement The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use

1.9 Property plant and equipment

Property, plant and equipment are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Land and buildings Leasehold	over the length of the lease
Fixtures, fittings & equipment	1 – 5 years, straight line
Motor vehicles	3 – 9 years, straight line

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition

1.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units) Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date

1.12 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument

1.13 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market The principal financial assets of the company are loans and receivables, which arise principally through the provision of goods and services to customers (e g trade receivables) but also incorporate other types of contractual monetary asset They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets

The Group's loans and receivables are recognised and carried at the lower of their original amount less an allowance for any doubtful amounts An allowance is made when collection of the full amount is no longer considered possible

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position

1 Accounting policies and basis of preparation (continued)

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less

1.14 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value with the changes in fair value recognised in the income statement

1.15 Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method

1.16 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Equity comprises the following

- Share capital represents the nominal value of equity shares,
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue,
- Profit and loss reserve represents retained deficit,
- Other reserve represents the capital redemption reserve arising on redemption of shares in previous years and own share reserve

1.17 Equity-settled share-based payment

The Company makes equity-settled share-based payments The fair value of options and warrants granted is recognised as an expense, with a corresponding increase in equity The fair value is measured at grant date and spread over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied The fair value of the options granted is measured based on the Black-Scholes framework taking into account the terms and conditions upon which the instruments were granted At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

1 Accounting policies and basis of preparation (continued)

1.18 Foreign currency translation

Transactions in currencies other than Sterling, the presentational and functional currency of the Company, are recorded at the rates of exchange prevailing on the dates of the transactions At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity, where the changes in fair value are recognised directly in equity

On consolidation, the assets and liabilities of the Group s overseas entities (none of which has the currency of a hyper-inflationary economy) are translated at exchange rates prevailing on the balance sheet date Income and expense items are translated at the average exchange rates for the period Exchange differences arising if any are classified as equity and transferred to the Group's translation reserve Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of

The exchange rate on 31 December 2012 was £1 76 5925 KGS ('Kyigy/stanian Som") (31 March 2012 £1 74 8254 KGS) the functional and presentational currency of the main subsidiary undertakings The average rate applied to transactions during the year were £1 74 4318 KGS

1.19 Taxation

The income tax expense or taxation recoverable represents the sum of tax currently payable or recoverable and deferred tax

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised

1 Accounting policies and basis of preparation (continued)

1.20 Accounting Standards issued but not yet effective and/or adopted

As at the date of approval of these financial statements, the following standards were in issue but not yet effective These standards have not been adopted early by the company as they are not expected to have a material impact on the company's financial statements

IFRS 1	Government loans (amendment)
IFRS 7	Offsetting of financial assets and financial liabilities (amendment)
IFRS 9	Financial instruments – classification and measurement
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurements
IFRS 1, IAS 1, 16, 32, 34	Presentation of financial instruments (amendments)
IAS 19	Employee benefits (amendment)
IAS 27	Separate financial statements (revised)
IAS 28	Investment in associates and joint ventures (revised)
IAS 32	Offsetting of financial assets and financial liabilities (amendment)

The International Financial Reporting Interpretations Committee have also issued interpretations which the company does not consider will have a significant impact on the financial statements

2 Critical accounting estimates and judgements

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting period Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates The estimates and underlying assumptions are as follows

Exploration and evaluation development costs

Capitalisation of exploration and evaluation costs requires that costs be assessed against the likelihood that such costs will be recoverable against future exploitation or sale or alternatively, where activities have not reached a stage which permits a reasonable estimate of the existence of mineral reserves, a judgement that future exploration or evaluation should continue This requires management to make estimates and judgements and to make certain assumptions, often of a geological nature, and most particularly in relation to whether or not an economically viable mining operation can be established in future Such estimates, judgements and assumptions are likely to change as new information becomes available When it becomes apparent that recovery of expenditure is unlikely the relevant capitalised amount is written off to the income statement

Useful economic lives of property, plant and equipment

The Group's mining and non-mining property, plant and equipment are depreciated on a straight line basis over their useful lives or the life of the mine whichever is shorter Management periodically reviews the appropriateness of the economic useful lives of the assets The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefits to the Group

2 Critical accounting estimates and judgements (continued)

Impairment of assets

The Group is required to test, on an annual basis whether its non-current assets have suffered any impairment Determining whether these assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact on the carrying value of the respective assets

Share based payments

The estimates of share based payments requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees

Deferred tax assets

Deferred taxation is provided for using the liability method Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for each taxable entity within the Group The Directors have decided that no deferred tax asset should be recognised at 31 December 2012 If the actual profits earned by the Group differs from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements

Valuation of derivative financial assset

On 17 December 2012, the Company placed 250 million shares with Lanstead Capital L P ('Lanstead') for a consideration of £1 million At the same time, the Company and Lanstead entered into equity swap and interest rate swap agreements in respect of the placing for which consideration will be received on a monthly basis over a 24 month period (note 16) The amount receivable each month is dependent on the Company's share price at the settlement date The Directors have made assumptions in the financial statements about the funds receivable at the year end However, there is significant uncertainty underlying these assumptions due to the unpredictable nature of the share price

3 Segmental information

The Directors are of the opinion that the Group operates in one primary business segment, gold and precious mineral exploration and in one principal geographical area, Kyrgyzstan The management information received by the Board is prepared on this basis

The Group also conducts business within the UK including fund raising subsequently passed to subsidiary companies, and the incurring of expenditure in relation to the Company's activities as a holding company None of this activity is considered to be significantly different to the principal activity of the Group in Kyrgyzstan

Geographical market

	2012	*2011*
	£	*£*
Loss before taxation		
UK	(1 170,224)	(892,651)
Kyrgyz Republic	(358,136)	—
	(1,528,360)	(892,651)
Net assets		
UK	4,379,557	1,471,798
Kyrgyz Republic	(337,854)	—
	4,041,703	1,471,798

4 Expenses by nature

	Year ended 31 December 2012	*11 Months ended 31 December 2011*
	£	*£*
Directors' emoluments and key management	329,353	153,682
Travel and subsistence costs	93,616	58,369
Legal and professional fees	443,414	164,728
Costs relating to the acquisition of Central Asia Resources Limited	—	359,241
Mining consultancy fees	62,351	129,832
Financial PR	86,872	52,337
Other expenses	216,628	13,781
	1,232,234	931,970

5 Operating loss

	Year ended 31 December 2012 £	*11 Months ended 31 December 2011* £
Operating loss is stated after charging		
Depreciation of tangible assets	8,334	—
Loss on foreign exchange transactions	14,946	—
Auditors remuneration – Fees payable to the company's auditor for the audit of the company's financial statements	20,000	7,500
– Fee payable to the company's auditors for transaction related services	—	19,389
– Fees payable to the company's previous auditors for tax compliance services	—	1,000

6 Finance income

	Year ended 31 December 2012 £	*11 Months ended 31 December 2011* £
Bank interest received	1,802	2,916
Other interest	—	31,369
	1,802	34,285

7 Finance costs

	Year ended 31 December 2012 £	*11 Months ended 31 December 2011* £
On bank loans and overdrafts	255	—
Other interest	34,268	—
	34,523	—

8 Income tax expense

	Year ended 31 December 2012 £	11 Months ended 31 December 2011 £
Total tax expenses	—	—
Factors affecting the tax charge for the year		
Loss before income taxation	(1,528,360)	(892,651)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax for small companies of 24 00% (2011 – 21 00%)	(366,806)	(187,457)
Effects of		
Non deductible expenses	117,373	51,904
Tax losses not utilised	249,433	135,553
	366,806	187,457
Total tax expense	—	—

There is no provision for UK Corporation Tax due to adjusted losses for tax purposes, subject to agreement with HM Revenue and Customs The deferred asset arising from the accumulated tax losses of approximately £1 90m (2011 – £1 25m) carried forward has not been recognised but would become recoverable against future trading profits

9 Loss per share

The loss and number of shares used in the calculation of earnings per ordinary share are set out below

	Year ended 31 December 2012 £	11 Months ended 31 December 2011 £
Basic		
Loss for the financial period	(1,473,742)	(892,651)
Weighted average of ordinary shares	658,129,232	511,292,722

There was no dilutive effect from the options and warrants outstanding during the period (note 19)

10 Intangible fixed assets

	Software	Licences	Exploration and evaluation assets	Total
	£	£	£	£
The Group				
Cost				
At 1 January 2012	—	—	—	—
On acquisition of subsidiaries	—	3,447,077	189,455	3,636,532
Additions	77	—	154,536	154,613
Exchange differences	—	—	(10,314)	(10,314)
At 31 December 2012	77	3,447,077	333,677	3,780,831
Net book value				
At 31 December 2012	77	3,447,077	333,677	3,780,831
At 31 December 2011	—	—	—	—

Kyrgyzstan Licences

On acquisiton of Central Asian Resources Limited, the company acquired an 80% interest in the Kyrgyzstan prospecting licences held by Alji LLC This included a Lithium licence in the Uzunbulak region that was deemed non-core on acquisition, on this basis none of the exploration asset fair value uplift was allocated to the Lithium licence The other licence acquired was the Cholokkaindy gold prospecting licence covering 24km^2 Subsequent to the year end this licence was extended for a 5 year period to 31 December 2017 and expanded to cover an additional 8 square kilometres

The Group has one CGU being that of gold exploration in Kyrgyzstan as disclosed in note 3, segmental information, which is relevant for the purposes of the evaluation of intangible exploration assets

The Group has thus far undertaken limited exploration of its licences and as such it does not currently have any resource or reserve estimates on which to value its assets

Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to

- researching and analysing existing exploration data,
- conducting geological studies, such as as geochemistry, geophysics, drilling and sampling
- examining and testing extraction and treatment methods, and/or
- compiling prefeasibility and feasibility studies

Exploration expenditure relates to the initial search for mineral deposits with economic potential Evaluation expenditure arises from a detailed assessment of mineral deposits that have been identified as having economic potential Expenditure on exploration activity is capitalised to the extent that it is recoverable Capitalisation of evaluation expenditure commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Group

10 Intangible fixed assets (continued)

Such capitalised evaluation expenditure is reviewed for impairment at each statement of financial position date The review is based on a status report regarding the Group's intentions for development of the undeveloped property and when available, any CPR report completed on the relevant assets Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project

If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off

As of the statement of financial position date, the Company is only engaged in exploration Exploration expenditures by the Company or its Group members to date have consistently demonstrated that the Cholokkaindy licence has, from a geological perspective, increasing economic potential Additional value has been created as the Company applied for and received a five year extension (to December 31, 2017) for it to carry out further exploration work Taking this into account along with the licence extension recently announced in the south of the original exploration area, the licence has been increased by a third, now totalling 32km^2 up from the previous 24km^2

The licence extension, from both a time and area perspective, coupled with the positive soil samples as detailed in the Chairman's report are considered sufficient to support the conclusion that the licence is not impaired This will be reviewed when a CPR report becomes available

11 Tangible fixed assets

	Land and buildings Leasehold £	*Plant and machinery* £	*Total* £
Cost			
At 1 January 2012	—	—	—
On acquisition of subsidiaries	1,148	30,706	31,854
Exchange differences	(37)	(1,144)	(1,181)
Additions	—	5,805	5,805
At 31 December 2012	1,111	35,367	36,478
Depreciation			
At 1 January 2012	—	—	—
On acquisition of subsidiaries	335	4,400	4,735
Exchange differences	(20)	(360)	(380)
Charge for the year	333	8,001	8,334
At 31 December 2012	648	12,041	12,689
Net book value			
At 31 December 2012	463	23,326	23,789

12 Investments in subsidiary undertakings

The Company

	£
Cost	
At 1 January 2012	100
Additions	2,503 170
Disposals	(100)
At 31 December 2012	2,503,170
Provisions for diminution in value	
At 1 January 2012	100
On disposals	(100)
At 31 December 2012	—
Net book value	
At 31 December 2012	2,503,170
At 31 December 2011	—

Subsidiary undertakings:

The company holds more than 20% of the share capital of the following companies

Company	*Country of registration or incorporation*	*Shares held Class*	*%*
Central Asia Resources Limited	England & Wales	Ordinary	100
Premier Asia Resources LLC	Kyrgyz Republic	Ordinary	80
Alji LLC *	Kyrgyz Republic	Ordinary	80

At 31 December 2011, the Company owned the whole of the issued ordinary share capital of Premier Management Football Limited which is incorporated and registered in England and Wales During the year the shares were sold for £nil consideration The disposal had no impact on the statement of income or the cash flows of either the Company or the Group as the Company had previously made full provision against the carrying value of the investment

* The investment in Alji LLC is 100% held by Premier Asia Resources LLC

13 Acquisitions

On 30 March 2012 the Company acquired the whole of the issued share capital of Central Asia Resources Limited ('CAR'), with the consideration of £2 5m being satisfied by the issue by the Company of 83,333,333 new Ordinary Shares of 0 1p allotted at a price of 3p per share,

The following table summarises the consideration paid for CAR, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the date of acquisition

	£
Recognised amounts of assets acquired and liabilities assumed	
Property, plant and equipment	27,119
Exploration and evaluation assets	189,455
Licence	193,849
Inventories	4,768
Trade and other receivables	50,311
Cash and cash equivalents	21,760
Trade and other payables	(3,653)
Borrowings	(590,717)
Total identifiable net assets	(107,108)
Non-controlling interest	(642,950)
Licence – fair value adjustment	3,253,228
	2,503,170
Consideration	
Equity issued (83 33m ordinary shares)	2,500,000
Costs	3,170
	2,503,170

14 Inventories

	2012 £	2011 £
The Group		
Raw materials and consumables	68	—

15 Trade and other receivables

	The Group		The Company	
	2012 £	2011 £	2012 £	2011 £
Trade receivables	25	—	—	—
Amounts owed by subsidiary undertakings	—	—	1,030,408	—
Other receivables	113 928	721,116	65,635	721,116
Prepayments and accrued income	3 746	6 171	3,746	6,171
	117,699	727,287	1,099,789	727,287

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value

16 Derivative financial asset

In December 2012, the Company issued 250 million new shares of 0 1p per share at a price of 0 4p per share to Lanstead Capital L P ('Lanstead') with a notional value of £1 million The Company entered into an equity swap price mechanism with Lanstead for a notional 75% of these shares with a notional reference price of 0 5333p per share Lanstead have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 24 month period All 250 million shares were allotted with full rights on the date of the transaction

To the extent that the share price is greater or lower than the reference price at each swap settlement, the Company will receive greater or lower consideration calculated on pro-rata basis i e share price / reference price multiplied by the monthly transfer amount The valuation for each settlement is determined to be the average share price for the preceding 5 trading days up to settlement date

As the amount of the consideration receivable by the Company from Lanstead will vary subject to the change in the Company s share price and will be settled in the future the receivable is treated as a derivative financial asset and has been designated at fair value through profit or loss

The Company also issued 25 million shares to Lanstead as a value payment in connection with the equity swap agreement

The fair value of the derivative financial assets has been determined by reference to the Company's share price and has been estimated as follows

	Share price	*Notional number of shares outstanding*	*Fair value* £
Value recognised on inception (notional)	0 5333p	187,500,000	1,000,000
Loss on revaluation of derivative financial asset			(193 750)
Value of derivative financial assets at 31 December 2012	0 43p	187,500,000	806,250

	2012 £	*2011* £
Due within one year	369,531	—
Due after more than one year	436,719	—
Value of derivative financial assets at 31 December 2012	806,250	—

17 Cash and cash equivalents

	The Group		*The Company*	
	2012 £	*2011* £	*2012* £	*2011* £
Cash at bank and in hand	181,857	919,427	170,304	919 427

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value All of the Company's cash and cash equivalents are at floating rates of interest

18 Trade and other payables

	The Group		The Company	
	2012	2011	2012	2011
	£	£	£	£
Trade payables	74,268	107,705	74,268	107,705
Corporation tax	411	411	411	411
Other taxes and social security costs	35,501	—	32,536	—
Other payables	86,223	—	71,247	—
Accruals and deferred income	21,742	66,800	21,494	66,800
	218,145	174,916	199,956	174,916

The Directors consider that the carrying amount of trade and other payables approximates to their fair value

19 Share-based payments

Share options

At 31 December 2012 outstanding awards to subscribe for ordinary shares of 0 1p each in the company, granted in accordance with the rules of the Premier Gold Resources Plc (formerly Premier Management Holdings Plc) share option schemes were as follows

31 December 2011

	Shares under option	*Weighted average remaining contractual life (years)*	*Weighted average exercise price (pence)*
Brought forward	9,250,000	5 8	1 03
Granted	—	—	—
Lapsed	—	—	—
Carried forward	9,250,000	4 9	1 03

31 December 2012

	Shares under option	*Weighted average remaining contractual life (years)*	*Weighted average exercise price (pence)*
Brought forward	9,250,000	4 9	1 03
Granted	54,000,000	9 3	0 50
Lapsed	—	—	—
Carried forward	63,250,000	8 5	0 58

19 Share-based payments (continued)

The fair value of remaining share options has been calculated using the Black Scholes model The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows

Grant date	1 September 2012	30 April 2012	31 July 2007	13 August 2004	18 November 2005
Exercise period	September 2012 – September 2022	April 2012 – April 2022	July 2007 – July 2017	August 2004 – August 2014	November 2005 – November 2015
Exercise price	0 50p	0 50p	1 00p	2 25p	1 00p
Number of employees	1	7	3	2	2
Shares under option	2 000,000	52,000,000	6,000,000	250 000	3,000 000
Expected volatility	32%	32%	100%	100%	100%
Expected life	3 5 years	3 5 years	5 years	5 years	5 years
Risk-free interest rate	0 24% – 0 43%	0 24% – 0 43%	4 4%	4 4%	4 4%
Expected dividend yield	—	—	—	—	—
Possibility of ceasing employment before vesting	—	—	—	—	—
Fair value per option	0 02p	0 19p	0 33p	0 89p	0 04p

The share based payments charge relating to the above options in the year ended 31 December 2012 was a charge of £69,655 (2011 – credit – £5,034)

Warrants

On 12 November 2010, the Company issued Warrants to John McKeon, Barry Gold and Baisden Investments Limited, entitling each of them to subscribe for 87,138,699, 70,433,699 and 29,143,377 Ordinary Shares in the Company respectively The Warrants were exercisable immediately from the date of issue for a period of 3 years at an exercise price of 1p per share

During the period, 10,916,682 warrants were converted into Ordinary Shares, leaving 175,799,093 warrants outstanding at 31 December 2011

The fair value of share warrants has been calculated using the Black Scholes model The assumptions used in the calculation of the fair value of the warrants outstanding during the year are as follows

Date granted	*12 November 2010*
Number of participants	3
Expected volatility	106%
Expected life	3 years
Risk-free interest rate	1 05%
Expected dividend yield	—
Possibility of ceasing employment before vesting	—
Fair value per option	1 90p

During the year the Company made an offer to the warrant holders to purchase their Warrants for a consideration of £0 0001552 per Warrant for cancellation As at 11 January 2013, holders of 148,239,065 Warrants had accepted the offer A total of 27,560,026 warrants remain in issue

20 Share capital

	2012 Number	2011 Number	2012 £	2011 £
Allotted, called up and fully paid				
Ordinary shares of 0 1p each	1,008,953,458	528,745,125	1,008,953	528,745
Deferred shares of 0 1p each	942,462,000	942,462,000	942,462	942,462
			1,951,415	1,471,207

On 30 March 2012 the Company completed the purchase of the whole of the issued share capital of Central Asia Resources Limited in exchange for the issue by the Company of 83,333,333 new ordinary shares of 0 1p each allotted as fully paid at 3 pence per share

On 2 May 2012 the Company raised £350,000, before fees and expenses, by way of a Placing of 70,000,000 new Ordinary Shares of 0 1p each at 0 5 pence per share, for cash

On 10 December 2012 the Company raised £1,207,500, before fees and expenses, by way of a Placing of 301,875,000 new Ordinary Shares of 0 1p each at 0 4 pence per share £1m of consideration was satisfied by the issue of a derivative financial instrument (note 15) with the balance of £207,500 being issued for cash

On 10 December 2012, the Company issued 25,000,000 new Ordinary Shares of 0 1p each alloted as fully paid at 0 4p per share, in settlement of fees in respect of the Placing of the same date

21 Directors' emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including all directors of the Company

	Year ended 31 December 2012 £	*11 Months ended 31 December 2011 £*
Directors		
Emoluments for qualifying services	293,833	117,682
Equity-settled share based payment (note 19)	69,655	(5,034)
	363,488	112,648
Directors and key management personnel		
Salaries and fees		
Directors' emoluments		
Gerry Desler	53,500	49,600
Christian Scaffalitzky	30,500	17,249
Dr Reza Tabrizi	77,500	30,833
Richard Nolan	77,250	20,000
Colonel Robert Stewart (appointed 1 June 2012)	27,583	—
Garth Earls (appointed 1 November 2012)	27,500	—
	293,833	117,682
Key management personnel		
John McKeon	36,000	36,000
	329,833	153,682

22 Employees

Number of employees

There were 20 employees during the year including the directors (2011 - 4)

	Year ended 31 December 2012 £	*11 Months ended 31 December 2011* £
Employment costs		
Wages and salaries	343,952	112,648
Social security costs	22,520	—
Equity settled share-based payments	69,655	(5,034)
	436,127	112,648

23 Control

In the opinion of the directors, there is no ultimate controlling party

24 Related party transactions

During the period there were consultancy fees of £62,351 (2011 – £129,832) paid to Eurasia Mining Plc and included in trade payables at the year end is £4,698 (2011 – £4,698) owing to Eurasia Mining Plc Christian Schaffalitzky is a director of Eurasia Mining Plc

During the period the Company purchased the warrants owned by John McKeon for a consideration of £13,000 (2001 £nil)

Included in trade and other payables are the following balances due to Directors

	2012 £	*2011* £
Colonel Robert Stewart	2,473	—
Christian Schaffalitzky	20,750	2,167
Garth Earls	13,659	—
Gerry Desler	26,338	81
Reza Tabrizi	8,027	—
Richard Nolan – receivable	(116)	—

Key management compensation

Key management include directors and John McKeon The compensation paid or payable to key management for services is shown below

	Year ended 31 December 2012 £	*11 Months ended 31 December 2011* £
Salaries and other short term benefits	329,833	153,682
Share-based payments	69,655	(5,034)
Warrants buy-back	13,000	—
	376,488	148 648

25 Subsequent events

On 3 February 2013, the State Agency for Geology and Mineral Resources of the Kyrgyz Republic, prolonged the term of validity of License No 1684 AP provided to Alji LLC for geological exploration of gold and silver on Cholokkaindy licensing area in Chui region until 31 December 2017

In May 2013, the State Agency for Geology and Mineral Resources, the controlling mining authority in the Kyrgyz Republic, has granted an 8 square kilometre extension to the south-east of the Company's Cholokkaindy licence Premier Gold made the application for expansion on the basis of strong evidence that the mineralised trends identified at Cholokkaindy are likely to continue beyond the south-eastern boundary of the pre-existing licence into the newly expanded area of the licence The application for the additional licence area was approved by the Kyrgyz mining authority on the basis that Premier Gold had provided justification for increasing its area of operation The expanded area now forms part of the Cholokkaindy licence which was recently extended through to 31 December 2017

26 Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

The Group does not use or issue financial instruments of a speculative nature

A summary of the financial instruments held by category is provided below

	2012 £	*2011* £
Financial assets		
Loans and receivables		
Trade and other receivables	117,699	727,287
Cash and cash equivalents	181,857	919 427
Derivative financial assets	806,250	—
Total financial assets	1,105,806	1,646,714

	2012 £	*2011* £
Financial liabilities		
Trade and other payables	218,145	174,916

	Fair value measurement		
	Level 1 £	*Level 2* £	*Level 3* £
Derivative financial assets			
At 31 December 2012	—	806,250	—
At 31 December 2011	—	—	—

The Directors consider that the carrying amount of trade and other receivables and trade and other payables approximate their fair value

26 Financial instruments (continued)

Financial risk management

The Group s activities expose it to a variety of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance

The Board provides written objectives policies and procedures with regards to managing currency and interest risk exposures liquidity and credit risk including guidance on the use of certain derivative and non derivative financial instruments

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations The Group's credit risk is primarily attributable to its receivables and its cash deposits It is Group policy to assess the credit risk of new customers before entering contracts The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk and interest rate risk

Liquidity risk arises from the Group's management of working capital It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due The Board regularly receives cash flow projections for a minimum period of 12 months, together with infomation regarding cash balances monthly

The Group is principally funded by equity and invests in short-term deposits, having access to these funds at short notice The Group's policy throughout the period has been to minimise interest rate risk by placing funds in risk free cash deposits but also to maximise the return on funds placed on deposit

All cash deposits attract a floating rate of interest The benchmark rate for determining interest receivable and floating rate assets is linked to the UK base rate

Foreign currency exposure

The Group has entities which operates in Kyrgyzstan and is therefore exposed to foreign exchange risk arising from currency exposure to the Kyrgyzstan Som, the functional currency of those subsidiaries The overseas subsidiaries operates separate bank accounts which are used solely for those subsidiaries, thus managing the currency in that country The Group's net assets arising from the overseas subsidiaries is exposed to currency risk resulting in gains or losses on retranslation into sterling Given the levels of materiality, the Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure

Sensitivity analysis

The effect of a 10% movement on the foreign exchange rate between Sterling and the Kyrgyzstan Som on the net assets and the Sterling value of cash balances held would be as follows

Net assets	10% movement either way will result in £30,283 increase or decrease in net assets
Cash balances	10% movement either way will result in £1,155 increase or decrease in cash balances