

Red Rock Resources plc

Annual report and accounts 2012

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Annual Report

Overview

Breaking ground on new and old frontiers

Red Rock Resources plc is a mineral exploration and production company focussed on the discovery and development of gold, iron ore and other minerals

The Company invests in projects and opportunities where it can enhance the value of the assets through exploration, development and corporate transactions

Diversity of projects, an actively managed project pipeline and clearly identified likely exit points create a disciplined framework for value creation

The principal activities of the Company have been gold and base metal exploration in Kenya, gold production in Colombia and iron ore exploration in Greenland

The Company's iron ore interests are also held through its strategic holding in Jupiter Mines Limited (ASX JMS) and its royalty interest in an iron ore project

Financial highlights

- Pre-tax loss of £4,580,727
- After-tax loss of £1,962,882
- Loss per share 0.28 pence
- Equity fell from £32,843,858 to £24,401,820
- Share price fell from 6.47 pence to 1.88 pence

Funding highlights

- £4,441,844 before expenses raised from share placings at prices between 2.45 pence and 4.62 pence
- £2,293,000 raised by issue of long-term loan notes
- \$6,000,000 raised from first payment on partial sale of royalty interest

Corporate highlights

- Five new mineral resources declared at key assets
- Sale of UEC stake and part of Mt Ida royalty
- Drilling begins at Greenland iron ore project

Our key objectives

- Move towards gold production in Kenya
Progress mining lease application and mine planning at Macalder Tailings
- Further exploration in Kenya
Delineate high grade gold zones and expand exploration at Migori
- Declare new MK resource
Move towards a Bankable Feasibility Study ("BFS")
- Declare maiden iron ore resource in Greenland
3 Follow up the 2012 drill season with light exploration

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Red Rock at a glance: Greenland

A significant 2012 exploration drilling programme followed up last year's exploration at Melville Bugt in Greenland. Results have been encouraging and the team has moved the project from the greenfield stage to the definition of a new iron ore province.

Highlights

- Red Rock owns 25% of NAMA Greenland Ltd ("NGL"), (which owns tenements of 1,570 sq km), with the right to take its interest to 60% upon release of a Mineral Resource Estimate ("MRE")
- Potential for high quality magnetite and for haematite (Direct Shipping Ore) within Banded Iron Formations ("BIF") with direct access to the sea
- First magnetite target drilled, test holes in other haematite and magnetite targets
- Significant haematite and magnetite targets still remain undrilled
- JORC MRE planned to be declared following 2012 drilling
- Sound logistical options, iron targets 0–13km from deep water access

Location

The total licence area is 1,570 sq km and is located in the north-west of Greenland, 150km south of the town of Qaanaaq.

Greenland

Greenland is one of the world's last mining frontiers. An enormously unexplored region with great untapped resource potential, the retreating ice caps expose additional ground annually. In some areas exploitation may now be possible year round. Transport and logistical access are improving and government incentives encourage exploration and mineral development.

Red Rock Resources interest

The Company has an earn-in agreement with North Atlantic Mining Associates Limited ("NAMA") under which it may increase its current 25% holding in NGL to 60% by funding the 2012 exploration season and declaring a Mineral Resource Estimate ("MRE").

Geology

The Melville Bugt iron ore project covers an extensive area of Archaean-Palaeoproterozoic crystalline shield, which correlates with the iron-rich rocks hosting the Mary River iron ore project of northern Baffin Island, Canada.

The Mary River deposit as a comparator has proven and probable reserves of 365mt at 64.66% Fe with total resources including reserves over 850mt at 65.08% Fe average. It was acquired by ArcelorMittal and Nunavut for approximately CA\$593 million in 2010.

Based on key geological events, the Melville Bugt area is interpreted to form part of the north-east trending late Archaean Committee Belt, which extends from northern Baffin Island, Canada, to north west Greenland.

Targets at Melville Bugt are BIF related with magnetite and haematite dominant prospects, including apparent potential for high grade Direct Shipping Ore ("DSO"). Mesothermal gold remains a secondary target.

Exploration history

The 2011 exploration season confirmed the existence of significant iron deposits at Melville Bugt, highlighting six key targets and identifying numerous highly prospective iron formations with an estimated combined strike length of over 19km.

Company geologists performed reconnaissance and mapping activities, traversed 500 line km and collected 294 samples with results returning ~35% Fe average with a maximum of >65% Fe and low deleterious elements.

The Company also performed airborne and radiometric surveys covering 13,170 line km and identified five buried magnetic anomalies.

Overall the Company generated two main sets of targets with apparent regional differentiation: magnetite-rich targets in the western half of the tenements and haematite dominant targets with DSO potential in the eastern half of the licence.

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Red Rock at a glance: Greenland (continued)

2012 exploration and drilling programme

The goal for the 2012 field season was to achieve one MRE and secondarily to generate new exploration targets. Activities included the establishment of a base camp, a diamond drill programme, fieldwork and mapping, as well as geochemical assay analysis. Work is being done with our partners, NAMA, performing logistical and mining service activities. Consultants SRK Consulting (UK) Ltd are focussed on delineating a Mineral Resource Estimate.

The short, intense drill programme was completed in the middle of September, and totalled 4,061m in 27 drill holes. Four prospects were drilled, with twelve holes drilled at Havik East, six at Havik North-East, five at De Dødes West, and four at Haematite Nunatak.

The first was Havik East, where the focus was on identifying a significant magnetite resource, and the second was De Dødes West and Haematite Nunatak, with the goal to locate and delineate further resource potential, with an emphasis on haematite.

Many other similar magnetic anomalies remain untested, such as the ~8km-long magnetic Tuukkaq anomaly which is expected to be a key focus of future exploration programmes.

The laboratory assay results of the drill programme are expected towards the end of 2012.

Battle of the ports

One of the main challenges facing burgeoning iron producers is the logistics of transporting ore to world iron customers. Various iron projects have been identified worldwide with many currently stalled in development due to delays caused by inadequate rail and port logistics. Governments are slow to react to changing requirements and affected communities adopt a hostile approach, resisting and blocking expansion.

Therefore one of the keys to developing a successful iron ore project is ensuring that the project has a pathway to market.

Melville Bugt brings significant advantages by having all of its major prospects located within a few kilometres of deep water ocean access.

Potentially only loading and crushing facilities would need to be installed to allow export of Direct Shipping Ore. This differentiating factor may prove significant in distinguishing Melville Bugt and showing a clear path to production.

Way ahead

Activities on the ground in Greenland were concluded on 8 September 2012. 4,061m in total were drilled over 27 holes, with laboratory work and data analysis proceeding through Q3/Q4 2012. The Company hopes to announce an MRE by year end or shortly after.

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Red Rock at a glance: Colombia

Red Rock Resources operations at El Limon, located on the Frontino Gold Belt. Progressive improvements under the Company's management improve mine operations.

Highlights

- El Limon and El Mango gold mines owned through 50.002% subsidiary Four Points Mining SAS ("FPM")
- Prime location 6km south of Zaragoza on the Frontino Gold Belt
- Appointment of highly qualified Mine Manager
- The Company has received an offer for its holding in FPM

Location

Both mines are located in northern Colombia, in the region of Antioquia, between Zaragoza and Segovia, along a series of north-south trending structures collectively and loosely known as the Frontino Gold Belt.

Red Rock Resources' interest

Red Rock owns just over 50% of local operator FPM and also has an outstanding loan of US\$2.25 million to FPM.

Geology

The north-east of Antioquia is mainly composed of rocks of Pre-Cambrian, Palaeozoic and Jurassic origin. The region is dominated by the Otu-Bagre fault system, a series of crustal scale structures striking broadly north-south. These structures date from the Pre-Cambrian but were reactivated in the Triassic, during the Andean Orogeny, allowing magmatic emplacement, the circulation of hydrothermal fluids and mineral deposition.

The Frontino Gold Belt is a major mesothermal gold field stretching for over 60km from Remedios in the south to Zaragoza in the north. It has historically provided up to 45% of Colombia's gold production and is characterised by depth and continuity of mineralisation. The El Limon and El Mango mines are located within the belt to the west of the Otu Fault.

History

El Limon has a production history spanning 60 years. More than 350m deep and over seven levels, the mine has a history of producing high grade ore through the exploitation of the narrow high grade vein deposits prevalent in the area. Production was restarted in 2011 after a ten year gap.

The El Mango mine has no history of production. The area has a known mining history going back to the Spanish conquistadors. It hosts some of Colombia's best known mines and a number of interesting exploration projects.

Work to date

The mine has been in production throughout the second half of 2011 and the first half of 2012 after its restart of the mine following the 2011 refurbishment. A further programme of improvements at the mine focussed on the mine transportation system and improved working practices has resulted in an increase of ore volumes extracted from underground.

Improvements at the plant have also continued with investment in upgrading process components and metallurgical test work. Recovery grades at the plant have increased from less than 70% to being consistently over 85% over the year.

Development work has been delayed as a result of management changes. Level 8 has now resumed and is expected to be completed in the fourth quarter of 2012.

In 2012 FPM became the subject of an offer by a private institution. The offering party is currently working on deal documentation.

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Red Rock at a glance: Kenya

The previously overlooked Migori gold belt in Kenya is a promising exploration asset. The recent agreement by Aviva Corporation Ltd to sell its nearby gold assets to African Barrick Gold plc has increased the prospects of Kenya following Tanzania up the ranks of Africa's gold producers.

Highlights

- Measured resource declared at Macalder Tailings and scoping study being completed
- Mining Lease Application submitted to the Kenyan Department of Mines and Geology for the reprocessing of the Macalder Tailings
- New JORC resources announced for the KKM, KKM-West, Gori Maria and Nyanza prospects. Improved confidence at a higher cut-off grade and increase of 16% in contained metal ounces (compared with the historic resource estimate at same cut-off)
- Ongoing interpretation of 2011 regional aircore results and planning for advanced exploration

	2012 JORC, 0.5g/t Au cut-off			2006 NI43-101, 0.25g/t Au cut-off		
	Inferred and Indicated		Indicated	Indicated		
	Mt	g/t Au	kOz	Mt	g/t Au	kOz
KKM	17.75	1.01	577	22.1	0.96	680
KKM-West	4.16	1.04	139			
Nyanza	2.32	2.73	203	0.84	5.32	144
Gori Maria	3.78	1.16	141	1.45	2.32	108
MK	Pending	Pending	Pending			
Mikei resources	28.0	1.18	1,060	33.0	1.10	1,172

Location

Special Prospecting Licences ("SPL") 122 and 202 are located 20–30km north of the operating North Mara gold mine in Tanzania and immediately east of Lake Victoria in south-west Kenya.

Red Rock Resources' interest

Red Rock Resources plc ("RRR") holds a 15% interest in Mid Migori Mining Company Limited ("MMM") which owns SPLs 122 and 202. Upon completion of a Bankable Feasibility Study ("BFS") the Company will receive 60%. In addition, RRR holds approximately 33% interest in the holder of the remaining interest in MMM.

Geology

The licences cover the strike length of the Migori Greenstone belt with the focus of exploration on gold and base-metal mineralisation. The deposit at Macalder is a Volcanogenic Massive Sulphide ("VMS") base-metal system of copper and zinc with accessory gold, silver and lead mineralisation.

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Red Rock at a glance: Kenya (continued)

Projects

Macalder Tailings

The Macalder deposit was discovered in the mid-1930s and subsequently developed as a copper mine and later mined for gold

As a by-product of the processing, tailings material was produced and deposited adjacent to the mining area

In 2011, a JORC measured resource estimate was completed for the tailings dam 1.3mt at 1.65 g/t Au containing 68 kOz Au. A scoping study was then commissioned in late 2011 to determine the value creation potential of reprocessing the tailings dam for gold.

Two base case scenarios were examined (new vs used plant equipment) and a discounted cash flow analysis was carried out. Previous metallurgical test work and the associated community and environmental issues were also assessed in the report with recommendations for ongoing and future work. A Mining Lease Application ("MLA") for processing the tailings was submitted in August 2012 and an Environmental Impact Assessment ("EIA") is currently underway as part of the full MLA, which involves community consultations to gauge the opinions, concerns and expectations of the proposed project. Advanced metallurgical test work is also in progress, based on the recommendation in the scoping study report.

The main purpose of the test work is to understand any variability in the recovery of gold from the tailings and the effects of copper in the system. Cyanide consumption, leach optimisation time and carbon loading will also be analysed.

The Company is currently researching options for purchasing used plant equipment from the Asian market so construction of the processing plant may commence following the grant of the mining lease.

Mikei gold resources

JORC validation of four out of the five resource prospects has been completed with the MK resource estimate expected at the end of the third quarter of 2012. The first resource to be validated was the KKM prospect at the end of 2011 followed by Nyanza, Gori Mana and KKM-West in July 2012.

Up to 66% of the JORC resources are in the indicated category and a higher cut-off grade of 0.5 g/t Au has been used (compared to the 0.25 g/t Au cut-off adopted for the historic NI43-101 resource). At a cut-off grade of 0.25 g/t Au, the new JORC resource estimate shows a 30% increase in the tonnage and 16% increase in the contained metal content.

Upon completion of the validation work, preliminary pit optimisations will be carried out on areas of shallow, high grade mineralisation in order to determine the potential for economic development and for ongoing resource development (e.g. optimisation of the positioning of drill holes).

Migori exploration

Following the regional aircore drilling programme in 2011, interpretation work has been ongoing to identify potential high grade targets for future advanced exploration. Significant initial results were announced in April 2012 whereby samples from three prospects showed 1.0 g/t Au or more. The next phase of work will involve more detailed analysis of the geochemical data to pick out trends and relationships with the lithologies observed at the prospects, re-processing of the geophysics data to identify any previously unknown structure that may be controlling mineralisation and assessment of the aircore drilling technique. Scout drilling using diamond coring was also carried out at regional targets in 2011.

The next phase of work is currently being planned to follow up positive/anomalous results (e.g. at Kehancha in SPL202, an intersection of 12.9m @ 3.72 g/t Au was drilled) with a view to identifying new, potentially economic targets and expanding the existing resource base.

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Business review

Executive Chairman's review

It is with great pleasure that I present the Company's annual report for the year to 30 June 2012, our eighth year of operation. When I compare our achievements in the field with last year, we achieved much more. Once again we report successful exploration and improvement in production, once again, this operational and exploration success extended to Jupiter Mines Limited, in which we have a material investment, once again, we carried out successful corporate transactions. Once again, however, our share price failed to reflect the progress we were making, and this is a source of great regret that prevents us striking any self-congratulatory note. It is no comfort that most other companies in the minerals sector have also suffered a market derating. We hoped that we would do far better.

Financial discussion

I begin by introducing the financial results declared for the year. Because of the impact of the accounting conventions we have to adopt in certain cases, and the amount of information contained in the accounts, I hope it may be helpful if I highlight and explain some salient points.

In the Consolidated Income Statement, the consolidated pre-tax loss of £4,580,727 compares with a profit for the year to 30 June 2011 of £15,919,442. This latter figure is restated from £13,973,537 as a result of re-categorising our interests in Colombia following a decision in principle to sell which we made before the end of the financial year.

This means that Colombia's results are now shown in a separate line for discontinued operations. Our Colombian subsidiary reported £449,551 profit for the period, of which £229,271 is attributed to the Company, and this compares with a loss of £1,735,517 in the previous period, of which £70,895 was attributable to the Company.

The change in profit in the current year is attributable to two principal factors. The first of these is the absence of the £14,238,297 profit taken last year as a result of our investment in Jupiter Mines Limited ceasing to be accounted for as an associate in that year. The second is a reversal of the £3,647,104 profit at fair value shown last year on an investment in Ascot Mining plc, in both years the necessity of conducting a Black-Scholes valuation of an embedded derivative has produced unexpected results and this year there was in addition an impairment loss on the investment.

A third factor in the latest year's profit figure was the £3,686,211 profit booked on receipt of the first tranche of proceeds from the partial sale of a royalty interest.

In the Consolidated Statement of Financial Position, the key metric of total shareholders' equity fell from £32,843,858 to £24,401,820 over the year, with available for sale financial assets falling from £24,472,120 to £8,809,866. This was primarily as a result of a drop of £14,309,185 in the market value of the Company's holding of shares in Australian listed Jupiter Mines Limited. Equity was increased during the year by £4,441,844 (before expenses) from the proceeds of issues of new shares in the Company, at prices between 2.45 pence and 4.62 pence per share.

In the Consolidated Statement of Cash Flows, exploration expenditure of £769,413, after £504,362 in the previous year, may appear low. However this heading does not capture all exploration spend for which the Company is responsible. For example, a substantial part of the Group's operations are carried out through associates and joint venture activities. That part of investing activities that consists of payments to acquire associate company and joint venture investments, £2,914,949 in the year ended 30 June 2012, and £450,637 in the year ended 30 June 2011 includes much expenditure on exploration. The share price ended the period at 1.88 pence per share, a decline from 6.47 pence a year earlier.

Highlights of the year

In my report last year I spoke of the year just ended as one which would see great progress. Our pipeline of managed projects was in three areas – Kenya, Greenland and Colombia – and without going outside these areas we would be kept busy as in each of these countries we had a set of clear objectives to meet. In Kenya we were working to progress the tailings project, working with consultants CSA to generate new Mineral Resource Estimate figures at five projects, and working to generate new exploration targets. In Greenland we were assessing 2011 results and planning a drill season in 2012 which we hoped would give us a Mineral Resource Estimate. In Colombia, having taken majority control, we were looking to improve working practices and increase production.

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Business review

Executive Chairman's review (continued)

If these objectives were in some degree our promises, the year ended 30 June 2012 was to be the year of delivery of these promises. Looking back, we can say that overall we delivered. Although in an increasingly difficult funding environment some might have preferred us to scale down our ambitions, and had we been gifted with total foresight it is true that we might have been tempted by those arguments, converting our prospects into defined mineral resources was more than just the delivery of an objective or promise.

This conversion was a key milestone in the development of the Company, it increased value, and it and the work associated with it were an essential discipline in providing a platform and training, and generating a framework for further progress.

In Kenya, after delivering in October 2011 a Mineral Resource Estimate for the Macalder Tailings in the highest category, Measured, we completed a Scoping Study and metallurgical test work, began an environmental impact assessment, and in August 2012 after the end of the financial year made application for a Mining Lease for the tailings area.

We also delivered in December 2011 and July 2012 new Mineral Resource Estimates to JORC standard for four other projects in Kenya, KKM, KKM West, Nyanza and Gon Mana. The total resource was estimated at 28 million tons at 1.18 g/t for a contained gold figure of 1.06 million ounces, of which 703,000 oz was at Indicated category and the balance at Inferred category. This included 2.32 million tons at 2.73 g/t at Nyanza for contained gold of 203,000 oz. This work was carried out to a high standard and using stricter parameters than previous resource estimates in the area, and following our re-drilling and analysis, we are now confident of the robustness of our data and have a much better structural understanding which we expect to lead to further drilling of a number of higher grade zones and their potential extensions. As our consultants CSA allowed us to state in our announcement, "The coherence of higher grade mineralisation (>1.5 g/t Au) within the Prospects suggest that potentially mineable volumes of higher grade material do exist".

Also in Kenya, we announced the results of drilling other areas, including the discovery of eight new targets as a result of our aircore drilling programme, of which we regard three as high priority exploration targets. We also announced some high grade drill intercepts in our new drilling, such as 31m at 3.91 g/t gold at Nyanza, including 7m at 9.8 g/t.

In Greenland we announced in December 2011 a further 558 sq km expansion of our licence area to 1,571 sq km. This was the second expansion to the area since we originally became involved with this project in early 2011, when the project area was 644 sq km. As our geologists and geophysicists analysed the area, including the results of our 13,170 line km airborne radiometric and magnetic survey carried out in 2011, they identified important new targets which led us to apply for further expansion of our licence areas, including six new magnetic targets in the area applied for in December.

In 2012 we mobilised two rigs and a large land camp and drilled four targets, including targets within these new areas, in a 4,061m 27 hole diamond drill campaign which began in June 2012 and finished in September 2012. Some 40% of all metres drilled were in iron ore, and we are working with consultants SRK to generate a Mineral Resource Estimate.

The speed and efficiency with which we have achieved results in Greenland were not without considerable cost, and both the efficiency and the costs were at new levels for us, although we brought the programme in within budget.

In Colombia we achieved a stabilisation of production and processing soon after taking a majority stake and replacing some management in the first half of 2011, and in 2012 made further capacity and process improvements after putting a new team in place. The scale of current operations is not large even when we are able to run at full capacity, and the effort we make to achieve satisfactory performance is considerable. Whether that is an optimal use of our human resources is a moot point, and when we received an indicative and conditional purchase offer at the end of the financial year we decided to accept the principle of sale and negotiate terms. It is possible that a larger group with other operations in the area might be better placed to undertake and manage the next steps, investing to define a mineral resource and to increase substantially the scale of activity. An important consideration was that our local equity partners would lack the capacity to invest further and would therefore favour a sale.

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Business review

Executive Chairman's review (continued)

Aside from our managed projects there were other milestones. In April 2012 we achieved a satisfactory exit from our investment in Cue Resources Limited when we and the other major investors negotiated and accepted a takeover offer from Uranium Energy Corporation. Before the offer, the Cue Resources Limited price had been as weak as those of other uranium stocks and we knew that our concept of achieving a critical mass by putting that company and our other associate, Resource Star Limited, together had become impractical. The following month we completed the sale of up to half of our royalty interest in the Mt Ida iron ore project for a total consideration of \$14 million, of which the first \$6 million tranche of cash and shares has been received. Since the end of the June 2012 financial year, Jupiter Mines Limited has announced a 132% increase in the Mineral Resource Estimate for the central part of the Mt Ida project to 1.32 billion tons at 29.79% iron, which is expected to give a concentrate grade of 66.65%. The bankable feasibility study on Mt Ida is expected to be finished by the second quarter of calendar year 2013, so we are pleased to have mitigated risk by selling part of the royalty in advance of that.

Corporate social responsibility ("CSR") and corporate risk

There has been a major development in the professionalism of our corporate social activity programmes during the year. We now have a London-based head of CSR and the advances we have made were reflected in our being selected to run a three session workshop on CSR for Junior Explorers which we presented to a packed room at the Prospectors and Developers Association of Canada ("PDAC") conference in Toronto. What is elegantly termed the "Social Licence to Operate" has become an essential part of not merely production but now exploration as well, and we believe that if we have to engage in CSR, we should take it seriously and be seen to excel.

This year, as well as last, there were no significant accidents in Greenland which attests to the success of our planning of risk management and to our application of appropriate health and safety procedures. We continue to attach high importance to improving our health and safety training and compliance.

At corporate level, we have established a new committee chaired by Mike Nott which is charged with monitoring and reviewing risks to the Company arising from field operations. We continue to roll out systems to maintain compliance with our policies, and particularly our anti-bribery and whistleblowing policies, including working with third parties such as contractors to ensure that they know and apply our policies.

Personnel

We have further strengthened our professional team during the year, emphasising two aspects. One has been adding to our capacity in data management and data systems and geographical information systems ("GIS") and we have been able to take some functions in house that were formerly contracted out. Another has been professional training, sending staff on courses to refresh their knowledge and add new skills, and conducting in-house training to improve and systematise our logging, data collection, data inputting and GIS functions.

Outlook

The current year continues to have its challenges, mainly caused by the continuing unfavourable market environment. Our view on the commodities is that we expect a strong gold price and that we expect the pull of underlying market demand to keep iron ore prices above the level at which recently added capacity becomes uneconomic. In the absence of a decline in steel production, we believe, iron ore demand, though subject to destocking and restocking cycles, will remain high, while the installation of new capacity is subject to infrastructural constraints and will not meet analysts' projections.

Our current expectation is that we will sell our interests in Colombia before long, and may see other liquidity events. Having invested heavily in achieving Mineral Resource Estimates in Kenya, we expect one more, at the MK prospect, in due course. We also hope for a Mineral Resource Estimate from Greenland before the end of 2012. When we have this, and move up to 60% of the Greenland joint venture, we will have accomplished all our major objectives from the last two years' exploration. Looking forward, we will then have no budgeted expenditure plans of significance and we expect our balance sheet to be considerably more liquid in 2013.

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Business review

Executive Chairman's review (continued)

A period of assessment will follow, as we analyse and model the results from Greenland and Kenya and work out our next steps in exploration. It would be our expectation that we would conduct some follow-up work in Kenya, though at a lower level than in the 2011–12 programme.

Another significant development in October 2012 is the coming into production of Jupiter Mines Limited's Tshipi opencast manganese mine in the South Kalahari Basin in South Africa. The start of production at this large open pit mine with a 60 year life should eventually lead to an improvement in the value and liquidity of our shareholding in Jupiter Mines Limited.

Our business model requires sales or realisations as well as acquisition and exploration. The recent market has been favourable for neither activity, but since it was a period where our assets were progressing towards key milestones that did not matter as much as it might have done. We now expect to move into a period where we will be looking to realise some of the new value in our projects, either by disposals or by sharing the ongoing costs with investors who can help us take these projects forward more rapidly. We will, as a priority, be looking to maximise the value of our holdings in Kenya by rationalising the structures through which they are held. At the same time, by moving to hold higher levels of cash, we will be better prepared to take advantage of new opportunities that may appear.

We expect and intend that this shall be a period where we deliver much of what investors may be hoping for, as we reap the benefits of recent investment.

Andrew Bell

Executive Chairman

18 October 2012

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Business review

Case study: Jupiter Mines Limited

Jupiter Mines Limited is an independent mining company based in Perth, Western Australia, which has just begun to mine manganese from its long life open-pit mine at Tshipi in South Africa, and has the Mt Ida iron ore project completing a AU\$50 million feasibility in Western Australia

Recently, Red Rock disposed of 50% of its interest in the Mt Ida magnetite royalty to Anglo Pacific Group Plc. The potential 1.2 billion ton Australian magnetite project asset arose from a 2007 deal in which Red Rock vended its iron exploration tenements into ASX-listed Jupiter. Later, a Red Rock joint venture with the Pallinghurst Consortium, led by Brian Gilbertson, (former CEO of BHP Billiton) vended additional steel feed assets into Jupiter and took control. Subsequently, a second asset, the Tshipi manganese project in South Africa, was added.

Red Rock's initial shareholding was diluted over time, but with Jupiter growing to over AU\$700 million peak valuation by early 2011, the initial investment in the tenements of some AU\$400,000 paid off many times and partial sales have helped to fund Red Rock's subsequent operations.

After the partial royalty disposal with Anglo Pacific, Red Rock retains half of the original 1.5% gross production royalty on the assets and has added US\$14 million to the total value realised by the initial investment over the past few years.

In focus: Investments

Red Rock Resources plc is a company that usually manages no more than three active projects. Projects may be held through investments or joint venture companies at various stages in their life cycle. The ante room for projects, or the departure lounge, may also be through listed investments. Ever dynamic in its interests, the Company's focus is on maximising shareholder value and working towards a sustainable and successful future as an explorationist, producer and investor.

Some of the key players that the Company has an interest in include

Investments

- Jupiter Mines Limited (Australia)
- Regency Mines plc
- Kansai Mining Corporation (Canada)
- Ascot Mining plc

Subsidiaries and associates

- Mid Migori Mining Company Ltd (Kenya)
- NAMA Greenland Limited
- Resource Star Limited (Australia)
- Four Points Mining SAS (Colombia)

In focus: Red Rock staff

In addition to the Board of Directors, Red Rock has twenty-one full time employees in its London offices, of whom ten are fully qualified geologists/GIS professionals working across the projects.

The senior geologists are

Kamini Manick, Project Manager – Kenya
Gary Hurst, Project Manager – Greenland
Ian O'Brien, Database Manager

Other senior staff include

Scott Kaintz, Corporate Finance Manager
Andy Fennell, Financial Controller
Natasha Walton, Head of Marketing and Community Affairs

Annual Report

Governance

Corporate social responsibility

We aim to be a good corporate citizen, to uphold high standards of honest and ethical behaviour in all aspects of our operations and activities. Our community engagement is characterised by mutual respect, dynamic partnerships and long-term commitment.

Responsible behaviour is fundamental to our success. In order to deliver projects on time and produce value for all our stakeholders we must ensure that we operate in harmony with local communities and their environments.

The nature of how Red Rock approaches CSR varies according to project specifics and the demographics of the region. Mining can be a completely new concept to some communities, who will often wonder what a potential mine may look like and what the impacts on their lives will be. Even exploration activities such as drilling can cause suspicion and unrest due to there not being a comprehensive understanding of the nature of such happenings. It is therefore important that explorationists prioritise information dissemination alongside their activities. Hence it is essential for a company to obtain a Social Licence to Operate ("SLO") – for the safety of the explorers, the wellbeing of the community, and the future of the project. With geologists being the "first face" of the Company on the ground, Red Rock's employees are encouraged to understand the importance of safety, environment, and communities and to act with care and consideration at all times.

Red Rock Resources aims to follow the PDAC's e3 Plus framework, which puts forward the following guidelines for responsible exploration:

- adopt responsible governance and management,
- apply ethical business practices,
- respect human rights,
- commit to project due diligence and risk assessment,
- engage host communities and other affected and interested parties,
- contribute to community development and social wellbeing,
- protect the environment, and
- safeguard the health and safety of workers and the local population.

Case study: Kenya

Social Licence to Operate

Ensuring a Social Licence to Operate ("SLO") is intrinsic to the success of a project, especially in places like Kenya, where cultures and traditions are entrenched and where big industry has yet to have had an impact.

As a project with great potential to be taken to production in the near future, Red Rock has spent time developing a CSR programme that will ensure an SLO if and when the Migori project evolves to mining.

Prior to Red Rock entering the region in 2009 through Mid Migori Mining Company Limited, there had been little or no CSR activity taking place. Ad-hoc donations were made until 2011, when it was decided that a formal programme that focussed on strategic community investment needed to be initiated.

In 2012, a formal CSR framework was introduced with clearly defined objectives, markers and standards. The Company's approach is underpinned by a set of philosophies about how we want to operate:

- prioritise mutually beneficial activities,
- resources (support, training, materials) over cash,
- encourage independence,
- consultation where appropriate, and
- source locally where possible and look for ways to build capacity.

Annual Report

Governance

Case study: Kenya (continued)

Sensitisation

Mutual respect depends on the Company comprehending what is important to its communities, and communities likewise understanding what is important to the Company. So the initial interaction with the local population has involved regular sensitisation meetings with members of the public and local authorities alike.

These sensitisation meetings educate about the nature of exploration and mining and the impacts our activities may have on local people.

Strategic community investment

Through engagement with the community via a democratically elected representative committee, the Company has identified the areas that the local community are most concerned about, ranging from improved education levels to better hygiene and sanitation in the villages.

In the education sector, Red Rock has initiated a scholarship programme whereby one student from each of the three districts in the licence will receive full sponsorship for four years of secondary school. Three new students will be selected each year prior to starting secondary school, based on their results and family situation. In addition to this, the Company regularly makes strategic investments in local schools' infrastructure.

In the second half of 2012, a hygiene and sanitation programme has been launched to encourage the building of latrines and highlight the importance of hand washing. The local community in Nyatike has access to clean water via the borehole at Red Rock's exploration camp and villagers travel from far and wide to take advantage of this. The potential for boreholes further afield is continuously being researched and the Company has a long-term plan to work with the community to help improve access to water.

The Company has made a strategic decision to encourage capacity building projects to assist locals in finding sustainable sources of income away from artisanal mining. Potential activities are being researched currently and may include such things as nature-based enterprise (bee-keeping, butterfly farming), apprenticeships and certification, and encouraging the use of marketing.

Artisanal mining

In Kenya there is a large Artisanal and Small-scale Mining ("ASM") community. Their activities are defined by a lack of mechanised equipment, child labour and unsafe working practices which often result in injuries and fatalities. There are many aspects of ASM operations that can lead to the perpetuation of poverty.

The Company recognises the presence of artisanal miners in many parts of its licence. Insofar as the Company can see, the activities of the artisanal miners have not been interfering with its operations and should any future issue arise it will be handled through consultation with the affected persons.

Over the last twelve months, Red Rock has dedicated a great deal of time and financial support to ensuring the improvement of health and safety on ASM sites.

Underpinning all our ASM engagement is an open and honest dialogue to ensure that relations between large-scale activities such as Red Rock's and small-scale activities of artisanal miners are amicable and respectful.

Conclusion

The list of activities the Company is engaging in to help improve the lives of their neighbours is endless and through constant engagement Red Rock intends to continue to make strategic investments to help ensure that the future is sustainable and bright for the Migon district.

Board of Directors

Andrew Bell, MA, LLB, FGS

Executive Chairman

Andrew Bell began his career as a natural resources analyst at Morgan Grenfell & Co in the 1970s. His business experience encompasses periods in fund management and advisory work at leading financial institutions, international corporate finance work, and private equity. Andrew Bell's listed company directorships are Regency Mines plc (executive chairman), Greatland Gold plc (non-executive chairman), Jupiter Mines Limited (non-executive director) and Resource Star Limited (non-executive chairman).

Manoli Yannaghas, BA

Executive Director

Manoli Yannaghas is a former financial analyst working with an international financial consultancy firm. Experienced with small companies including operations and corporate finance, for over ten years he has worked in various operational capacities within small and medium sized businesses. Manoli has experience with management and fund raising as well as other areas of corporate finance. He currently sits as non-executive director on a number of small fast growth companies. He is a former director of ASX-listed Resource Star Limited.

Michael Nott, BSc, MSc, DIC, FIMMM, FMES, FIQ, C Eng

Non-executive Director

Mike Nott is a geologist and mining engineer by profession and has 35 years' experience in the mining, minerals and quarrying industries. His early career was based in Zambia including nine years with Roan Consolidated Mines Limited. He was a regional manager for Pioneer Aggregates (UK) Limited, then an Australian company and later a director of Jay Minerals Services Limited and Hills Aggregates Limited, becoming trading director of ARC (Southern) Limited and production director of C White Limited. He is currently chairman and managing director of Alba Mineral Resources plc and a director and CEO of Magyar Mining Limited.

John Watkins, FCA

Non-executive Director

John Watkins has spent 50 years in the accountancy profession during which time he has been a partner in the firms of Ernst & Young and Neville Russell. For the past 15 years he has been involved in a number of new business ventures including biotech, retail, web-based trading and more recently early stage mineral exploration. Currently, he is finance director of AIM listed Starvest plc, a non-executive director of Regency Mines plc and of Greatland Gold plc and chairman of both Equity Resources plc and Rare Earths and Metals plc.

James Ladner, lic oec HSG

Independent non-executive Director

James Ladner, a Swiss citizen, has over 40 years' experience in the finance industry. After 28 years at Coutts Bank (Switzerland) Limited, where he was an executive vice-president, he was for nine years chairman of Bank Austria (Switzerland). He has also served as a director of The Royal Bank of Scotland AG, Interallianz Bank AG, Asahi Bank AG and F. Van Lanschot Bankiers (Switzerland). He was a member of the Swiss Admissions Commission for listing on the Swiss Stock Exchanges and of the Swiss Capital Market Commission of the Swiss National Bank. Outside Switzerland, he has served as director of a number of companies, including StrataGold Corporation, Pan Pacific Aggregates plc, Colombia Gold plc and Nevoro Inc. He is currently a director of Oracle Energy Corp., Colt Resources Inc. and Guerrero Exploration Inc.

Directors' Report

for the year ended 30 June 2012

The Directors present their eighth annual report on the affairs of the Group and Parent Company, together with the Group financial statements for the year ended 30 June 2012

Principal activities and business review

The Group was established as a mineral exploration and development company focussed on the discovery and development of gold, iron ore and other minerals. During the past year it concentrated principally on gold exploration in Kenya, gold production in Colombia and the continuation of iron ore exploration in Greenland.

The Group's objective is to maximise shareholder value both by exploring for minerals and by taking strategic stakes in other mineral exploration ventures. The developments during the period are given in the Chairman's Statement with a summary of significant agreements and transactions in note 25 to the financial statements.

Results and dividends

The Group's results are set out in the consolidated income statement on page 12. The audited financial statements for the year ended 30 June 2012 are set out on pages 11 to 58.

The Group made a post-tax loss of £1,962,882 (2011 post-tax profit £10,259,984).

The Directors do not recommend the payment of a dividend.

Fundraising and share capital

During the year, the Company raised £4,441,844 (2011 £7,126,583) of new equity by the issue of 160,166,531 Ordinary shares (2011 140,074,476 shares), further details are given in note 21.

Principal risks and uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks as explained below. The key risks are:

- exploration is speculative in nature, there can never be certainty of outcome,
- the economic viability of a project is affected by world commodity prices,
- commodity prices are subject to international economic trends, currency fluctuations and consumption patterns over which the Company has no control, and
- estimates of ore reserves are based on many assumptions and subjective judgements which may change significantly when new information becomes available.

Risk management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management of forecasts. Project milestones and timelines are regularly reviewed. Further details of the Group's risk management policies can be found in note 24.

General and economic risks

The key risks are:

- contractions in the world's major economies or increases in the rate of inflation resulting from international conditions,
- movements in the equity and share markets in the United Kingdom and throughout the world,
- weakness in global equity and share markets, in particular in the United Kingdom, and adverse changes in market sentiment towards the resource industry,
- currency exchange rate fluctuations and, in particular, the relative prices of the Australian Dollar, the Colombian Peso, the US Dollar, the Kenyan Shilling, Canadian Dollar, Danish Krone and the UK Pound,
- exposure to interest rate fluctuations, and
- adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy such as increased taxes or royalties and further regulation of the industry, unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep, variations in grades, and unforeseen adverse geological factors or prolonged weather conditions.

Funding risk

The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

Directors' report (continued)

Risk management continued

Commodity risk

Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Group. Mining, processing and transportation costs also depend on many factors, including commodity prices, capital costs and operating costs in relation to any operational site.

Exploration and development risks

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs
- Success in identifying economically recoverable reserves can never be guaranteed. Also, the Group cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects
- Some of the countries in which the Group operates have native title laws which could affect exploration and development activities. The companies in which the Group has an interest may be required to undertake clean-up programmes on any contamination from their operations or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all applicable laws and regulations and the Group is not currently aware of any material issues in this regard
- Timely approval of mining permits and operating plans through the respective regulatory agencies cannot be guaranteed
- Availability of skilled workers is an ongoing challenge
- Geology is always a potential risk in mining activities

Market risk

The ability of the Group, and the companies in which it invests, to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

Key performance indicators

The Group analyses key performance indicators for gold production in Colombia, in particular the ore mined, the gold sold and the average grade of the ore.

As a mineral exploration business, a most important factor is a steadily improving market perception of the progress and value of the business leading to an improving share price, continued support from shareholders and therefore the ability to raise new equity capital at increasing prices thus minimising dilution for those early investors who bore significant risk.

The Group therefore monitors the availability of sufficient cash to facilitate continued investment and to fund exploration programmes.

At 30 June 2012 the Group had cash and cash equivalents of £347,925 and undrawn facilities available in the Standby Equity Distribution Agreement ("SEDA") of £5.6 million.

The market values of the most significant of the Group's listed investments at 30 June 2012 are as follows:

- Jupiter Mines Limited £7,747,754
- Regency Mines plc £286,400, and
- Resource Star Limited £239,679

Directors

The Directors who served at any time during the period to date are as follows:

Andrew R M Bell

James F Ladner

Michael C Nott

John Watkins

Manoli G R Yannaghas

Directors' report (continued)

The direct and beneficial interests of the Board in the shares of the Company as at 30 June 2012 were as follows

	Ordinary shares			As percentage of issued share capital
	Direct	Beneficial*	Total	
Andrew R M Bell	—	308,366	308,366	0.03%
James F Ladner	—	944,631	944,631	0.11%
Michael C Nott	1,325,000	743,366	2,068,366	0.23%
John Watkins	1,250,000	2,168,366	3,418,366	0.39%
Manoli G R Yannaghas	—	993,366	993,366	0.11%

*Each director indirectly holds 168,366 shares through the Share Incentive Plan Trustees. In addition, Andrew Bell holds 140,000 shares through Hartmann Capital Nominees Limited, Michael C Nott indirectly holds 575,000 shares through Anna Nott, John Watkins holds 2,000,000 shares through Diane Mary Watkins, Manoli G R Yannaghas holds 825,000 shares through Hartmann Capital Nominees Limited and James F Ladner holds 776,265 shares through an undisclosed nominee which are pledged as collateral for a loan.

Charitable and political donations

During the period the Group made no charitable or political contributions.

Payment of suppliers

The Group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them as much as possible. Standard supplier terms are usually to be paid within 30 days of receipt of invoice. Trade creditors at the year end were equivalent to 39 (2011: 33) days of costs.

Events after the reporting period

The events after the reporting period are set out in note 27 to the financial statements.

Substantial shareholdings

On 30 June 2012 and 28 September 2012 the following were registered as being interested in 3% or more of the Company's Ordinary share capital.

	30 June 2012		28 September 2012	
	Ordinary shares of £0,001 each	Percentage of issued share capital	Ordinary shares of £0,001 each	Percentage of issued share capital
Regency Mines plc	145,764,666	16.49%	145,764,666	15.09%
TD Direct Investing Nominees (Europe) Limited	111,101,037	12.57%	115,934,677	12.00%
Barclayshare Nominees Limited	81,042,845	9.17%	79,164,250	8.19%
HSDL Nominees Limited	67,148,590	7.59%	69,153,336	7.16%
Pershing Nominees Limited	—	—	68,584,805	7.10%
Hargreaves Lansdown (Nominees) Limited	60,512,858	6.84%	59,200,107	6.13%
L R Nominees Limited	48,676,120	5.51%	49,378,687	5.11%
Jim Nominees Limited	47,227,047	5.34%	50,989,729	5.28%
Investor Nominees Limited	39,388,945	4.46%	39,750,438	4.11%
HSBC Client Holdings Nominee (UK) Limited	31,395,845	3.55%	33,218,938	3.44%
Total number of shares in issue	884,149,814		966,137,800	

Auditor

A resolution proposing the re-appointment of Grant Thornton UK LLP as auditor is contained in the notice of Annual General Meeting and will be put to shareholders at the Annual General Meeting.

Directors' report (continued)

Management incentives

In each of the years to 30 June 2007, 30 June 2009 and 30 June 2011, the Company granted options over a total of 39,500,000 Ordinary shares. As at 30 June 2012, 24,250,000 of these options were outstanding.

In addition, during the year, the Company introduced a tax efficient Share Incentive Plan, a government approved scheme, the terms of which provide for an equal reward to every employee, including Directors, who had served for three months or more at the time of issue. The terms of the plan provide for

- each employee to be given the right to subscribe any amount up to £125 per month with Trustees who invest the monies in the Company's shares,
- the Company to match the employee's investment by contributing an amount equal to double the employee's investment, and
- the Company to award free shares to a maximum of £3,000 per annum.

The subscriptions remain free of taxation and national insurance if held for five years.

Further details on share options and share incentive plan are set out in note 23 to the financial statements.

Directors' remuneration report

The remuneration of the Executive Directors paid during the year was fixed on the recommendation of the Remuneration Committee. The remuneration of the Non-executive Directors paid during the year was fixed on the recommendation of the Executive Directors. This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the year.

A fee was paid to each Director for the year ended 30 June 2012. In addition, in each case fees and expenses were paid to businesses with which the Directors are associated as set out in note 7 to the financial statements.

Each Director is entitled to participate in the Share Incentive Plan.

During the year, the Company introduced a Group Personal Pension Scheme for all eligible employees, including the Directors. The Scheme is an insured, defined contribution arrangement with all members entitled to an employer pension contribution equivalent to 9% of basic salary, subject to the individual agreeing to make a minimum contribution to the Scheme equivalent to 4% of basic salary (subject to statutory and regulatory conditions). The Scheme is available on a salary sacrifice basis, with 100% of the employer's national insurance saving passed on to the member by way of an enhanced employer contribution to the Scheme of an equivalent amount.

The Company is closely associated with Regency Mines plc, which had a 16.49% interest in the Company as at 30 June 2012. The Company had a 2.70% interest in Regency Mines plc as at 30 June 2012. Two Directors, Andrew Bell and John Watkins, are also directors of and are paid by Regency Mines plc. The amount of their remuneration is not required to be disclosed in the Company financial statements, but is fully disclosed in the financial statements of Regency Mines plc.

Corporate governance statement

A corporate governance statement follows on pages 8-9.

Control procedures

The Board has approved financial budgets and cash forecasts, in addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting.

Environmental responsibility

The Company is aware of the potential impact that its subsidiary companies may have on the environment. At a minimum, the Company ensures that it and its subsidiaries comply with the local regulatory requirements and the revised Equator Principles, the industry standard for environmental and social risk management. The Company is currently conducting an Environmental and Social Impact Assessment for the tailings retreatment in compliance with Kenya's Environmental Management and Coordination Act of 1999. The Company has established a tree nursery to promote environmental conservation and has donated the first batch of seedlings of different species to landowners of previous drill sites.

Employment policies

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success of the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Health and safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group provides training and support to employees and sets demanding standards for workplace safety.

Directors' report (continued)

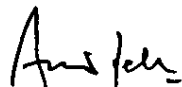
Going concern

The Directors are of the opinion that ongoing evaluations of the Group's interests indicate that preparation of the Group's financial statements on a going concern basis is appropriate. The Group's income has arisen from sales of mined production as well as from transactions involving the sale of Group interests in mining tenements and projects including half of the Group's royalty interest in the Mount Ida project. Two remaining tranches totalling \$8,000,000 are to be received by the Group once certain conditions have been met. The second tranche of \$4m is primarily tied to Jupiter Mines completing a Definitive Feasibility Study on its Mt Ida Iron project, which is currently projected for the June Quarter of 2013. More details are given in note 25. The Group has received a cash offer for its interest in Four Points Mining SAS ("FPM") (formerly "Mineras Four Points SA"). Due diligence has been completed on the sale. Based on negotiations conducted to date the directors have a reasonable expectation that it will proceed successfully before the end of the Group's half-year. This should provide additional working capital for the Group and the Company. In addition, the Group has substantial and valuable shareholdings and investments in listed companies, including Jupiter Mines Limited (valued at £5m as at 17 October 2012), and expects to be able to realise the value of part or all of these holdings should the need arise. It also has available undrawn credit facilities as set out in note 2. The Directors do not anticipate any difficulty in raising new finance from stock markets if this is required during 2013, and the Group has demonstrated a consistent ability to do so as required.

Based on the above, the directors have concluded that there is no material uncertainty that would cast significant doubt upon the Group's and the Company's ability to continue as a going concern. The directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the next twelve months from the date of the Annual Report. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

By order of the Board

Signed by



Andrew Bell

Executive Chairman

18 October 2012

Statement of 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 Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period.

In preparing the Group and Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The directors confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- 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 auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Red Rock Resources plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the UK Corporate Governance Code, which sets out the principles of good governance, and the Code of Best Practice for listed companies. The UK Corporate Governance Code does not apply to AIM companies. However, shareholders expect companies in which they invest to be properly governed and tend to use the UK Corporate Governance Code as a starting point. This is inappropriate for many AIM companies but there is no alternative code.

The Company's corporate governance procedures take due regard of the principles of good governance set out in the UK Corporate Governance Code in relation to the size and the stage of development of the Company.

Role of the Board

The Board has a responsibility to govern the Company rather than to manage it and in doing so act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director. Non-executive Directors receive formal letters of appointment setting out the key terms, conditions, and expectations of their appointment.

Responsibilities of the Board

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

Board of Directors

The Board of Directors currently comprises five Directors, two of whom are Executive Directors, of these, one is Executive Chairman and Chief Executive. There is one Independent non-executive Director, being James Ladner, and two Non-executive Directors who additionally provide professional services to the Company and who therefore do not qualify as independent.

The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the UK Corporate Governance Code have been implemented to an appropriate level. The Board, through the Executive Chairman, the Executive Director and the Non-executive Directors, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

All Directors have access to the advice of the Company's solicitors and the Company Secretary, necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Executive Chairman

The Board acknowledges that, in having an Executive Chairman who is also the Chief Executive Officer, best practice, as stated in the listing rules of the Financial Services Authority applicable to the main market, is not being followed. However, it is the opinion of the Board as a whole that the current arrangements are appropriate to the Company and Group at this stage of development.

Board meetings

The Board meets regularly throughout the year. During the year ended 30 June 2012 the Board met five times in relation to normal operational matters.

Board committees

The Board has established the following committees, each of which has its own terms of reference.

Audit Committee

The Audit Committee considers the Group's financial reporting, including accounting policies, and internal financial controls. It is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. The Audit Committee meets at least twice a year, once with the auditor, and is comprised of James Ladner, Independent non-executive Director, as Chairman and John Watkins, Non-executive Director. The Executive Chairman and senior personnel attend the Committee as requested by the Committee.

It is the responsibility of the Committee to review the annual and half-yearly financial statements, to ensure that they adequately comply with appropriate accounting policies, practices and legal requirements, to recommend to the Board their adoption, and to consider the independence of and to oversee the management's appointment of the external auditor.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Executive Directors' remuneration. It comprises two suitably qualified Non-executive Directors: John Watkins as Chairman and Michael Nott. The Executive Chairman and other senior personnel attend meetings as requested by the Committee which meets at least twice a year.

Corporate governance statement (continued)

Nominations Committee

The Board has not established a Nominations Committee. The Board considers that a separately established committee is not warranted at this stage of the Group's development and that the functions of such a committee are being adequately discharged by the Board as a whole.

Ethical decision making

Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and all staff have agreed to maintain confidentiality of non-public information except where disclosure is authorised or legally mandated.

Bribery

In accordance with the provisions of the Bribery Act, all Directors and staff have been informed and have acknowledged that it is an offence under the act to engage in any form of bribery. The company has an anti-bribery and whistleblowing policy in force.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in the light of increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Insurance

The Group maintains insurance in respect of its Directors and officers against liabilities in relation to the Company.

Treasury policy

The Group finances its operations through equity, loans and sales of investments. The Group holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board.

Securities trading and share dealing

The Board has adopted the Share Dealing Code contained within the AIM rules that applies to Directors, senior management and any employee who is in possession of "inside information". All such persons are prohibited from trading in the Company's securities if they are in possession of "inside information". Subject to this condition and trading prohibitions applying to "close periods" (usually two months prior to the publication of the interim and final audited accounts), trading can occur provided the relevant individual has received the appropriate prescribed clearance. All Directors and staff are required to advise the Executive Chairman, or other designated person, of their intention to undertake a transaction in the Company's shares. Such a transaction will be prohibited if the Director or employee is considered to be in possession of non-public material information.

Relations with shareholders

The Board recognises that it is accountable to shareholders for the performance and activities of the Company and Group and to this end is committed to providing effective communication with the shareholders of the Company.

Significant developments are disseminated through stock exchange announcements and regular updates of the Company website where descriptions of the Group projects are available and updated regularly. In addition, copies of press comments, broker notes, video updates and presentations are available. On the website, shareholders may sign up to receive news releases directly by email.

The Board views the Annual General Meeting as an important forum for communication between the Company and its shareholders and encourages shareholders to express their views on the Group's business activities and performance. The Company has held an open day for shareholders to visit the Company offices and gain an insight into the Company's activities.

Independent auditor's report

to the members of Red Rock Resources plc

We have audited the financial statements of Red Rock Resources plc for the year ended 30 June 2012 which comprise the consolidated and Company statements of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity, the consolidated and Company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the 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 Statement of directors' responsibilities set out on page 7, 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 APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2012 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRS 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

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 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



Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
18 October 2012

Consolidated statement of financial position

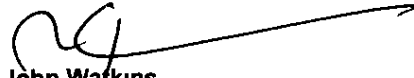
as at 30 June 2012

	Notes	30 June 2012 £	30 June 2011 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	38,240	13,327,546
Investments in associates and joint ventures	12	4,496,053	975,732
Available for sale financial assets	13	8,809,866	24,472,120
Non-current receivables	17	5,905,944	2,927,277
Other financial assets	14	150,413	4,095,696
Deferred tax assets	20	153,098	—
Exploration assets	15	—	501,062
Total non-current assets		19,553,614	46,299,433
Current assets			
Cash and cash equivalents	16	347,925	268,788
Other receivables	18	1,628,900	3,730,906
Current tax receivable	5	219,484	—
Total current assets		2,196,309	3,999,694
Assets classified as held for sale	8	15,387,802	—
TOTAL ASSETS		37,137,725	50,299,127
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Called up share capital	21	884,150	723,983
Share premium account		16,938,435	13,041,125
Other reserves		(7,872,920)	2,751,616
Retained earnings		11,892,745	13,988,004
Total		21,842,410	30,504,728
Non-controlling interest		2,559,410	2,339,130
Total equity		24,401,820	32,843,858
LIABILITIES			
Current liabilities			
Trade and other payables	19	1,167,969	4,032,785
Short-term borrowings	19	1,209,730	1,750,450
Current tax liabilities		—	84,085
Total current liabilities		2,377,699	5,867,320
Liabilities directly associated with the assets classified as held for sale	8	8,065,206	—
Non-current liabilities			
Long-term borrowings	19	2,293,000	2,817,500
Deferred tax liabilities	20	—	8,770,449
Total non-current liabilities		2,293,000	11,587,949
TOTAL EQUITY AND LIABILITIES		37,137,725	50,299,127

These financial statements on pages 11 to 58 were approved by the Board of Directors and authorised for issue on 18 October 2012 and are signed on its behalf by


Andrew Bell

Executive Chairman


John Watkins

Director

The accompanying notes form an integral part of these financial statements

Consolidated income statement

for the year ended 30 June 2012

	Notes	Year to 30 June 2012 £	Year to 30 June 2011* £
Revenue			
Management services		—	64,076
Total revenue		—	64,076
(Loss)/gain on sales of investments		(619,313)	1,215,666
Gain on sale of royalty interest	25	3,686,211	—
Gain on sales of exploration assets		—	169,322
Profit on transfer of investment from associate		—	14,238,297
Gain on dilution of interest in associate	12	12,204	252,947
Impairment of investment in associate	12	(358,188)	(70,298)
Impairment of available for sale investment	13	(716,605)	—
Financial assets at fair value through profit and loss	14	(3,945,283)	3,647,104
Exploration expenses		(356,455)	(781,169)
Impairment of exploration assets		(7,077)	(261,224)
Administrative expenses		(2,275,786)	(2,212,290)
Share of losses of associates	12	(312,043)	(386,228)
Dividend income		22,890	—
Finance income, net	4	288,718	43,239
(Loss)/profit for the year before taxation from continuing operations	3	(4,580,727)	15,919,442
Tax credit/(expense)	5	2,168,294	(3,923,941)
(Loss)/profit for the year from continuing operations		(2,412,433)	11,995,501
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	8	449,551	(1,735,517)
(Loss)/profit for the year		(1,962,882)	10,259,984
(Loss)/profit for the year attributable to			
Equity holders of the parent		(2,183,162)	11,924,606
Non-controlling interest	8	220,280	(1,664,622)
		(1,962,882)	10,259,984

* Certain amounts shown here do not correspond to the 2011 financial statements to re-present results of discontinued operations as detailed in Note 8

(Loss)/earnings per share attributable to owners of the parent

Basic	9	(0 28) pence	1 78 pence
Diluted	9	—	1 71 pence

The accompanying notes form an integral part of these financial statements

Consolidated statement of comprehensive income

for the year ended 30 June 2012

		30 June 2012 £	30 June 2011 £
	Notes		
(Loss)/profit for the year		(1,962,882)	10,259,984
Other comprehensive income			
(Deficit)/surplus on revaluation of available for sale investment	13	(14,110,502)	4,082,474
Deferred tax on revaluation of available for sale investments	20	3,386,520	(1,061,795)
Unrealised foreign currency loss arising upon retranslation of foreign operations		82,915	(53,778)
Total comprehensive (expense)/income net of tax for the year		(12,603,949)	13,226,885
Total comprehensive (expense)/income net of tax attributable to:			
Owners of the parent		(12,824,229)	14,891,507
Non-controlling interest		220,280	(1,664,622)
		(12,603,949)	13,226,885

The accompanying notes form an integral part of these financial statements

Consolidated statement of changes in equity

for the year ended 30 June 2012

The movements in equity during the period were as follows

	Share capital £	Share premium account £	Retained earnings £	Other reserves £	Total attributable to owners of the parent £	Non-controlling interest £	Total equity £
As at 30 June 2010	583,908	6,347,920	2,017,768	(350,069)	8,599,527	—	8,599,527
Changes in equity for 2011							
Profit/(loss) for the year	—	—	11,924,606	—	11,924,606	(1,664,622)	10,259,984
Other comprehensive income for the year	—	—	—	2,966,901	2,966,901	—	2,966,901
Transactions with owners							
Issue of shares	140,075	6,986,508	—	—	7,126,583	—	7,126,583
Share issue costs	—	(293,303)	—	—	(293,303)	—	(293,303)
On acquisition of subsidiary	—	—	—	—	—	4,003,752	4,003,752
Share-based payment charge	—	—	—	180,414	180,414	—	180,414
Share-based payment transfer	—	—	45,630	(45,630)	—	—	—
Total transactions with owners	140,075	6,693,205	45,630	134,784	7,013,694	4,003,752	11,017,446
As at 30 June 2011	723,983	13,041,125	13,988,004	2,751,616	30,504,728	2,339,130	32,843,858
Changes in equity for 2012							
(Loss)/profit for the year	—	—	(2,183,162)	—	(2,183,162)	220,280	(1,962,882)
Other comprehensive expense for the year	—	—	—	(10,641,067)	(10,641,067)	—	(10,641,067)
Transactions with owners							
Issue of shares	160,167	4,361,357	—	—	4,521,524	—	4,521,524
Share issue costs	—	(464,047)	—	—	(464,047)	—	(464,047)
Share-based payment charge	—	—	—	104,434	104,434	—	104,434
Share-based payment transfer	—	—	87,903	(87,903)	—	—	—
Total transactions with owners	160,167	3,897,310	87,903	16,531	4,161,911	—	4,161,911
As at 30 June 2012	884,150	16,938,435	11,892,745	(7,872,920)	21,842,410	2,559,410	24,401,820

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Available for sale trade investments reserve £	Associate investments reserve £	Foreign currency translation reserve £	Share-based payment reserve £	Total Other Reserves £
As at 30 June 2010	(353,517)	(126,226)	(2,589)	132,263	(350,069)
Changes in equity for 2011					
Profit for the year	—	—	—	—	—
Other comprehensive income/(expense) for the year	3,020,679	—	(53,778)	—	2,966,901
Transactions with owners					
Share-based payment charge	—	—	—	180,414	180,414
Share-based payment transfer	—	—	—	(45,630)	(45,630)
Total transactions with owners	—	—	—	134,784	134,784
As at 30 June 2011	2,667,162	(126,226)	(56,367)	267,047	2,751,616
Changes in equity for 2012					
Profit for the year	—	—	—	—	—
Other comprehensive (expense)/income for the year	(10,723,982)	—	82,915	—	(10,641,067)
Transactions with owners					
Share-based payment charge	—	—	—	104,434	104,434
Share-based payment transfer	—	—	—	(87,903)	(87,903)
Total transactions with owners	—	—	—	16,531	16,531
As at 30 June 2012	(8,056,820)	(126,226)	26,548	283,578	(7,872,920)

See note 22 for a description of each reserve included above

Consolidated statement of cash flows

for the year ended 30 June 2012

	Notes	Year to 30 June 2012 £	Year to 30 June 2011 £
Cash flows from operating activities			
(Loss)/profit before tax from continuing operations		(4,580,727)	15,919,442
Profit/(loss) before tax from discontinued operations	8	264,081	(1,945,905)
(Loss)/profit before tax		(4,316,646)	13,973,537
Increase in receivables		(3,177,032)	(5,931,785)
(Decrease)/increase in payables		(1,056,292)	1,427,361
Share of losses in associates		312,043	386,228
Interest receivable and finance income		(847,701)	(150,170)
Dividend income		(22,889)	—
Interest payable		558,983	192,807
Impairment of exploration properties		7,077	261,224
Share-based payments		184,113	180,414
Currency adjustments		114,159	26,500
Impairment of associate		358,188	70,298
Impairment of available for sale investment		716,605	—
Gain on dilution of interest in associates		(12,204)	(252,947)
Loss/(profit) on sale of investments		619,313	(1,215,666)
Non-cash proceeds on sale of royalty interest		(1,315,901)	—
Profit on transfer of available for sale investment from associate		—	(14,238,297)
Financial assets at fair value through profit and loss		3,945,283	(3,647,104)
Depreciation		360,824	710,735
Net cash outflow from operations		(3,572,077)	(8,206,865)
Corporation tax paid		(110,723)	(826,951)
Net cash used in operations		(3,682,800)	(9,033,816)
Cash flows from investing activities			
Interest received		378,043	150,170
Dividend income		22,889	—
Acquisition of subsidiary net of cash		—	(2,752,682)
Proceeds of sale of investments		1,919,338	3,816,063
Payments to acquire associate company and joint venture investments		(2,914,949)	(450,637)
Payments to acquire available for sale investments		(387,603)	(774,207)
Exploration expenditure		(769,413)	(504,362)
Payments to acquire property, plant and equipment		(142,707)	(1,193,039)
Net cash outflow from investing activities		(1,894,402)	(1,708,694)
Cash flows from financing activities			
Proceeds from issue of shares		4,441,844	7,126,583
Transaction costs of issue of shares		(464,047)	(293,303)
Interest paid		(558,983)	(192,807)
Finance costs		—	(53,140)
Proceeds of new borrowings		5,503,252	7,485,381
Repayments of borrowings		(3,260,814)	(3,624,614)
Net cash inflow from financing activities		5,661,252	10,448,100
Net increase/(decrease) in cash and cash equivalents		84,050	(294,410)
Cash and cash equivalents at the beginning of period		268,788	563,198
Cash and cash equivalents at end of period	16	352,838	268,788

The accompanying notes and accounting policies form an integral part of these financial statements

Company statement of financial position

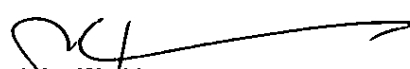
as at 30 June 2012

	Notes	30 June 2012 £	30 June 2011 £
ASSETS			
Non-current assets			
Property, plant and equipment	10	37,913	26,565
Investments in subsidiaries	11	—	4,004,072
Investments in associates and joint ventures	12	5,325,821	1,505,661
Available for sale financial assets	13	8,809,866	24,472,120
Non-current receivables	17	5,905,944	2,927,277
Other financial assets	14	150,413	4,095,696
Deferred tax assets	20	1,981	—
Exploration assets	15	—	501,062
Total non-current assets		20,231,938	37,532,453
Current assets			
Cash and cash equivalents	16	346,516	42,166
Other receivables	18	1,625,490	3,532,683
Current tax receivable	5	219,484	—
Total current assets		2,191,490	3,574,849
Assets classified as held for sale	8	5,968,370	—
TOTAL ASSETS		28,391,798	41,107,302
EQUITY AND LIABILITIES			
Called up share capital	21	884,150	723,983
Share premium account		16,938,435	13,041,125
Other reserves		(7,771,891)	2,935,560
Retained earnings		13,317,715	14,699,021
Total equity		23,368,409	31,399,689
LIABILITIES			
Current liabilities			
Trade and other payables	19	1,161,759	2,539,729
Short-term borrowings	19	1,209,730	1,750,450
Current tax liabilities		—	84,085
Total current liabilities		2,371,489	4,374,264
Liabilities directly associated with the assets classified as held for sale	8	358,900	—
Non-current liabilities			
Long-term borrowings	19	2,293,000	—
Deferred tax liabilities	20	—	5,333,349
Total non-current liabilities		2,293,000	5,333,349
TOTAL EQUITY AND LIABILITIES		28,391,798	41,107,302

These financial statements on pages 11 to 58 were approved by the Board of Directors and authorised for issue on 18 October 2012 and are signed on its behalf by


Andrew Bell

Executive Chairman


John Watkins

Director

The accompanying notes form an integral part of these financial statements

Company statement of changes in equity

for the year ended 30 June 2012

The movements in equity during the period were as follows

	Share capital £	Share premium account £	Retained earnings £	Other reserves £	Total equity £
As at 30 June 2010	583,908	6,347,920	2,321,571	(221,254)	9,032,145
Changes in equity for 2011					
Profit for the year	—	—	12,331,820	—	12,331,820
Other comprehensive income for the year	—	—	—	3,022,030	3,022,030
Transactions with owners					
Issue of shares	140,075	6,986,508	—	—	7,126,583
Share issue costs	—	(293,303)	—	—	(293,303)
Share-based payment charge	—	—	—	180,414	180,414
Share-based payment transfer	—	—	45,630	(45,630)	—
Total transactions with owners	140,075	6,693,205	45,630	134,784	7,013,694
As at 30 June 2011	723,983	13,041,125	14,699,021	2,935,560	31,399,689
Changes in equity for 2012					
Loss for the year	—	—	(1,469,209)	—	(1,469,209)
Other comprehensive expense for the year	—	—	—	(10,723,982)	(10,723,982)
Transactions with owners					
Issue of shares	160,167	4,361,357	—	—	4,521,524
Share issue costs	—	(464,047)	—	—	(464,047)
Share-based payment charge	—	—	—	104,434	104,434
Share-based payment transfer	—	—	87,903	(87,903)	—
Total transactions with owners	160,167	3,897,310	87,903	16,531	4,161,911
As at 30 June 2012	884,150	16,938,435	13,317,715	(7,771,891)	23,368,409

	Available for sale trade investments reserve £	Share-based payment reserve £	Total other reserves £
As at 30 June 2010	(353,517)	132,263	(221,254)
Changes in equity for 2011			
Profit for the year	—	—	—
Other comprehensive income for the year	3,022,030	—	3,022,030
Transactions with owners			
Share-based payment charge	—	180,414	180,414
Share-based payment transfer	—	(45,630)	(45,630)
Total transactions with owners	—	134,784	134,784
As at 30 June 2011	2,668,513	267,047	2,935,560
Changes in equity for 2012			
Profit for the year	—	—	—
Other comprehensive expense for the year	(10,723,982)	—	(10,723,982)
Transactions with owners			
Share-based payment charge	—	104,434	104,434
Share-based payment transfer	—	(87,903)	(87,903)
Total transactions with owners	—	16,531	16,531
As at 30 June 2012	(8,055,469)	283,578	(7,771,891)

See note 22 for a description of each reserve included above

Company statement of cash flows

for the year ended 30 June 2012

	30 June 2012 £	30 June 2011 £
Cash flows from operating activities		
(Loss)/profit before taxation	(3,637,504)	16,255,761
Increase in receivables	(3,035,770)	(5,626,078)
(Decrease)/increase in payables	(549,411)	1,075,693
Interest receivable and finance income	(847,701)	(150,170)
Dividend income	(22,889)	—
Interest payable	558,983	83,182
Finance costs	—	179
Impairment of exploration properties	—	150,542
Share-based payments	184,113	180,414
Impairment of associate	358,188	77,245
Impairment of subsidiary	—	482
Impairment of available for sale investment	716,605	—
Loss/(profit) on sale of investments	619,313	(1,215,666)
Non-cash proceeds on sale of royalty interest	(1,315,901)	—
Profit on transfer of available for sale investment from associate	—	(14,080,848)
Financial assets at fair value through profit and loss	3,945,283	(3,647,104)
Currency adjustments	42,572	—
Depreciation	16,259	6,751
Net cash outflow from operations	(2,967,860)	(6,889,617)
Corporation tax paid	(84,085)	(821,535)
Net cash used in operations	(3,051,945)	(7,711,152)
Cash flows from investing activities		
Interest received	378,043	150,170
Dividend income	22,889	—
Proceeds of sale of investments	1,919,338	3,816,063
Payments to acquire subsidiary	—	(2,757,656)
Payments to acquire associate company investments	(2,914,949)	(450,637)
Payments to acquire available for sale investments	(387,604)	(774,207)
Exploration expenditure	(762,336)	(504,362)
Payments to acquire property, plant and equipment	(27,607)	(28,649)
Net cash outflow from investing activities	(1,772,226)	(549,278)
Cash flows from financing activities		
Proceeds from issue of shares	4,441,844	7,126,583
Transaction costs of issue of shares	(464,047)	(293,303)
Interest paid	(558,983)	(83,182)
Finance costs	—	(53,319)
Proceeds of new borrowings	4,970,521	4,667,881
Repayments of borrowings	(3,260,814)	(3,624,614)
Net cash inflow from financing activities	5,128,521	7,740,046
Net increase/(decrease) in cash and cash equivalents	304,350	(520,384)
Cash and cash equivalents at the beginning of period	42,166	562,550
Cash and cash equivalents at end of period	346,516	42,166

The accompanying notes and accounting policies form an integral part of these financial statements

Notes to the financial statements

for the year ended 30 June 2012

1 Principal accounting policies

1.1 Authorisation of financial statements and statement of compliance with IFRS

The Group financial statements of Red Rock Resources plc for the year ended 30 June 2012 were authorised for issue by the Board on 18 October 2012 and the statement of financial position signed on the Board's behalf by Andrew Bell and John Watkins. Red Rock Resources plc is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary shares are traded on AIM.

1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ("IFRS") and the requirements of the Companies Act applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Company statement of comprehensive income

As permitted by Section 408 Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The Company's loss for the financial year was £1,469,209 (2011 profit £12,331,820). The Company's other comprehensive loss for the financial year was £10,723,982 (2011 profit £3,022,030).

Amendments to published standards effective for the year ended 30 June 2012

The following standards have been adopted during the year:

- IFRS 7 "Financial Instruments: Disclosure (amendment)", and
- IAS 24 "Related Party Disclosures (revised)".

Although the adoption of these amendments has had no impact on the financial position and performance of the Group, additional disclosures have been provided to comply with the revised standards.

Standards adopted early by the Group

The Group has not adopted any standards or interpretations early in either the current or the preceding financial year.

Adoption of standards and interpretations

As at the date of authorisation of these financial statements, there were standards and interpretations in issue but that are not yet effective and have not been applied in these financial statements, as listed below.

Standards, amendments and interpretations in issue but not effective

Effective for annual periods beginning on or after 1 January 2012:

- IAS 12 "Income Taxes (amendment)".

Effective for annual periods beginning on or after 1 January 2013:

- IFRS 10 "Consolidated Financial Statements",
- IFRS 11 "Joint Arrangements",
- IFRS 12 "Disclosure of Interests in Other Entities",
- IFRS 13 "Fair Value Measurement",
- IAS 19 "Employee Benefits (revised)", and
- IAS 28 "Investments in Associates and Joint Ventures".

Effective for annual periods beginning on or after 1 January 2015:

- IFRS 9 "Financial Instruments: Classification and Measurement".

The Directors do not anticipate that the adoption of these standards and interpretations in future periods could have a material effect on the financial position or performance of the Group and Company, other than the introduction of IFRS 10 which could affect the financial position and performance, and IFRS 11, IFRS 12 and IAS 28 which are likely to change or increase the level of disclosure required in respect of the Group's investments. The Group intends to adopt these standards when they become effective.

IFRS 10 is a new standard which establishes principles for the presentation and preparation of consolidated financial statements. As a result of its publication, the Directors will be required to consider the application of the revised definition of control to determine whether additional entities will need to be consolidated and whether consolidation is still appropriate for those that currently are. The new definition of control will require the directors to consider whether the Company has

- a) power over the investee,
- b) exposure, or rights, to variable returns from involvement with the investee, and
- c) the ability to use power over the investee to affect the amount of the investor's returns.

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.2 Basis of preparation continued

Standards, amendments and interpretations in issue but not effective continued

The financial effect of such changes on the Group has not yet been reliably estimated. However, it is widely expected, irrespective of industry sector and without specific reference to the Group, that the adoption of IFRS 10 is likely to result in more entities being consolidated.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities — Non-monetary Contributions by Venturers". It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. JCEs under current IAS 31 that will be classified as joint ventures under IFRS 11 will transition from proportionate consolidation to the equity method by aggregating the carrying values previously recorded, testing that amount for impairment and then using that amount as deemed cost for applying the equity method going forward. The Group recognises its interest in jointly controlled entities using the equity method of accounting. The application of this new standard will not impact the financial position of the Group.

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures related to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of IFRS 12 is likely to change or increase the level of disclosure required in respect of the Group's investments.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 "Investments in Associates and Joint Ventures", and describes the application of the equity method to investments in joint ventures in addition to associates. The application of this new standard will not impact the financial position of the Group.

1.3 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and subsidiaries controlled by the Company made up to 30 June each year.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated from the date on which control is obtained, the acquisition date, up until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date, about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Non-controlling interests in subsidiaries are measured at the proportionate share of the fair value of their identifiable net assets. Intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation, except to the extent that intra-group losses indicate an impairment.

For the year ended 30 June 2012, the consolidated financial statements combine those of the Company with those of its subsidiaries, Red Rock Australasia Pty Ltd, American Gold Mines Limited and Four Points Mining SAS ("FPM") (formerly "Mineras Four Points SA").

The Group's dormant subsidiary, Intrepid Resources Limited, has been excluded from consolidation on the basis of the exemption provided by Section 405(2) of the Companies Act 2006 that its inclusion is not material for the purpose of giving a true and fair view.

Non-controlling interests

Profit or loss and each component of other comprehensive income are allocated between the aims of the parent and non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any differences between the adjustment for the non-controlling interest and the fair value of consideration paid or received are recognised in equity.

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.4 Summary of significant accounting policies

1.4.1 Property, plant and equipment

Assets in the course of construction are stated at cost, less any identified impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Field equipment and fixtures and fittings are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following bases:

Mines	5% per annum
Field equipment	33% per annum
Fixtures and fittings	10% per annum
Assets under construction	not depreciated until brought into use

1.4.2 Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or jointly control, through participation in the financial and operating policy decisions of the investee.

Investments in associates are recognised in the consolidated financial statements using the equity method of accounting. The Group's share of post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income are recognised directly in other comprehensive income. The carrying value of the investment, including goodwill, is tested for impairment when there is objective evidence of impairment. Losses in excess of the Group's interest in those associates are not recognised unless the Group has incurred obligations or made payments on behalf of the associate.

Where a Group company transacts with an associate of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

In the Company accounts investments in associates are recognised and held at cost. The carrying value of the investment is tested for impairment when there is objective evidence of impairment.

1.4.3 Interests in joint ventures

The Group has a contractual arrangement with North Atlantic Mining Associates Limited which represents a joint venture established through an interest in a jointly controlled entity, NAMA Greenland Limited, ("NGL Ltd").

The Group recognises its interest in the entity's assets and liabilities using the equity method of accounting. Under the equity method, the interest in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of its net assets, less distributions received and less any impairment in value of individual investments. The Group income statement reflects the share of the jointly controlled entity's results after tax.

Any goodwill arising on the acquisition of a jointly controlled entity is included in the carrying amount of the jointly controlled entity and is not amortised. To the extent that the net fair value of the entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the entity's profit or loss in the period in which the investment is acquired.

Financial statements of the jointly controlled entity are prepared as at and for the year ended 30 November 2011. The joint venture entity prepares, for the use of the Group, financial statements as of the same date as the financial statements of the Group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group and to reflect impairment losses where appropriate. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its jointly controlled entity. The Group ceases to use the equity method on the date from which it no longer has joint control over, or significant influence in, the joint venture.

1.4.4 Exploration assets

Exploration assets comprise exploration and development costs incurred on prospects at an exploratory stage. These costs include the cost of acquisition, exploration, determination of recoverable reserves, economic feasibility studies and all technical and administrative overheads directly associated with those projects. These costs are carried forward in the statement of financial position as non-current intangible assets less provision for identified impairments.

Recoupment of exploration and development costs is dependent upon successful development and commercial exploitation of each area of interest and will be amortised over the expected commercial life of each area once production commences. The Group and the Company currently have no exploration assets where production has commenced.

The Group adopts the "area of interest" method of accounting whereby all exploration and development costs relating to an area of interest are capitalised and carried forward until abandoned. In the event that an area of interest is abandoned, or if the Directors consider the expenditure to be of no value, accumulated exploration costs are written off in the financial year in which the decision is made. All expenditure incurred prior to approval of an application is expensed, with the exception of refundable rent, which is raised as a receivable.

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.4 Summary of significant accounting policies continued

1.4.4 Exploration assets continued

Upon disposal, the difference between the fair value of consideration receivable for exploration assets and the relevant cost within non-current assets is recognised in the statement of income

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred

1.4.5 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

1.4.6 Taxation

Corporation tax payable is provided on taxable profits at the current rate. The tax expense represents the sum of the current tax expense and deferred tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the statement of comprehensive income 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. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either

- the same taxable entity, or
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled.

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.4 Summary of significant accounting policies continued

1.4.7 Foreign currencies

Both the functional and presentational currency of Red Rock Resources plc is Sterling (£). Each Group entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign subsidiaries are Australian Dollars ("AUD\$") and Colombian Pesos.

Transactions in currencies other than the functional currency of the Company are initially recorded at the exchange rate prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting 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 profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates have fluctuated significantly during the year, in which case the exchange rate at the date of the transaction is used. All exchange differences arising, if any, are recognised as other comprehensive income and are transferred to the Group's foreign currency translation reserve.

1.4.8 Revenue

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of minerals are recognised when goods are delivered and title has passed. Delivery occurs when the products have arrived at the specified location and the risks and rewards of ownership have been transferred to the customer. Extracted minerals are made available for sale for a designated period each month and sold immediately.

Revenue from management services is recognised on an accruals basis when the services have been delivered and any associated costs have been incurred.

1.4.9 Share-based payments

The Group operates an equity-settled share-based payment arrangement whereby the fair value of services provided is determined indirectly by reference to the fair value of the instrument granted.

The fair value of options granted to Directors and others in respect of services provided is recognised as an expense in the statements of income with a corresponding increase in equity reserves – the share-based payment reserve.

On exercise or lapse of share options, the proportion of the share-based payment reserve relevant to those options is transferred to retained earnings. On exercise, equity is also increased by the amount of the proceeds received.

The fair value is measured at grant date and charged over the vesting period during which the option becomes unconditional.

The fair value of options is calculated using the Black-Scholes model taking into account the terms and conditions upon which the options were granted. There are no market vesting conditions. The exercise price is fixed at the date of grant.

For other equity instruments granted during the year (i.e. other than share options), fair value is measured on the basis of an observable market price.

1.4.10 Pension

The Group operates a defined contribution pension plan which requires contributions to be made to a separately administered fund. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable.

1.4.11 Finance costs/revenue

Borrowing costs are recognised on an accruals basis using the effective interest method.

Finance revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.4 Summary of significant accounting policies continued

1.4.12 Financial instruments

Financial assets and financial liabilities are recognised where the Group has become party to the contractual provisions of the instrument

Financial assets

Investments

Investments in subsidiary companies are classified as non-current assets and included in the statement of financial position of the Company at cost at the date of acquisition less any identified impairments

Investments in associate companies are classified as non-current assets and included in the statement of financial position of the Company at cost at the date of acquisition less any identified impairments

For acquisitions of subsidiaries or associates achieved in stages, the Company re-measures its previously held equity interests in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss. Any gains or losses previously recognised in other comprehensive income are transferred to profit and loss

Available for sale financial assets

Equity investments intended to be held for an indefinite period of time are classified as available for sale investments. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised in other comprehensive income and debited or credited to the available for sale trade investments reserve. Where the fair value cannot be reliably measured, the investment is carried at cost or a lower valuation where the Directors consider the value of the investment to be impaired.

Available for sale investments are included within non-current assets. On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the statement of income.

Income from available for sale investments is accounted for in the statement of income when the right to receive it has been established.

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement, increases in their fair value after impairment are recognised directly in other comprehensive income.

Derivative financial instruments

The Company has loan notes from Ascot Mining plc ("Ascot"), repayable by 2015 or convertible at the Company's discretion into 7,500,000 shares in Ascot. The Company also has outstanding warrants over 9,500,000 Ascot shares. The warrants and embedded derivative contained within the £1.5 million loan (i.e. the option to convert to equity) were fair valued at inception and classified as other financial assets at fair value through profit and loss in accordance with IAS 39. As such, they are shown separately in the statement of financial position and revalued accordingly at each reporting date, with gains and losses going to the income statement. The loan element is included within trade and other receivables at amortised cost.

All derivative financial instruments are initially and subsequently recognised in the statement of financial position at fair value. Changes in the fair value are recognised in profit and loss in accordance with IAS 39.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

After initial recognition these assets are measured at amortised cost using the effective interest method less provision for impairment.

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.4 Summary of significant accounting policies continued

1.4.12 Financial instruments continued

Financial liabilities and equity

Trade and other payables

Trade and other payables are initially recognised at fair value and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services

Borrowings

Borrowings are recorded initially at their fair value, plus directly attributable transaction costs. Such instruments are subsequently carried at their amortised cost and finance charges, including premiums payable on settlement or redemption, are recognised in profit or loss over the term of the instrument using an effective rate of interest

Equity instruments

Equity instruments issued by the Company are recorded at fair value at initial recognition net of issue costs

1.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

Significant judgements in applying the accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements

Going concern

As detailed in the final paragraph of the Directors' report, the Directors have complete confidence in their ability to raise further capital and that their efforts will generate sufficient ongoing cash to meet the Company's outgoings for the foreseeable future. On this basis the Directors believe it is appropriate to prepare these financial statements on a going concern basis

Discontinued operations

On 17 July 2012, the Group publicly announced the proposed disposal of interest in Four Points Mining SAS ("FPM"). Hence, FPM was classified as a disposal group held for sale and as a discontinued operation. The Board considered the subsidiary met the criteria to be classified as held for sale as at 30 June 2012 for the following reasons

- FPM is available for immediate sale and can be sold to a potential buyer in its current condition
- The Company received a proposal from Ashmont Resources Corporation ("Ashmont"), a private Canadian company, in May 2012 to acquire the Company's wholly owned subsidiary, American Gold Mines Ltd, which holds 50.002% interest in FPM. The Board then entered into preliminary negotiations with Ashmont and the principles of an offer were accepted in June 2012. On 16 July 2012, a Letter of Intent which set out the basic terms and conditions on which the parties were willing to negotiate and enter into a definitive agreement was accepted by the Company and the other shareholders of FPM
- The due diligence stage, which started in June 2012, has been completed during August and September 2012 and the parties are in the process of negotiating a definitive agreement

Recognition of holdings less than 20% as an associate

The Company owns 15% of the issued share capital of Mid Migori Mining Company Limited ("MMM"). Andrew Bell is a member of the board of MMM. In accordance with IAS 28, the Directors of the Company consider this, and the input of resource by the Company in respect of drilling and analytical activities, to provide the Group with significant influence as defined by the standard. As such, MMM has been recognised as an associate for the year ended 30 June 2012

The effect of recognising MMM as an available for sale financial asset would be to increase the profit by £39,663

Recognition of holdings greater than 20% as available for sale financial assets

At 30 June 2012, the Company held 33.02% of the issued share capital of Kansai Mining Corporation Limited, ("Kansai"), with options to own a further 4.94%. The Company has the option to own and control 37.96% of the total issued and outstanding common shares of Kansai. The Company has no presence on the board of Kansai and has no participation in its policy making process. Furthermore, there are no significant transactions between the two entities. Therefore the presumption of significant influence has been rebutted in accordance with IAS 28 and Kansai has been recognised as an available for sale financial asset

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.5 Significant accounting judgements, estimates and assumptions continued

Transfer of investments between available for sale financial assets and investments in associate

The Directors classify, as an associate, equity investments where the Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee

Significant influence is presumed when the Company holds greater than 20% of the voting power of the investee, unless it can be clearly demonstrated that this is not the case. Conversely, if the Company holds less than 20% of the voting power of an investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated

Where significant influence exists, the entity is accounted for as an associate. Where significant influence does not exist, the entity is accounted for as an available for sale financial asset

For acquisitions of associates in stages, the Company re-measures its previously held equity interests in the acquiree at its acquisition date fair value and recognises the resulting gain or loss, if any, in profit or loss. Any gains or losses previously recognised in other comprehensive income are transferred to profit and loss

Where the Company's holding is diluted to less than 20%, and significant influence is deemed to have been lost, the Company recognises a gain or loss on dilution in profit and loss. This is calculated as the difference between the Company's share of proceeds received for the dilutive share issue and the value of the Company's effective disposal. On recognition as an available for sale financial asset, the Company's holding in the investment is measured at fair value, with any gain or loss being recognised in profit and loss. Subsequent re-measurements at each reporting period are recognised in equity in accordance with IAS 39

Capitalisation of exploration costs as an intangible asset

In the prior year, the Group classified exploration expenditure under an agreement with North Atlantic Mining Associates Limited ("NAMA") as an intangible exploration asset under the terms of IFRS 6. The Directors considered this best reflected the commercial substance of the transaction. As such the asset was held at cost. The Directors did not believe the provisions of IAS 39 apply to this transaction, which would otherwise require the asset to be held at fair value as a financial instrument

Following the execution of a Joint Venture agreement with NAMA, the Group's interest in NAMA Greenland Limited ("NGL") was recognised as an investment in a jointly controlled entity. All exploration assets were transferred to NGL. In accordance with IAS 31, contributions of the venturer are included in the accounting records and recognised in its financial statements of the venturer as an investment in the jointly controlled entity. Hence, all exploration funding made by the Group previously shown as exploration assets have been reclassified

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined using the Black-Scholes model

Impairment of available for sale financial assets

The Group follows the guidance of IAS 39 to determine when a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which fair value of an investment is less than its cost

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Mining share prices typically have more volatility than most other shares and this is taken into account by management when considering if a significant decline in the fair value of its mining investments has occurred. Management would consider that there would be a prolonged decline in the fair value of an equity investment when the period of decline in fair value has extended to beyond the expectation management have for the equity investment. This expectation will be influenced particularly by the company development cycle of the investment

Notes to the financial statements (continued)

for the year ended 30 June 2012

1 Principal accounting policies continued

1.5 Significant accounting judgements, estimates and assumptions continued

Impairment of available for sale financial assets continued

With respect to the major investment of the Company, which represents nearly 90% of its total available for sale assets, management's expectation of a prolonged decline in the fair value of the investment would exist for a period approximating to three years from the date of the asset becoming an available for sale financial asset, during which time the investment would be in a pre-production phase. During this period, management would consider a significant decline in the fair value of this investment to have occurred when the fair value of the investment has declined by approximately 70% of its cost. Reasons influencing this estimate include management's Board knowledge of the investment, the fact that the investment was imminently to start production, the volatility of mining shares in general and management's firm belief that the recent share price of the investment reflects a market inefficiency. Now that the investment has started production on a major asset which is expected to have a life of 60 years and be one of the largest mines of its type in the world, management believe that the life cycle of the investment has reached the stage where the fair value will increase within the next four to twelve months as production gains momentum.

A general decline in stock market performance resulted in a significant decrease in the fair value of available for sale investments as at the year-end amounting to £14,110,502 (note 13), mainly on the major investment of the Company. For reasons stated above, there is deemed to be no objective evidence of impairment. As such, the decrease in fair value was recognised as other comprehensive loss in the available for sale trade investments reserve.

As a result of the Group's evaluation of its other available for sale investments, an impairment loss of £716,605 (note 13) was recognised in the income statement.

Impairment of investment in associates

After the application of the equity method, the Group follows the guidance of IAS 39 to determine whether it is necessary to recognise an additional impairment loss on its investment in associates. The Group assesses at each reporting date whether there is an objective evidence that the investment in associate is impaired. If this is the case, the Group estimates the amount of impairment by comparing its recoverable amount with its carrying value and recognises the impairment amount in the income statement.

As a result of the Group's evaluation, an impairment loss of £358,188 on investment in Resource Star Limited (note 12) was recognised in the income statement.

2 Segmental analysis

The Group's main focus of operations includes the analysis of margins, revenues and overheads from the Group's Colombian subsidiary as well as monitoring exploration expenditure and ensuring there is adequate cash available to meet operational obligations and provide for investment opportunities.

Sources of funds available to the Group include consultancy fees and loan interest payments from the Colombian subsidiary. In addition, funds can be raised by issues of new equity and sales of exploration rights, investments or other assets. Therefore, in addition to monitoring the current market perception of the Company by shareholders, brokers and other possible providers of equity finance, constant attention is paid to:

- available cash,
- the balance available in the standby equity distribution agreement ("SEDA") with YA Global Master SPV Limited advised by Yorkville Advisors LLC, and
- the market value of the Group's listed investments.

At 30 June 2012 the Group had cash and cash equivalents of £347,925 and undrawn facilities available in the SEDA of £5.6 million.

The market values of the most significant of Group's listed investments at 30 June 2012 are as follows:

- Jupiter Mines Limited £ 7,747,754
- Regency Mines plc £286,400, and
- Resource Star Limited £239,679

The Group has disclosed its Mining and Exploration activities as separate segments. These are in addition to the investment activities which continue to form a significant segment of the business.

The Group has made a strategic decision to concentrate on two commodities, gold and iron ore. However, as the Group is currently only in the production phase of gold, a further segmental analysis by commodity has not been presented.

Notes to the financial statements (continued)

for the year ended 30 June 2012

2 Segmental analysis continued

In accordance with IFRS 8, an analysis of revenue by country in which it is earned has been presented. This is not used by management in making operating decisions

	Investment										Exploration		Other		Total	
	Jupiter		Mines		Ascot		Other		Colombian		African		Corporate			
	£	£	Mining	plc	investments	£	Mining	£	exploration	exploration	£	£	unallocated	£		
Year to 30 June 2012																
Segment revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Loss on sales of investments	—	(24,518)	—	—	(594,795)	—	—	—	—	—	—	—	—	—	—	(619,313)
Gain on sale of royalty interest	3,686,211	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,686,211
Gain on dilution of interest in associate	—	—	—	12,204	—	—	—	—	—	—	—	—	—	—	—	12,204
Impairment of associate investment	—	—	—	(358,188)	—	—	—	—	—	—	—	—	—	—	—	(358,188)
Impairment of available-for-sale investments	—	(478,848)	—	(237,757)	—	—	—	—	—	—	—	—	—	—	—	(716,605)
Financial assets at fair value through profit and loss	—	(3,945,283)	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,945,283)
Exploration expenses	—	—	—	—	—	(279,489)	—	—	(27,649)	(3,548)	—	(45,769)	—	—	—	(356,455)
Impairment of exploration assets	—	—	—	—	—	—	—	—	(7,077)	—	—	—	—	—	—	(7,077)
Administrative expenses*	—	—	—	—	—	—	—	—	(15,209)	—	—	(2,369,857)	—	—	—	(2,385,066)
Currency (loss)/gain	—	—	—	—	—	(10,683)	—	—	(4,711)	—	—	124,674	—	—	—	109,280
Shares of losses in associates	—	—	—	(312,043)	—	—	—	—	—	—	—	—	—	—	—	(312,043)
Dividend income	—	—	—	22,890	—	—	—	—	—	—	—	—	—	—	—	22,890
Finance income/(cost), net	—	287,913	—	(3,162)	—	547,604	—	2,120	—	—	—	(545,757)	—	—	—	288,718
Net profit/(loss) before tax from continuing operations	3,686,211	(4,160,736)	257,432	(1,470,851)	(52,526)	(3,548)	(2,836,709)	(4,580,727)	(2,836,709)	(3,548)	(4,580,727)	(2,836,709)	(4,580,727)	(2,836,709)	(4,580,727)	(4,580,727)

*Included in administrative expense is depreciation charge from continuing operations of £16,339 under Corporate and unallocated

Notes to the financial statements (continued)

for the year ended 30 June 2012

2 Segmental analysis continued

Year to 30 June 2011	Investment				Mining		Exploration		Other		Total
	Jupiter Mines Limited	Ascot Mining plc	Other investments	Colombian Mining	Australian exploration	African exploration	Corporate				
							unallocated	£			
	£	£	£	£	£	£	£	£	£	£	
Revenue	—	—	—	—	—	—	64,076	64,076	64,076	64,076	
Management services	—	—	—	—	—	—	—	64,076	64,076	64,076	
Total segment revenue	1,213,691	1,975	—	—	—	—	—	—	—	1,215,666	
Gain on sales of investments	—	—	—	—	169,322	—	—	—	—	169,322	
Profit on transfer of investment from associate	13,978,108	260,189	—	—	—	—	—	—	—	14,238,297	
Gain/(loss) on dilution of interest in associate	267,017	(23,928)	9,858	—	—	—	—	—	—	252,947	
Impairment of associate investment	—	—	(70,298)	—	—	—	—	—	—	(70,298)	
Financial assets at fair value through profit and loss	—	3,647,104	—	—	—	—	—	—	—	3,647,104	
Exploration expenses	—	—	—	(219,529)	(221,260)	(4,984)	(88,836)	—	—	(534,609)	
Impairment of exploration assets	—	—	—	—	(110,682)	(150,542)	—	—	—	(261,224)	
Administrative expenses	—	—	—	—	—	—	(2,499,264)	—	—	(2,499,264)	
Currency gain	—	—	—	—	—	—	40,414	—	—	40,414	
Shares of losses in associates	(140,459)	(19,242)	(226,527)	—	—	—	—	—	—	(386,228)	
Finance cost (net)	—	—	—	—	—	—	43,239	—	—	43,239	
Net profit/(loss) before tax from continuing operations	15,318,357	3,866,098	(286,967)	(219,529)	(162,620)	(155,526)	(2,440,371)	(2,440,371)	(2,440,371)	15,919,442	

Notes to the financial statements (continued)

for the year ended 30 June 2012

2 Segmental analysis continued

Information by geographical area

Presented below is certain information by the geographical area of the Group's activities. Revenue from investment sales and the sale of exploration assets is allocated to the location of the asset sold.

Year ended 30 June 2012	UK £	Australia £	Colombia £	Greenland £	Other £	Total £
Revenue						
(Loss)/gain on sales of investments	(313,807)	2,175	—	—	(307,681)	(619,313)
Gain on sale of royalty interest	—	3,686,211	—	—	—	3,686,211
Total segment revenue and other gains	(313,807)	3,688,386	—	—	(307,681)	(3,066,898)
Non-current assets						
Property, plant and equipment	37,913	327	—	—	—	38,240
Investments in associates and joint ventures	—	299,220	—	3,757,321	439,512	4,496,053
Total segment non-current assets	37,913	299,547	—	3,757,321	439,512	4,534,293
Available for sale financial assets						8,809,866
Non-current receivables						5,905,944
Other financial assets						150,413
Deferred tax assets						153,098
Total non-current assets						19,553,614
Year ended 30 June 2011	UK £	Australia £	Colombia £	Greenland £	Other £	Total £
Revenue						
Management services	64,076	—	—	—	—	64,076
Gain on sales of investments	1,975	1,213,691	—	—	—	1,215,666
Gain on sales of exploration assets	—	169,322	—	—	—	169,322
Profit on transfer of investment from associate	260,189	13,978,108	—	—	—	14,238,297
Total segment revenue and other gains	326,240	15,361,121	—	—	—	15,687,361
Non-current assets						
Property, plant and equipment	26,565	405	13,300,576	—	—	13,327,546
Investments in associates	—	496,557	—	—	479,175	975,732
Exploration assets	—	—	—	501,062	—	501,062
Total segment non-current assets	26,565	496,962	13,300,576	501,062	479,175	14,804,340
Available for sale financial assets						24,472,120
Non-current receivables						2,927,277
Other financial assets						4,095,696
Total non-current assets						46,299,433

Notes to the financial statements (continued)

for the year ended 30 June 2012

3 Profit for the year before taxation

Profit for the year before taxation is stated after charging/(crediting)

	2012 £	2011 £
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of Consolidated and Company financial statements	22,500	21,274
Fees payable to subsidiary auditors for the audit of subsidiary financial statements	2,344	1,676
Directors' emoluments	396,127	340,417
Share-based payments – Directors	106,124	149,823
Share-based payments – staff	77,990	30,591
Depreciation – continuing operations	16,339	8,003
Depreciation – discontinued operations	665,861	702,732
Currency gains	(109,280)	(40,414)

4 Finance income/(costs), net

	2012 £	2011 £
Interest income	378,043	150,170
Interest expense	(558,983)	(106,931)
Change in fair value of deferred consideration	469,658	—
	288,718	43,239

5 Taxation

	2012 £	2011 £
Current period taxation on the Group		
UK corporation tax at 25.5% (2011 26.5%) on profits for the period	—	85,805
Over provision in prior years	(219,484)	(87,495)
Foreign tax	26,638	—
	(192,846)	(1,690)
Deferred tax		
Origination and reversal of temporary differences	(2,160,918)	3,715,243
Tax (credit)/expense	(2,353,764)	3,713,553
Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(4,316,646)	13,973,537
(Loss)/profit on ordinary activities at the average UK standard rate of 25.5% (2011 26.5%)	(1,100,745)	3,702,987
Impact of subsidiaries and associates	(146,542)	606,509
Over provision in prior years	(219,484)	(87,495)
Effect of income not taxable	(1,093,730)	(508,448)
Effect of losses carried forward	206,737	—
Tax (credit)/expense	(2,353,764)	3,713,553
Tax (credit)/expense arising from continuing operations	(2,168,294)	3,923,941
Tax credit from discontinued operations	8 (185,470)	(210,388)
	(2,353,764)	(3,713,553)

In addition to the amounts credited to the consolidated statement of income a deferred tax credit amounting to £3,386,520 (2011 £1,061,795 charge) relating to the Group's investments was recognised in the statement of comprehensive income

Notes to the financial statements (continued)

for the year ended 30 June 2012

5 Taxation continued

Legislation in Finance Act 2011 reduced the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. A further reduction to 24% with effect from 1 April 2012 was substantively enacted on 26 March 2012, therefore deferred tax assets/(liabilities) are recognised at 24%. Further reductions of 1% per annum have been announced for the next two years, reducing to 22% with effect from 1 April 2014.

6 Staff costs

The Company's staff are employed both by the Company and Regency Mines plc. The aggregate employment costs of staff (including Directors) for the year in respect of the Group was

	2012 £	2011 £
Wages and salaries	541,790	—
Pension	31,858	—
Social security costs	56,348	—
Employee share-based payment charge	184,113	—
Total staff costs	814,109	—

The average number of Group employees (including Directors) during the year was

	2012 Number	2011 Number
Executives	5	—
Administration	26	—
Exploration	9	—
	40	—

In November 2011, the Company established its own payroll. Prior to that, Regency Mines plc, an associate company, provided the services of its staff as necessary at cost.

The Company's staff also work for Regency Mines plc and staff costs of £27,212 (2011: £Nil) were recharged during the year. Such charges are offset against administration expenses in the income statement.

During the year, for all Directors and employees who have been employed for more than three months, the company established a defined contribution Pension Scheme as described under Directors' remuneration in the Directors' report and a Share Incentive Plan ("SIP") as described under Management incentives in the Directors' report.

The average number of employees shows average monthly numbers for the period after the payroll was established. The number includes 16 administration employees of the Four Points Mining SAS, a subsidiary company, which began its own payroll in January 2012 for administrative staff.

Notes to the financial statements (continued)

for the year ended 30 June 2012

7 Directors' emoluments

2012	Directors'	Consultancy	Share-based payments		Pension	Social	Total
	fees	Fees	Share options	Share incentive plan	contributions	security costs	
£	£	£	£	£	£	£	£
Executive Directors							
A R M Bell	159,167	15,000	22,545	4,500	6,468	14,049	221,729
M G R Yannaghas	130,000	—	40,268	4,500	6,228	4,458	185,454
Other Directors							
J F Ladner	15,500	9,500	—	4,500	—	1,388	30,888
M C Nott	15,500	13,000	13,874	4,500	764	220	47,858
J Watkins	15,500	9,500	6,937	4,500	-	242	36,679
	335,667	47,000	83,624	22,500	13,460	20,357	522,608

2011	Directors'	Consultancy	Share-based payments		Pension	Social	Total
	fees	Fees	Share options	Share incentive plan	contributions	security costs	
£	£	£	£	£	£	£	£
Executive Directors							
A R M Bell	165,417	15,000	31,815	—	—	—	212,232
M G R Yannaghas	102,000	—	87,417	—	—	—	189,417
Other Directors							
J F Ladner	4,250	3,250	—	—	—	—	7,500
M C Nott	8,250	11,500	19,578	—	—	—	39,328
J Watkins	8,250	11,500	9,789	—	—	—	29,539
R F Weicker	—	11,000	1,224	—	—	—	12,224
	288,167	52,250	149,823	—	—	—	490,240

The number of Directors who exercised share options in the year was two (2011 four)

During the year, the Company introduced a Share Incentive Plan more fully described in the Directors' report on page 5 122,448 free shares were issued to each employee, including Directors, making a total of 612,240 to Directors

During the year, the Company introduced a contributory pension scheme more fully described in the Remuneration report on page 5

In addition to Director's fees, consultancy fees in respect of the services of Andrew Bell were paid to a consultancy which provided his services

In addition to Director's fees, consultancy fees in respect of the services of James Ladner were paid to him acting as a consultant

In addition to Director's fees, consultancy fees in respect of Mike Nott were payable to Woodridge Associates, a business which provided his services

In addition to Director's fees, consultancy fees in respect of John Watkins were payable to his business as a chartered accountant in practice

Notes to the financial statements (continued)

for the year ended 30 June 2012

8 Discontinued operations

On 17 July 2012, the Group publicly announced the proposed disposal of interest in Four Points Mining SAS ("FPM"). The Company received a proposal from Ashmont Resources Corporation ("Ashmont"), a private Canadian company, in May 2012 to acquire the Company's wholly owned subsidiary, American Gold Mines Ltd, which holds a 50.002% interest in FPM. The principles of an offer were accepted and due diligence started in June 2012. On 16 July 2012, a Letter of Intent which set out the basic terms and conditions on which the parties were willing to negotiate and enter into a definitive agreement, subject to due diligence and adjustment, was accepted by the Company and the other shareholders of FPM. FPM represents the Company's Colombian mining segment. The due diligence stage has been completed during August and September 2012, and the parties are in the process of negotiating a definitive agreement. As at 30 June 2012, FPM was classified as a disposal group held for sale and as a discontinued operation. The results of FPM for the year are presented below.

	30 June 2012 £	30 June 2011 £
Revenue	5,215,581	878,535
Cost of sales	(3,101,692)	(1,463,251)
Gross profit/(loss)	2,113,889	(584,716)
Expenses	(1,611,007)	(1,275,313)
Finance costs	(238,801)	(85,876)
Profit/(loss) before tax from a discontinued operation	264,081	(1,945,905)
Tax credit	185,470	210,388
Profit/(loss) after tax from a discontinued operation	449,551	(1,735,517)
Profit/(loss) from a discontinued operation attributable to		
Owners of the parent	229,271	(70,895)
Non-controlling interest	220,280	(1,664,622)
	449,551	(1,735,517)
Earnings/(loss) per share attributable to owners of the parent		
Basic	9	0.03 pence (0.01)pence
Diluted	9	0.03 pence —

The major classes of assets and liabilities of FPM classified as held for sale as at 30 June 2012 are as follows:

Group	30 June 2012 £	30 June 2011 £
Assets		
Property, plant and equipment	13,082,517	—
Inventory	90,596	—
Trade and other receivables	2,209,776	—
Cash and cash equivalents	4,913	—
Assets classified as held for sale	15,387,802	—
Liabilities		
Trade and other payables	(1,338,866)	—
Long-term borrowings	(3,350,231)	—
Deferred tax liabilities	(3,376,109)	—
Liabilities directly associated with assets classified as held for sale	(8,065,206)	—
Net assets directly associated with disposal group	7,322,596	—
Non-controlling interest	(2,559,410)	—
Net assets directly associated with disposal group attributable to owners of the parent	4,763,186	—

Notes to the financial statements (continued)

for the year ended 30 June 2012

8 Discontinued operations continued

Company	30 June 2012 £	30 June 2011 £
Assets		
Investment in subsidiary	4,004,072	—
Amounts due from subsidiary	458,424	—
Receivables	1,505,874	—
Assets classified as held for sale	5,968,370	—
Liabilities		
Trade and other payables	358,900	—
Liabilities directly associated with assets classified as held for sale	358,900	—

Receivables comprise of a loan of £1,505,874 due from Helm Bank Panama in respect of the funding agreement as part of the acquisition of Four Points Mining SAS (see note 19). The loan bears interest at 5% and is repayable in full on 30 June 2013.

The fair value less cost to sell of FPM is greater than its carrying amount.

The net cash flows incurred by FPM are as follows:

	30 June 2012 £	30 June 2011 £
Operating	(363,426)	(1,449,491)
Investing	(115,100)	(1,097,598)
Financing	293,930	2,731,624
Net cash outflows	(184,596)	184,535

9 (Loss)/earnings per share

The basic (loss)/earnings per share is derived by dividing the (loss)/profit for the year attributable to ordinary shareholders of the parent by the weighted average number of shares in issue.

Diluted (loss)/earnings per share is derived by dividing the (loss)/profit for the year attributable to ordinary shareholders of the parent by the weighted average number of shares in issue plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the (loss)/profit and share data used in the basic and diluted earnings per share computations:

	2012	2011
(Loss)/profit attributable to equity holders of the parent from continuing operations	£(2,412,433)	£11,995,501
Profit/(loss) attributable to equity holders of the parent from discontinued operations	£ 229,271	£ (70,895)
(Loss)/profit attributable to equity holders of the parent	£(2,183,162)	£11,924,606
Weighted average number of Ordinary shares of £0.001 in issue	786,916,478	668,431,704
(Loss)/earnings per share – basic	(0.28) pence	1.78 pence
Weighted average number of Ordinary shares of £0.001 in issue inclusive of outstanding options	—	698,902,868
(Loss)/earnings per share – fully diluted	—	1.71 pence

Notes to the financial statements (continued)

for the year ended 30 June 2012

9 (Loss)/earnings per share continued

The weighted average number of shares issued for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows

	2012	2011
Earnings per share denominator	786,916,478	668,431,704
Weighted average number of exercisable share options	12,121,198	30,471,164
Diluted earnings per share denominator*	799,037,676	698,902,868

In accordance with IAS 33, the diluted earnings per share denominator takes into account the difference between the average market price of ordinary shares in the year and the weighted average exercise price of the outstanding options

*The Group's weighted average share options of 12,121,198 (2011 30,471,164) are non-dilutive for continuing operations (2011 discontinued operations) because their conversion to ordinary shares would decrease loss per share

10 Property, plant and equipment

Group	Mines	Field equipment and machinery	Fixtures and fittings	Assets under construction	Total
	£	£	£	£	
Cost					
At 1 July 2010	—	7,445	—	—	7,445
Additions	35,648	662,385	93,803	401,203	1,193,039
Acquired with subsidiary	12,853,903	—	1,426	36,098	12,891,427
Currency exchange	(34,538)	76	(89)	(2,262)	(36,813)
At 30 June 2011	12,855,013	669,906	95,140	435,039	14,055,098
Additions	—	109,732	11,201	343,150	464,083
Currency exchange	35,367	11,933	(29,031)	(4,775)	13,494
Reclassification to assets held for sale	(12,890,380)	(756,441)	(48,661)	(773,414)	(14,468,896)
At 30 June 2012	—	35,130	28,649	—	63,779
Depreciation					
At 1 July 2010	—	(2,345)	—	—	(2,345)
Charge	(642,751)	(59,150)	(8,834)	—	(710,735)
Acquired with subsidiary	(8,699)	—	—	—	(8,699)
Currency exchange	(5,764)	(9)	—	—	(5,773)
At 30 June 2011	(657,214)	(61,504)	(8,834)	—	(727,552)
Charge	(642,751)	(31,371)	(8,078)	—	(682,200)
Currency exchange	6,499	(13,082)	4,417	—	(2,166)
Reclassification to assets held for sale	1,293,466	92,913	—	—	1,386,379
At 30 June 2012	—	(13,044)	(12,495)	—	(25,539)
Net book value					
At 30 June 2012	—	22,086	16,154	—	38,240
At 30 June 2011	12,197,799	608,402	86,306	435,039	13,327,546

Depreciation is included within administrative expenses in the income statement

Notes to the financial statements (continued)

for the year ended 30 June 2012

10 Property, plant and equipment continued

Company	Field equipment and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 July 2010	7,000	—	7,000
Additions	—	28,649	28,649
At 30 June 2011	7,000	28,649	35,649
Additions	27,607	—	27,607
At 30 June 2012	34,607	28,649	63,256
Depreciation			
At 1 July 2010	(2,333)	—	(2,333)
Charge	(2,333)	(4,418)	(6,751)
At 30 June 2011	(4,666)	(4,418)	(9,084)
Charge	(8,181)	(8,078)	(16,259)
At 30 June 2012	(12,847)	(12,496)	(25,343)
Net book value			
At 30 June 2012	21,760	16,153	37,913
At 30 June 2011	2,334	24,231	26,565

Depreciation is included within administrative expenses in the income statement

11 Investments in subsidiaries

Company	2012 £	2011 £
Cost		
At 1 July 2011	4,004,554	482
Additions during the year	—	4,004,072
Reclassification to assets held for sale	(4,004,072)	—
At 30 June 2012	482	4,004,554
Impairment		
At 1 July 2011	(482)	—
Charge in the year	—	(482)
At 30 June 2012	(482)	(482)
Net book value		
At 30 June 2012	—	4,004,072
At 30 June 2011	4,004,072	482

Notes to the financial statements (continued)

for the year ended 30 June 2012

11 Investments in subsidiaries continued

As at 30 June 2012, the Company held interests in the following subsidiary companies

Company	Country of registration	Class	Proportion held	Nature of business
American Gold Mines Limited	Cayman Islands	Ordinary	100%	Holding company
Intrepid Resources Limited	Zambia	Ordinary	100%	Dormant
Four Points Mining SAS ("FPM") *	Colombia	Ordinary	50 002%	Mineral exploration
Red Rock Australasia Pty Limited	Australia	Ordinary	100%	Mineral exploration

* The Company holds 50 002% of the share capital of Four Points Mining SAS (formerly "Mineras Four Points SA") through its holding in American Gold Mines Limited. This is currently held for sale as detailed further in note 8

12 Investments in associates and joint ventures

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Cost				
At 30 June 2011	1,799,205	8,241,001	1,672,507	7,981,827
Additions during the year	2,914,950	515,637	2,914,950	515,637
Transferred from exploration assets	1,263,398	—	1,263,398	—
Transfers to available for sale financial assets	—	(6,957,892)	—	(6,598,719)
Gain on dilution of interest	12,204	252,947	—	—
Disposals in the year	—	(252,488)	—	(226,238)
At 30 June 2012	5,989,757	1,799,205	5,850,855	1,672,507
Impairment				
At 30 June 2011	(823,473)	(908,468)	(166,846)	(89,601)
Losses during the year	(312,043)	(386,228)	—	—
Impairment in the year	(358,188)	(70,298)	(358,188)	(77,245)
Transfers to available for sale financial assets	—	515,271	—	—
Disposals in the year	—	26,250	—	—
At 30 June 2012	(1,493,704)	(823,473)	(525,034)	(166,846)
Net book amount				
At 30 June 2012	4,496,053	975,732	5,325,821	1,505,661
At 30 June 2011	975,732	7,332,533	1,505,661	7,892,226

The Company, at 30 June 2012, had holdings amounting to 20% or more of the issued share capital of the following companies which amounted to significant influence or joint control

Name	Country of incorporation	Class of shares held	Percentage of issued capital	Accounting year end
Red Rock Zambia Limited*	Zambia	Ordinary	28 40%	30 June 2012
Resource Star Limited	Australia	Ordinary	40 32%	30 June 2012
Arctic and Equatorial Drilling Services Limited	England	Ordinary	50 00%	30 September 2012
NAMA Greenland Limited	England	Ordinary	25 00%	30 November 2011

* Financial information was not available for this company

The Company, at 30 June 2012, had significant influence by virtue other than shareholding over 20% over the following company

Name	Country of incorporation	Class of shares held	Percentage of issued capital	Accounting year end
Mid Migori Mining Company Limited	Kenya	Ordinary	15%	30 September 2011

Notes to the financial statements (continued)

for the year ended 30 June 2012

12 Investments in associates and joint ventures continued

Summarised financial information for the Company's associates and joint ventures, where available, as at 30 June 2012 is given below

Name	Revenue £	Loss £	Assets £	Liabilities £
Mid Migon Mining Company Limited	—	(264,419)	2,386,801	(2,950,878)
Resource Star Limited	—	(928,656)	2,100,149	(44,128)
Arctic and Equatorial Drilling Services Limited	—	—	333,586	—
NAMA Greenland Limited	—	—	3,245,482	(4,500)

	Mid Migon Mining Company Limited	Red Rock Zambia Limited	Resource Star Limited	Arctic and Equatorial Drilling Services Limited	NAMA Greenland Limited	Total
	£	£	£	£	£	£
Cost						
At 30 June 2011	493,937	140,596	1,164,672	—	—	1,799,205
Additions during the year	—	—	421,027	166,794	2,327,129	2,914,950
Transferred from exploration assets	—	—	—	—	1,263,398	1,263,398
Gain on dilution of interest	—	—	12,204	—	—	12,204
At 30 June 2012	493,937	140,596	1,597,903	166,794	3,590,527	5,989,757
Impairment and losses during the year						
At 30 June 2011	(14,762)	(140,596)	(668,115)	—	—	(823,473)
Losses during the year	(39,663)	—	(272,380)	—	—	(312,043)
Impairment in the year	—	—	(358,188)	—	—	(358,188)
At 30 June 2012	(54,425)	(140,596)	(1,298,683)	—	—	(1,493,704)
Carrying amount						
At 30 June 2012	439,512	—	299,220	166,794	3,590,527	4,496,053
At 30 June 2011	479,175	—	496,557	—	—	975,732

Mid Migori Mining Company Limited

The Company owns 15% of the issued share capital of Mid Migon Mining Company Limited ("MMM") The Company has entered into an agreement whereby it manages and funds a number of MMM's development projects and has representation on the MMM board In accordance with IAS 28, the involvement with MMM meets the definition of significant influence and therefore has been accounted for as an associate (note 1 5)

Red Rock Zambia Limited

The book value of Red Rock Zambia Limited was fully written off in the previous year

Resource Star Limited

During the year the Company purchased 31,923,682 shares in Resource Star Limited taking the number of shares held to 45,908,553 Resource Star Limited also issued 15,000,000 shares in the year which the Company did not take up, therefore its interest was diluted, recognising a gain of £12,204 on dilution After applying the equity method, the value of the investment was reduced by an impairment loss of £358,188 (note 1 5)

The market value as at 30 June 2012 of the Company's investments in listed associates was as follows

	2012 £	2011 £
Resource Star Limited	239,679	464,706

Notes to the financial statements (continued)

for the year ended 30 June 2012

Arctic and Equatorial Drilling Services Limited

Arctic and Equatorial Drilling Services Limited ("Arctic") was incorporated in England on 26 September 2011 principally as drill equipment lessor. The Company has 50% shareholding in Arctic, has board presence and have significant transactions with the investee.

In accordance with IAS 28, the Company's involvement in Arctic meets the definition of significant influence and therefore has been accounted for as an associate.

NAMA Greenland Limited

In consideration for funding the 2011 exploration programme of North Atlantic Mining Associates Limited ("NAMA"), the Company earned shares in NAMA Greenland Limited ("NGL") representing a 25% interest. The Company also entered into a contractual arrangement with NAMA making NGL a jointly-controlled entity.

In accordance with IAS 31, an investment in joint venture was recognised and all exploration assets related to the programme were transferred to the investment account.

13 Available for sale financial assets

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
At 30 June 2011	24,472,120	1,373,680	24,472,120	1,373,680
Additions	2,743,907	774,207	2,743,907	774,207
Disposals	(3,579,054)	(2,439,159)	(3,579,054)	(2,439,159)
Profit on designation as available for sale financial asset	—	14,238,297	—	14,080,848
Revaluations	(14,110,502)	4,082,474	(14,110,502)	4,083,825
Transfer from investments in associates	—	6,442,621	—	6,598,719
Impairment of available for sale financial assets	(716,605)	—	(716,605)	—
At 30 June 2012	8,809,866	24,472,120	8,809,866	24,472,120

Market value of investments

The market value as at 30 June 2012 of the Company's available for sale listed and unlisted investments was as follows:

	2012	2011
	£	£
Quoted on London PLUS and AIM	395,650	1,221,320
Quoted on other foreign stock exchanges	7,912,736	22,937,867
	8,308,386	24,159,187
Unquoted investments at fair value*	501,480	312,933
	8,809,866	24,472,120

* No reliable information on the fair value of unlisted investments is available. As such, these investments are carried at cost which is deemed to be the best estimation of its fair value.

14 Other financial assets

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Fair value				
At 30 June 2011	4,095,696	—	4,095,696	—
Additions at fair value on inception	—	2,365,176	—	2,365,176
Fair value (loss)/gains on re-measurement	(3,945,283)	1,730,520	(3,945,283)	1,730,520
At 30 June 2012	150,413	4,095,696	150,413	4,095,696

Notes to the financial statements (continued)

for the year ended 30 June 2012

14 Other financial assets continued

On 18 November 2010, the Company made a loan to Ascot Mining plc ("Ascot"), convertible at the Company's discretion into 7,500,000 Ordinary shares in Ascot. As part of the agreement, the Company was granted warrants over 10,500,000 Ordinary shares in Ascot, of which 1,000,000 were exercised in the prior year. In accordance with IAS 39 the convertible options and warrants will be held separately at fair value and re-measured at each reporting period. Any fair value gains or losses on re-measurement are taken to profit and loss. The re-measurement involves conducting a Black-Scholes valuation which resulted in a significant loss for the year ended 30 June 2012 of £3,945,283 due to the decline in the share price of Ascot from 39 5p at 30 June 2011 to 7 5p at 30 June 2012.

The (loss)/gains were calculated as follows in the income statement

	£
Loan to Ascot at actual cost	(1,500,000)
Amortised cost of loan included in trade and other receivables (note 18)	1,051,408
Warrants and options at fair value included in other financial assets	2,365,176
Fair value gain on inception in the income statement	1,916,584
Re-measurement to 30 June 2011	1,730,520
Total fair value gain in the income statement for the year ended 30 June 2011	3,647,104
Fair value as at 30 June 2011	4,095,696
Less Re-measurement to 30 June 2012	(150,413)
Total fair value loss in the income statement for the year ended 30 June 2012	3,945,283

15 Exploration assets

As required under IFRS 6, the Directors have carried out an impairment review resulting in a charge as shown below. The benefit of these assets may not be fully realised within twelve months.

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Cost				
At 30 June 2011	933,683	467,013	823,001	318,639
Additions during the year	769,413	504,362	762,336	504,362
Disposals during the year	(181,926)	—	—	—
Transfers to joint venture entity	(1,263,398)	—	(1,263,398)	—
Exchange gains	—	(37,692)	—	—
At 30 June 2012	257,772	933,683	321,939	823,001
Impairment				
At 30 June 2011	(432,621)	(171,397)	(321,939)	(171,397)
Impairments recognised in the year	(7,077)	(261,224)	—	(150,542)
Disposals during the year	181,926	—	—	—
At 30 June 2012	(257,772)	(432,621)	(321,939)	(321,939)
Net book amount				
At 30 June 2012	—	501,062	—	501,062
At 30 June 2011	501,062	295,616	501,062	147,242

The impairment is shown as impairment of exploration assets in the income statement

Australia

The exploration assets held in Red Rock Australasia Pty Limited were fully written down in the previous year and disposed of during the year.

Notes to the financial statements (continued)

for the year ended 30 June 2012

15 Exploration assets continued

Greenland

The Company has completed the 2011 programme of exploration expenditure with North Atlantic Mining Associates Limited ("NAMA") and NAMA issued shares equivalent to 25% of its, then wholly owned, subsidiary NGL's issued share capital to the Company. The Company has committed to the 2012 programme of exploration expenditure with NAMA. Under the terms of the agreement, the Company will be entitled to a further 35% of the issued share capital of NGL, upon the achievement of certain conditions.

Following the execution of a joint venture agreement with NAMA on 6 January 2012, NGL became a jointly-controlled entity. Accordingly, the costs relating to Greenland have been reclassified from exploration assets to investments in associates and joint ventures (note 12).

16 Cash and cash equivalents

	30 June 2012	Cash flow	30 June 2011
Group	£	£	£
Cash in hand and at bank	347,925	79,137	268,788

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June

	30 June 2012	30 June 2011
	£	£
Cash in hand and at bank	347,925	268,788
Cash in hand and at bank attributable to a discontinued operation (note 8)	4,913	—
	352,838	268,788

	30 June 2012	Cash flow	30 June 2011
Company	£	£	£
Cash in hand and at bank	346,516	304,350	42,166

17 Non-current receivables

	Group and Company	
	2012	2011
	£	£
Amounts due from associates	5,905,944	2,927,277

Included in non-current related party receivables is £3,936,281 (2011 £2,033,170) recoverable from Mid Migori Mining Company Limited under the terms of the joint venture, purchase and sale agreement entered into in August 2009 as detailed in note 28. The amount is unsecured and has no fixed repayment date.

Notes to the financial statements (continued)

for the year ended 30 June 2012

18 Other receivables

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Current trade and other receivables				
Amounts due from subsidiaries	—	—	—	112,177
Prepayments	196,000	223,927	196,000	223,927
Related party receivables				
Due from associates	449,230	1,218	449,230	1,218
Due from key management	8,066	21,142	8,066	21,142
Due from other related parties	—	12,300	—	12,300
Other receivables	975,604	3,472,319	972,194	3,161,919
Total	1,628,900	3,730,906	1,625,490	3,532,683

Included in other receivables are the following amounts

- the loan due from Ascot Mining plc under the terms of the agreement detailed in note 14. The amortised cost of the loan at 30 June 2012 was £1,184,028 (2011: £1,051,408), less impairment provision of £592,014,
- a loan of £nil (2011: £1,459,181) due from Helm Bank Panama in respect of the funding agreement as part of the acquisition of Mineras Four Points SA (see note 19). The loan bears interest at 5% and is repayable in full on 30 June 2013. Outstanding balance of £1,505,874 as at 30 June 2012 is included within assets classified as held for sale (note 8)

19 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade payables	704,650	2,517,569	701,017	1,026,839
Accruals	430,481	1,515,216	427,904	1,512,890
Amounts due from associates	32,838	—	32,838	—
Trade and other payables	1,167,969	4,032,785	1,161,759	2,539,729
Short-term borrowings	1,209,730	1,750,450	1,209,730	1,750,450
	2,377,699	5,783,235	2,371,489	4,290,179
Long-term borrowings	2,293,000	2,817,500	2,293,000	—
Total	4,670,699	8,600,735	4,664,489	4,290,179

YA Global Master SPV Limited

A short-term loan of £1,209,730 (2011: £1,750,450) with YA Global Master SPV Limited remains outstanding as at the end of the year. A further £898,025 was provided after the year end. Interest is charged on this loan at a rate of 9% per annum. The Company has pledged 29,666,540 (2011: 21,266,540) of its shares in Jupiter Mines Limited as security for this loan in addition to 17,900,000 shares in Regency Mines plc, 45,908,554 shares in Resource Star Limited and the entire issued share capital of American Gold Mines Limited.

Repayments are made either in cash or by issue of shares in the Company in line with the terms of the agreement.

Cornhill Capital Limited

A 24-month secured loan note of £2,293,000 was provided by Cornhill Capital Limited during the year. Interest is charged on this loan at a rate of 14% per annum payable semi-annually. The Company has pledged 44,526,457 of its shares in Jupiter Mines Limited as security for this loan in addition to 384,394 warrants exercisable into new Red Rock shares at any time within two years of issue, subject to extension in certain circumstances.

Repayments are to be made in cash in line with the terms of the agreement.

Notes to the financial statements (continued)

for the year ended 30 June 2012

19 Trade and other payables continued

Helm Bank Panama

In the prior year, a loan of £2,817,500 was provided to Four Points Mining SAS ("FPM") by Helm Bank Panama under the terms of the secondary funding agreement, which formed part of the acquisition agreement of FPM. Part of this funding was provided indirectly by the Company via Helm Bank Panama but, as each element has distinct terms and security, amounts are shown gross in assets classified as held for sale (note 8) (2011 trade and other receivables (note 18)) and within short-term loans above. The loan bears interest at 5% and is repayable in full on 30 June 2013. As at 30 June 2012, this loan amounts to £2,987,088 and is shown as part of liabilities directly associated with assets classified as held for sale.

20 Deferred tax

The movement in the Company's and Group's net deferred tax position is as follows

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Deferred tax liabilities as at 30 June 2011	(8,770,449)	(193,086)	(5,333,349)	(344,203)
Deferred tax credit/(charge) recognised in the statement of income	2,160,918	(3,715,243)	1,948,810	(3,927,351)
Deferred tax credit/(charge) recognised in the statement of comprehensive income	3,386,520	(1,061,795)	3,386,520	(1,061,795)
Deferred tax liabilities acquired with subsidiary	—	(3,800,325)	—	—
Transferred to liabilities associated with assets held for sale	3,376,109	—	—	—
Deferred tax assets (liabilities) as at 30 June 2012	153,098	(8,770,449)	1,981	(5,333,349)

The following are the major deferred tax liabilities and assets recognised by the Group and Company and the movements thereon during the period

Group	Depreciation £	Investments £	Employee	Total £
			benefits £	
Deferred tax assets (liabilities) as at 30 June 2010	252	(184,543)	(8,795)	(193,086)
(Charge)/credit to the statement of income for the year	(7,159)	(3,825,088)	117,004	(3,715,243)
Charge to the statement of comprehensive income for the year	—	(1,061,795)	—	(1,061,795)
Deferred tax liabilities acquired with subsidiary	—	(3,800,325)	—	(3,800,325)
Deferred tax assets (liabilities) as at 30 June 2011	(6,907)	(8,871,751)	108,209	(8,770,449)
Credit/(charge) to the statement of income for the year	(2,192)	2,260,239	(97,129)	2,160,918
Credit to the statement of comprehensive income for the year	—	3,386,520	—	3,386,520
Transferred to liabilities associated with assets held for sale	—	3,376,109	—	3,376,109
Deferred tax assets (liabilities) as at 30 June 2012	(9,099)	151,117	11,080	153,098

Company	Depreciation £	Investments £	Employee	Total £
			benefits £	
Deferred tax assets (liabilities) as at 30 June 2010	252	(335,660)	(8,795)	(344,203)
Credit/(charge) to the statement of income for the year	(7,159)	(4,037,196)	117,004	(3,927,351)
Charge to the statement of comprehensive income	—	(1,061,795)	—	(1,061,795)
Deferred tax assets (liabilities) as at 30 June 2011	(6,907)	(5,434,651)	108,209	(5,333,349)
Credit/(charge) to the statement of income for the year	(2,192)	2,048,131	(97,129)	1,948,810
Credit to the statement of comprehensive income	—	3,386,520	—	3,386,520
Deferred tax assets (liabilities) as at 30 June 2012	(9,099)	—	11,080	1,981

Notes to the financial statements (continued)

for the year ended 30 June 2012

21 Share capital of the Company

The authorised share capital and the called up and fully paid amounts were as follows

	Number	Nominal £
Authorised		
At incorporation on 8 September 2004 and as at 30 June 2012, Ordinary shares of £0.001 each	10,000,000,000	10,000,000
Called up, allotted and fully paid during the year		
As at 30 June 2011	723,983,283	723,983
Issued 15 November 2011 at 4.61809 pence per share	6,777,690	6,778
Issued 5 December 2011 at 3.50 pence per share	1,150,000	1,150
Issued 14 December 2011 at 3.7054 pence per share	6,746,910	6,747
Issued 3 January 2012 at 2.993 pence per share	16,705,576	16,706
Issued 6 January 2012 at 2.993 pence per share	5,364,632	5,365
Issued 25 January 2012 at 2.72721 pence per share	23,467,178	23,467
Issued 23 February 2012 at 2.689 pence per share	27,215,148	27,215
Issued 28 February 2012 at 2.60 pence per share	30,000,000	30,000
Issued 29 February 2012 at 2.60 pence per share	39,269,231	39,269
Issued 16 April 2012 at 2.45 pence per share	2,816,304	2,816
Issued 16 April 2012 at 2.45 pence per share	217,954	218
Issued 16 April 2012 at 2.45 pence per share	435,908	436
	160,166,531	160,167
As at 30 June 2012	884,149,814	884,150

Capital management

Management controls the capital of the Group in order to control risks, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern

The Group's debt and capital includes Ordinary share capital and financial liabilities, supported by financial assets (Note 24)

There are no externally imposed capital requirements

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year

22 Reserves

Share premium

The share premium account represents the excess of consideration received for shares issued above their nominal value net of transaction costs

Foreign currency translation reserve

The translation reserve represents the exchange gains and losses that have arisen from the retranslation of overseas operations

Retained earnings

Retained earnings represent the cumulative profit and loss net of distributions to owners

Available for sale trade investments reserve

The available for sale trade investments reserve represents the cumulative revaluation gains and losses in respect of available for sale trade investments

Associate investment reserve

The associate investments reserve represents the cumulative share of gains and losses of associates recognised in the statement of other comprehensive income

Notes to the financial statements (continued)

for the year ended 30 June 2012

22 Reserves continued

Share-based payment reserve

The share-based payment reserve represents the cumulative charge for options granted, still outstanding and not exercised

23 Share-based payments

Employee share options

During the years ended 30 June 2007, 2009 and 2011, the Company established employee share option plans to enable the issue of options as part of the remuneration of key management personnel and Directors to enable them to purchase Ordinary shares in the Company. Under the plan, the options were granted for no consideration, they were granted for the periods specified and vested immediately, other than those issued for 2.4226 pence which carry other vesting conditions. Options granted under the plans carry no dividend or voting rights.

Under IFRS 2 "Share-based Payments", the Company determines the fair value of the options issued to Directors and employees as remuneration and recognises the amount as an expense in the statement of income with a corresponding increase in equity. The expense was charged in full during the years ended 30 June 2007, 2009 and 2011.

The Company has outstanding options to subscribe for Ordinary shares as follows

	Options issued 3 June 2009 exercisable at 1.1 pence per share expiring 3 June 2014 Number	Options issued 22 September 2010 exercisable at 3.2 pence per share expiring 21 September 2015 Number	Options issued 22 September 2010 exercisable at 2.4226 pence per share expiring 21 September 2015 Number	Total Number
A R M Bell	10,000,000	3,250,000	—	13,250,000
M C Nott	—	2,000,000	—	2,000,000
J Watkins	—	1,000,000	—	1,000,000
M G R Yannaghias	—	1,000,000	4,000,000	5,000,000
Employees	—	3,000,000	—	3,000,000
Total	10,000,000	10,250,000	4,000,000	24,250,000

The fair value of the above share options as expensed in 2012 is £104,434 (2011: £180,414)

	Company and Group			
	2012		2011	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at the beginning of the period	29,500,000	2.43	22,500,000	1.68
Granted	—	—	17,000,000	2.93
Exercised	(1,150,000)	3.50	(6,000,000)	1.43
Expired	(4,100,000)	3.48	(4,000,000)	1.84
Outstanding at the end of the period	24,250,000	2.21	29,500,000	2.43
Exercisable at the end of the period	24,250,000	2.21	29,500,000	2.43

The options outstanding at 30 June 2012 have an exercise price of between 1.1 pence and 3.2 pence and a weighted average contractual life of 2.69 years.

During the financial year 1,150,000 options were exercised (2011: 6,000,000). The weighted average share price on the date of exercise was 3.62 pence (2011: 7.60 pence).

During the financial year 4,100,000 options expired (2011: 4,000,000) due to expiry date or other vesting conditions not being met.

Notes to the financial statements (continued)

for the year ended 30 June 2012

23 Share-based payments continued

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option-pricing model. The contractual life of the options is used as an input into the model. The model assumes that an option is only capable of exercise at expiry.

	Fair value per option pence	Exercise price pence	Price of shares on grant pence	Estimated volatility %	Risk free interest %	Dividend %
11 May 2007	1.65	3.5	3,375	50	5.18	—
3 June 2009	0.46	1.1	0.98	50	2.76	—
22 September 2010	1.60	3.2	3.20	50	1.84	—
22 September 2010	1.85	2,422.6	3.20	50	1.84	—

The expected volatility is based on the historic volatility of peer group entities (calculated on the weighted average remaining life of the share options), adjusted for any expected changes to volatility due to publicly available information.

Risk free interest rates are based on five year government bonds.

Share Incentive Plan

During the year, the Company introduced a tax efficient Share Incentive Plan, a government approved scheme, the terms of which provide for an equal reward to every employee, including Directors, who had served for three months or more at the time of issue. The terms of the plan provide for:

- each employee to be given the right to subscribe any amount up to £125 per month with Trustees who invest the monies in the Company's shares,
- the Company to match the employee's investment by contributing an amount equal to double the employee's investment ("matching shares"), and
- the Company to award free shares to a maximum of £3,000 per annum.

The subscriptions remain free of taxation and national insurance if held for five years.

The fair value of services provided is recognised as an expense in the income statement at grant date and is determined indirectly by reference to the fair value of the free and matching shares granted. Fair value of shares is measured on the basis of an observable market price, i.e. share price as at grant date.

During the financial year, a total of 3,252,212 free and matching shares were awarded with a fair value of 2.45 pence, resulting in a share-based payment charge of £79,679 in the income statement.

Notes to the financial statements (continued)

for the year ended 30 June 2012

24 Financial instruments

24.1 Categories of financial instruments

The Group and Company hold a number of financial instruments, including bank deposits, short-term investments, loans and receivables and trade payables

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows

Group	Assets at fair value through profit or loss designated upon initial recognition	Available for sale	Loans and receivables	Other non-financial assets	Total
30 June 2012	£	£	£	£	£
Non-current financial assets					
Available for sale financial assets	—	8,809,866	—	—	8,809,866
Non-current receivables	—	—	5,905,944	—	5,905,944
Other financial assets	150,413	—	—	—	150,413
Current financial assets					
Trade and other receivables	—	—	1,432,900	196,000	1,628,900
Assets classified as held for sale	—	—	2,004,876	13,382,926	15,387,802
Cash and cash equivalents	—	—	347,925	—	347,925
	150,413	8,809,866	9,691,645	13,578,926	32,230,850
Other non-financial assets	—	—	—	4,906,875	4,906,875
Total assets	150,413	8,809,866	9,691,645	18,485,801	37,137,725

The carrying value of non-current financial assets in the Company equals that of the Group

The carrying value of current financial assets in the Company is lower than that of the Group by £45,397 due to additional receivables and cash deposits in subsidiary companies

Group	Other financial liabilities at amortised cost	Other non-financial liabilities	Total
30 June 2012	£	£	£
Non-current financial liabilities			
Long-term borrowings	(2,293,000)	—	(2,293,000)
Current financial liabilities			
Trade and other payables	(737,488)	(430,481)	(1,167,969)
Liabilities directly associated with assets held for sale	(4,689,097)	(3,376,109)	(8,065,206)
Short-term borrowings	(1,209,730)	—	(1,209,730)
Total liabilities	(8,929,315)	(3,806,590)	(12,735,905)

The carrying value of non-current financial liabilities in the Company equals that of the Group

The carrying value of current financial liabilities in the Company is less than that of the Group by £4,333,830 due to liabilities directly associated with a subsidiary classified as disposal group held for sale and additional trade and other payables in subsidiary companies

Notes to the financial statements (continued)

for the year ended 30 June 2012

24 Financial instruments continued

24.1 Categories of financial instruments continued

Group	Assets at fair value through profit or loss designated upon initial recognition	Available for sale	Loans and receivables	Other non-financial assets	Total
30 June 2011	£	£	£	£	£
Non-current financial assets					
Available for sale financial assets	—	24,472,120	—	—	24,472,120
Non-current receivables	—	—	2,927,277	—	2,927,277
Other financial assets	4,095,696	—	—	—	4,095,696
Current financial assets					
Trade and other receivables	—	—	3,506,979	223,927	3,730,906
Cash and cash equivalents	—	—	268,788	—	268,788
	4,095,696	24,472,120	6,703,044	223,927	35,494,787
Other non-financial assets	—	—	—	14,804,340	14,804,340
Total assets	4,095,696	24,472,120	6,703,044	15,028,267	50,299,127

Group	Other financial liabilities at amortised cost	Other non-financial liabilities	Total
30 June 2011	£	£	£
Non-current financial liabilities			
Long-term borrowings		2,817,500	2,817,500
Current financial liabilities			
Trade and other payables	2,517,569	1,515,216	4,032,785
Short-term borrowings	1,750,450	—	1,750,450
	7,085,519	1,515,216	8,600,735
Other non-financial liabilities	—	8,854,534	8,854,534
Total liabilities	7,085,519	10,369,750	17,455,269

The carrying value of non-current financial assets, current financial assets and current financial liabilities in the Company is not materially different to that of the Group

Notes to the financial statements (continued)

for the year ended 30 June 2012

24 Financial instruments continued

24.2 Fair values

The fair value of the Group's financial assets and liabilities compared to their carrying amounts are as follows

Group	2012		2011	
	Carrying amount £	Net fair value £	Carrying amount £	Net fair value £
Non-current financial assets				
Available for sale financial assets				
– at market price	8,308,386	8,308,386	24,159,187	24,159,187
– at cost	501,481	501,481	312,933	312,933
	8,809,867	8,809,867	24,472,120	24,472,120
Non-current receivables	5,905,944	5,905,944	2,927,277	2,927,277
Other financial assets	150,413	150,413	4,095,696	4,095,696
Current financial assets				
Trade and other receivables	1,432,900	1,432,900	3,506,979	3,506,979
Assets classified as held for sale	2,004,876	2,004,876	—	—
Cash and cash equivalents	347,925	347,925	268,788	268,788
Current financial liabilities				
Trade and other payables	(737,488)	(737,488)	2,517,569	2,517,569
Liabilities directly associated with assets held for sale	(4,689,097)	(4,689,097)	—	—
Borrowings	3,502,730	3,502,730	4,567,950	4,567,950

The carrying amount of the Company's financial assets and liabilities also equates to their fair value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Where a quoted price in an active market is available, the fair value is based on the quoted price at the end of the reporting period. In the absence of a quoted price in an active market, the Group determines fair value using a valuation technique that makes use of observable market inputs.

Trade receivables, cash and cash equivalents, trade payables and borrowings

The carrying amount is considered to equate to its fair value.

The fair value of loans and borrowings has been estimated by calculating present values at the reporting date, using fixed effective interest rates.

Available for sale and other financial assets

The following table presents the other financial assets measured at fair value in the statement of financial position in accordance with the fair value hierarchy required by IFRS 7.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements (continued)

for the year ended 30 June 2012

24 Financial instruments continued

24.2 Fair values continued

Available for sale and other financial assets continued

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows

Group and Company	Level 1	Level 2	Level 3	Total
30 June 2012	£	£	£	£
Available for sale financial assets				
– at market price (i)	8,308,386	—	—	8,308,386
– at cost (iii)	—	—	501,480	501,480
	8,308,386	—	501,480	8,809,866
Other financial assets (ii)	—	150,413	—	150,413

Group and Company	Level 1	Level 2	Level 3	Total
30 June 2011	£	£	£	£
Available for sale financial assets				
– at market price (i)	24,159,187	—	—	24,159,187
– at cost (iii)	—	—	312,933	312,933
	24,159,187	—	312,933	24,472,120
Other financial assets (ii)	—	4,095,696	—	4,095,696

(i) Available for sale assets at market price

All listed equity securities have been issued by publicly traded companies, in the UK and other foreign markets. Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

(ii) Other financial assets

The fair value of other financial assets, which are share options and warrants, are estimated using a valuation technique. All significant inputs are based on observable market prices such as market rates of interest and volatility of past share price.

(iii) Available for sale assets at cost

These financial instruments, classified in Level 3, use valuation techniques based on inputs that are not based on observable market data, due to the fact they are unlisted and no such data is available.

The financial instruments within this level can be reconciled from beginning to ending balances as follows

Available for sale financial assets

Group and Company	Unlisted investments at cost	
	2012	2011
	£	£
Brought forward	312,933	806,870
Purchases	188,547	—
Transfers to investment in associates	—	(493,937)
Carried forward	501,480	312,933

24.3 Financial risk management policies

The Directors monitor the Group's financial risk management policies and exposures and approve financial transactions.

The Directors' overall risk management strategy seeks to assist the consolidated Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk and market risk consisting of interest rate risk, liquidity risk, equity price risk and foreign exchange risk.

Notes to the financial statements (continued)

for the year ended 30 June 2012

24 Financial instruments continued

24.3 Financial risk management policies continued

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial liability of significant customers and counterparties), ensuring, to the extent possible, that customers and counterparties to transactions are of sound creditworthiness. Such monitoring is used in assessing receivables for impairment.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Directors have otherwise cleared as being financially sound.

Other receivables which are neither past due nor impaired are considered to be of high credit quality.

There are no amounts of collateral held as security in respect of trade and other receivables.

The consolidated Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated Group.

The Group has pledged 74,192,997 (2011: 21,266,540) of its shares in Jupiter Mines Limited as security for two (2011: one) of its borrowings (see note 19).

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- monitoring undrawn credit facilities,
- obtaining funding from a variety of sources, and
- maintaining a reputable credit profile.

The Directors are confident that adequate resources exist to finance operations to commercial exploration and controls over expenditure are carefully managed.

Market risk

Interest rate risk

The Company is not exposed to any material interest rate risk.

Equity price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities, but also include political, economic, social, technical, environmental and regulatory factors.

The Group's exposure to price risk on listed investments is as follows:

	2012	2011
Group and Company	£	£
Change in profit		
– increase in listed investments by 10%	—	—
– decrease in listed investments by 10%	—	—
Change in equity		
– increase in listed investments by 10%	830,839	2,415,619
– decrease in listed investments by 10%	(830,839)	(2,415,619)

Notes to the financial statements (continued)

for the year ended 30 June 2012

24 Financial instruments continued

24.3 Financial risk management policies continued

Market risk continued

Foreign currency risk

The Groups transactions are carried out in a variety of currencies, including Sterling, Australian Dollar, Colombian Peso, US Dollar, Kenyan Shilling, Canadian Dollar and Danish Krone

To mitigate the Group's exposure to foreign currency risk, non-Sterling cash flows are monitored. The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as amounts paid and received in specific currencies are expected to largely offset one another and the currencies most widely traded in are relatively stable.

The Directors consider the balances most susceptible to foreign currency movements to be the available for sale financial assets. These assets are denominated in the following currencies:

Group and Company 30 June 2012	GBP £	AUD £	CAD £	Total £
Available for sale investments	897,130	7,912,736	—	8,809,866

Group and Company 30 June 2011	GBP £	AUD £	CAD £	Total £
Available for sale investments	1,534,862	22,410,344	526,914	24,472,120

The following table illustrates the sensitivity of the value of investments in regards to the relative GBP and Australian Dollar, and GBP and Canadian Dollar exchange rates.

It assumes a +/- 10% change in the AUD/GBP exchange rate and a +/-6% (2011 10%) change in the CAD/GBP exchange rate for the year ended 30 June 2012. These percentages have been based on the average market volatility in exchange rates in the previous twelve months.

Impact on available for sale financial assets

	2012 £	2011 £
10% increase in AUD fx rate against GBP	791,274	2,241,034
10% decrease in AUD fx rate against GBP	(791,274)	(2,241,034)
6% (2011 10%) increase in CAD fx rate against GBP	—	52,691
6% (2011 10%) decrease in CAD fx rate against GBP	—	(52,691)

Exposures to foreign exchange rates vary during the year depending on the volume and nature of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

25 Significant agreements and transactions

The following are the significant agreements and transactions recently undertaken having an impact in the year under review and for the period to 18 October 2012. For the sake of completeness and of clarity, some events after the reporting period are included here and in note 27 on pages 57-58.

North Atlantic Mining Associates Limited ('NAMA')

- On 19 December 2011 approval had been received for a 558 sq km licence enlargement over the area between the existing licence blocks from the Bureau of Minerals and Petroleum ("BMP"). This brings the total licence area to 1,571 sq km.
- On 6 January 2012 the Company executed the option to fund the 2012 exploration programme of NAMA Greenland Limited ('NGL'), a joint venture entity it controls jointly with NAMA, as outlined in the March 2011 Agreement, which will on completion result in the issue to the Company of shares representing an additional 35% in NGL. NGL is the owner of the exploration concessions including the MB1 and MB5 licences in the Melville Bugt region of Greenland. In consideration for funding the 2011 exploration programme, the Company has been issued with shares representing a 25% interest in NGL. The Company and NAMA entered into certain new agreements regarding the conduct of joint venture business activities ('JV') relating to the Melville Bugt Project, including a joint venture agreement ('JVA') that supplements the provisions of the March 2011 Agreement as amended.

Notes to the financial statements (continued)

for the year ended 30 June 2012

25 Significant agreements and transactions continued

Jupiter Mines Limited

- On 6 February 2012 the Company announced the proposed sale to Anglo Pacific Group plc ('Anglo Pacific') of a 50% interest in the Company's 1.5% gross production royalty over any production from the Mt Ida iron ore project
- On 10 April 2012, following successful due diligence inquiries, the Royalty Sale Agreement was signed between the Company and Argo Royalties Pty Ltd, a member of the Anglo Pacific group
The Tranche 1 payment of US\$6,000,000 (£3,686,211) for 0.3% of the Gross Revenue Iron Ore Royalty ('GRR') was settled by the payment of US\$3,899,999.81 less any applicable costs and the issue and allotment to the Company of 416,161 new Anglo Pacific shares. These shares were valued at US\$1,999,720 at the close of trading on 5 April 2012.
The remaining tranches of the acquisition total US\$8,000,000 and will be paid as follows:
Tranche 2: US\$4,000,000 payment for a further 0.225% GRR following the results of a positive definitive feasibility study ('DFS'), a formal decision to mine and that 20% of the pre-production capital costs outlined in the DFS are provided for, and
Tranche 3: US\$4,000,000 for a further 0.225% GRR following the commencement of commercial production, taking the total to 0.75% GRR.

Kansai Mining Corporation Limited and Mid Migori Mining Company Limited, Kenya

- On 1 February 2012 the Company announced that it has acquired from a shareholder of Kansai Mining Corporation ('Kansai') an option over 5,923,237 common shares in Kansai at an aggregate purchase price of the greater of (i) US\$0.05 per common share, and (ii) 85% of the amount of the valuation of Kansai's assets (to be undertaken by the Company), at any time in the next four years. The Company paid an initial amount of £188,548 for the options. The option is exercisable for US\$1. If the option is exercised, the common shares would represent in the aggregate approximately 4.94% of Kansai's issued and outstanding capital. After giving effect to the transaction, the Company now owns and controls, or has the option to own and control, 45,552,237 common shares of Kansai representing 37.96% of the total issued and outstanding common shares of Kansai.
- On 19 April 2012 the Company appointed Anel Partners LLP ('Anel') for an initial period of four months to assist the Company in restructuring its directly and indirectly held interests in the Migori Project. Kansai has also entered into an exclusivity agreement with Anel under which for a period of three months it will deal exclusively with Anel in relation to possible transactions relating to the Migori project and assets.

Resource Star Limited

- On 24 October 2011 the Company's 24.57% owned associate company, Resource Star Limited ("RSL") announced that it would not proceed with the acquisition of a strategic interest in Cue Resources Limited from the Company at this time. It was agreed with the Company that the movement in equity market prices since the initial agreement and the continuing uncertainty in global markets mean that proceeding at that time would not be in the best interests of RSL's or the Company's shareholders.
- On 15 February 2012 RSL filed an Entitlement Issue Prospectus in Australia. RSL offered shareholders of record a participation in a non-renounceable entitlement issue of one new RSL ordinary share for every RSL share held, at a price of AU\$0.02 per share ('Rights Issue'). In addition, the Company agreed to underwrite up to AU\$500,000 of the Rights Issue for a fee of 2.5% of any underwriting called upon.
- On 26 March 2012 RSL finalised its non-renounceable Entitlement Offer ("the Offer"). In total, 41,928,182 new shares were issued under the Offer raising proceeds of AU\$838,563. The Company subscribed for 13,224,872 new shares under the Offer amounting to AU\$264,497, settled by the extinguishment of debt, and 18,098,810 shares subscribed for under the Underwriting Agreement and amounting to AU\$361,976.20. Prior to the Offer, the Company held 13,984,872 shares in RSL and after the Offer it held 45,908,554 shares in RSL, being 46.44% of the enlarged issued share capital of RSL (totalling 98,856,364 ordinary shares).
- On 24 April 2012 a substantial shareholder of RSL committed to taking up the balance of 15,000,000 RSL shares unsubscribed under the rights issue, at a cost of AU\$300,000. As a result, the Company now holds 40.32% of the enlarged issued share capital of RSL.
- On 15 May 2012 the Company announced that RSL is to acquire the 80% of the Livingstonia Uranium Project in Malawi not already owned. RSL has already earned a 20% equity interest from Globe Metals and Mining Limited ('Globe') under the farm-in joint venture announced in March 2010. Globe will at the same time acquire the remaining 80% not owned of the Machinga Niobium-Rare Earth Project from RSL. RSL and Globe will grant each other a gross revenue royalty interest of 0.7% for Machinga and 1% for Livingstonia. There is no cash component to the transaction.

Notes to the financial statements (continued)

for the year ended 30 June 2012

25 Significant agreements and transactions continued

Cue Resources Limited

- On 23 January 2012 Cue Resources Limited ('Cue') made a joint announcement with Uranium Energy Corp ('UEC') in which they announced that they had entered into an Arrangement Agreement under which UEC was to acquire all of the outstanding common shares of Cue by way of a plan of arrangement ('the Arrangement'). Upon completion of the Arrangement, UEC acquired Cue and its wholly owned subsidiary holding an undivided 100% legal and beneficial interest in and to certain concession contracts covering a 230,650-hectare uranium exploration property located in south-eastern Paraguay and known as the Yuty Project

Under the terms of the Arrangement Agreement, Cue's shareholders received 0.0195 of one share of UEC common stock for every one share of Cue common stock. The Arrangement completed on 30 March 2012 and UEC issued 2,345,926 shares of UEC common stock to the former Cue shareholders representing approximately 3.1% of the issued and outstanding common stock of UEC. The Company was issued with 368,551 shares of UEC common stock which had a value of approximately US\$1,445,000 on completion of the Arrangement.

Four Points Mining SAS

- In June 2012 the Company received a proposal (subject to due diligence and definitive agreement) from Ashmont Resources Corporation ('Ashmont'), a private Canadian company, to acquire Red Rock's wholly owned subsidiary, American Gold Mines Limited, which holds a 50.002% interest in Four Points Mining SAS. The due diligence stage has been completed during August and September, and the parties are in the process of negotiating a definitive agreement.

Cornhill Capital Limited

- On 15 July 2011, the Company entered into agreements with Cornhill Capital Limited (together with its group companies, 'Cornhill') to raise funds by the issue of a 24 month secured loan note (the "Secured Loan Notes 2013"). The first tranche of the Secured Loan Notes 2013 raised £2,000,000 before expenses. Investors have a choice of "Series A" loan notes with a yield equivalent to 14% annualised, payable semi-annually, or "Series B" loan notes which have a yield of 12% annualised, payable semi-annually, with the option to convert 25% of the loan notes into equity of the Company at a price equal to a 50% premium to the Company's 20 day volume weighted average price of the Company's shares quoted on AIM at the date of signing of the placing agreement.
- The Secured Loan Notes 2013 bear an annualized coupon of 14% payable semi-annually, the first such payment being due on 3 January 2012. They are being issued in integral multiples of £1,000 (each a 'Note') at a price of £1,000 per Note and are redeemable at £1,000 per Note on the second anniversary of completion, or earlier on the giving of prescribed notice by the Company. Any early redemption will incur a payment of an additional three months' interest. The Notes have been syndicated to certain high net worth investors in minimum tranches of £50,000.
- Certain shares in Jupiter Mines Limited ('JMS') have been pledged as collateral for repayment of the Secured Loan Notes 2013 together with interest thereon and any future sales of JMS shares will be subject to maintenance of minimum security covenants. In addition to a cash commission, Cornhill has been issued with 384,394 warrants with an exercise price of £0.10406 per share, representing 2% of the principal amount of the issued Secured Loan Notes 2013. These warrants may be exercised into new Red Rock ordinary shares at any time within two years of issue, subject to extension in certain circumstances. On 10 October 2012, 14,000,000 of the pledged shares in JMS were sold for AU\$0.11 per share raising net proceeds of AU\$1,532,300. These funds were placed in an escrow account as collateral against the outstanding loan.

SEDA-backed loan

- On 11 October 2011 the Company entered into an Amendment Agreement to the SEDA-backed Loan Agreement dated 17 June 2011. A further sum of US\$2,300,000 was advanced to the Company and a new pledge over an additional 8,400,000 ordinary shares in the capital of Jupiter Mines was made. This loan was fully repaid as at the end of the year.
- On 29 June 2012 the Company entered into a new SEDA-backed Loan Agreement with YA Global Master SPV Ltd for a total sum of US\$3,300,000 of which US\$1,900,000 had been advanced to the Company as at 30 June 2012. A new pledge over an additional 17,900,000 ordinary shares in the capital of Regency Mines plc and 45,908,554 ordinary shares in the capital of Resource Star Limited was made.

Share Incentive Plan

- The Company has agreed to implement a Share Incentive Plan ('SIP') for its staff which is designed to encourage staff to hold shares in the Company and has long term tax and NIC advantages. The scheme has obtained approval from HMRC and came into operation on 1 January 2012.

Notes to the financial statements (continued)

for the year ended 30 June 2012

26 Related party transactions

- On 1 July 2006, the Company agreed with Regency Mines plc, a company of which the Directors Andrew Bell and John Watkins are also directors, to enter into a sub-licence agreement and share the rental, service costs and other outgoings of an office including administrative staff at 115 Eastbourne Mews, London W2 6LQ with Regency Mines plc and Greatland Gold plc, companies of which Andrew Bell and John Watkins are also directors. This agreement has been effective throughout the year. The total cost to the Company during the year was £137,399, (2011 £155,261), of which £29,250 represented the Company's share of the office rent and the balance services provided (2011 £25,200)
- In addition, professional staff employed by Regency Mines plc are sub-contracted to the Company to work on specific assignments as necessary. During the year, the total charge before the addition of VAT was £618,004 (2011 £639,179). In previous years the charge included a 15% service fee but from 2012 this service fee has been dispensed with.
- Following the establishment of the Company's own payroll in November 2011, the Company's staff are also sub-contracted to Regency Mines plc to work on specific assignments as necessary. During the year, staff costs of £27,212 (2011 £Nil) were recharged to Regency Mines plc. Such charges are offset against administration expenses in the income statement.
- The costs incurred on behalf of the Company by Regency Mines plc are invoiced at each month end and settled as soon as may be possible. By agreement, the Company pays interest at the rate of 0.5% per month on all balances outstanding at each month end until they are settled. The total charge for the year was £11,078 (2011 at 0.5% per month £10,630).
- The Company provides technical support to FPM in order to increase production at the El Limon mine facility for a fee payable quarterly in arrears. During the year, the Company recorded £602,782 fee revenue (2011 - £415,458). This revenue is eliminated in the consolidated income statement. As at 30 June 2012, FPM owes the Company technical fees of £458,424 included in assets classified as held for sale (note 8) (2011 £112,177 included in other receivables (note 18)).
- Resource Star Limited, an associate, provides professional services to the Company. Total fee charged during the year is £174,860 (2011 £13,743). Of this amount, £32,838 is outstanding as at 30 June 2012 and is included in trade and other payables (2011 nil).
- Related party receivables and payables are disclosed in notes 17 to 18 and 19, respectively.
- The Company held 17,900,000 shares in Regency Mines plc as at 30 June 2012 and 33,900,000 as at 30 September 2012.
- The key management personnel are the Directors and their remuneration is disclosed within note 7.

27 Events after the reporting period

YA Global Master SPV Limited ('YAGM')

- In August 2012 the Company entered into new funding arrangements with YAGM whereby 37,500,000 ordinary shares in the Company were subscribed for at a price of £0.02 per share for a total cash consideration of £750,500.

Separately, YAGM and the Company have entered into an equity swap agreement (the "Equity Swap") over a notional 37,500,000 shares in the Company (this does not involve the issue of new shares). Under the terms of the Equity Swap upon each of six monthly settlement dates the prevailing market price of the Company's shares, discounted by 10%, will be compared to a benchmark price of £0.02 per share (the "Benchmark Price").

- If the discounted market price exceeds the Benchmark Price then a payment is made to the Company by YAGM, with the overall payment depending on the amount by which the discounted market price exceeds the Benchmark Price.

- If the discounted market price is less than the Benchmark Price then the Company will owe a payment to YAGM, with the size of such payment depending on the amount by which the discounted market price falls short of the Benchmark Price.

In order to satisfy any such payments under the Equity Swap, the Company has deposited £625,000 in an escrow account. A portion of the escrowed funds will be released to the Company on each monthly settlement date after first deducting any payments that may be owed to YAGM.

Commitment fees payable by the Company under the Equity Swap comprise in aggregate, £75,000 payable in two equal tranches which may be satisfied in cash or shares in the Company at the Company's discretion. The Company has elected for the first payment of £37,500 to be made in the form of 1,875,000 shares. The second payment will be paid on the earlier of six months from the date of the Equity Swap or the termination of the Equity Swap.

The Company has given YAGM customary warranties in respect of the subscription and under the Equity Swap and an indemnity under the Equity Swap. YAGM may elect to terminate the Equity Swap and accelerate the payments due under it in certain circumstances. YAGM has agreed that it and its affiliates will refrain from holding any net short position until the termination of the Equity Swap.

Cornhill Capital Limited

- On 10 October 2012, 14,000,000 of the pledged shares in JMS were sold for AU\$0.11 per share raising net proceeds of AU\$1,532,300. These funds were placed in an escrow account as collateral against the outstanding loan.

Notes to the financial statements (continued)

for the year ended 30 June 2012

27 Events after the reporting period continued

Issue of new shares

- On 8 August 2012, the Company issued 3,789,456 new Ordinary shares at 1.9 pence per share under the Company's Share Incentive Plan ('SIP') Free Shares for the 2012/13 tax year
- On 19 September 2012, the Company issued 38,823,530 new Ordinary shares at 1.7 pence per share for a total consideration of £660,000

Annual General Meeting

- The Company intends to issue a notice of Annual General Meeting of shareholders to be held on 29 November 2012 for the purpose of dealing with the usual business applicable at such a meeting

28 Commitments

As at 30 June 2012, the Company had entered into the following commitments

- **Exploration commitments** Ongoing exploration expenditure is required to maintain title to the Group mineral exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group
- Under the terms of the joint venture, purchase and sale agreement entered into in August 2009 between the Company and Kansai Mining Corporation Limited, the Company is required to act as manager of the tenements held by Mid Migori Mining Company Limited in Kenya, pay the costs of exploration and other costs except for the costs of licence renewal and rents, and keep the tenements in good standing
- On 6 January 2012 the Company executed the option to fund the 2012 exploration programme of NAMA Greenland Limited ('NGL'), a joint venture entity it controls jointly with NAMA. As at 30 June 2012 an estimated amount of £1,700,000 was still outstanding to finalise the 2012 exploration programme
- On 27 June 2006, the Company entered into sub-licence agreements with Regency Mines plc under which, together with Greatland Gold plc, it agreed to share the rental, service costs and other outgoings of the office at 115 Eastbourne Mews, London W2 6LQ. From 1 January 2008 until 30 June 2010, the Company's agreed share of the total costs was 40%, from 1 July 2010, the share was increased to 60% and from 1 January 2012 the share was increased again to 70%. The costs likely to be incurred during the notice period of two months are estimated at £28,000

29 Control

There is considered to be no controlling party. Whereas Regency Mines plc originally held a controlling interest, this was reduced to below 50% during the year to 30 June 2007, since when it has been progressively reduced to 16.49% as at 30 June 2012 and reduced further to 15.09% as at 18 October 2012.

Company information

Directors

Andrew Bell

Executive Chairman

Manoli Yannaghas

Executive Director

James Ladner

Independent non-executive Director

Michael Nott

Non-executive Director

John Watkins

Non-executive Director

all of

115 Eastbourne Mews

London W2 6LQ

020 7402 9433

Secretary and Registered Office

Stephen Ronaldson

55 Gower Street

London WC1E 6HQ

Website

www.rrrplc.com

Auditor

Grant Thornton UK LLP

Grant Thornton House

Melton Street

Euston Square

London NW1 2EP

Solicitors

Ronaldsons LLP

55 Gower Street

London WC1E 6HQ

Nominated adviser

Grant Thornton UK LLP

30 Finsbury Square

London EC2P 2YU

Accountants and tax advisers

Baker Tilly Tax and Accounting Limited

The Clock House

140 London Road

Guildford

Surrey GU1 1UW

Broker

Simple Investments

1 High Street

Godalming

Surrey GU7 1AZ

Bankers

Coutts & Co

440 Strand

London WC2R 0QS

Registrars

Share Registrars Limited

Suite E, First Floor

9 Lion & Lamb Yard

Farnham

Surrey GU9 7LL

01252 821390

Registered number

05225394