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**Red Rock Resources plc**  
**Annual report and accounts 2014**

Registration number: 05225394

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COMPANIES HOUSE

# Welcome to Red Rock Resources plc

## Positioned for Growth

Red Rock is a mining and exploration company predominantly focussed on African gold in Kenya and Ivory Coast, with additional interests in Colombia (gold), Greenland (iron ore), and Australia (iron ore, manganese and investments).

The Company's strategy involves undertaking investments and adding value to projects through exploration, development, and corporate transactions.

Red Rock maintains a pipeline of projects in its portfolio, and seeks to add value by identifying, developing and exiting its interests at strategic points.

Red Rock's current focus is on maximising shareholder return through asset realisation, and in 2014-2015 plans to return to its key competency – early-stage mineral exploration – with a new gold project in Ivory Coast.

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## Key Points

### Finances

- Post-tax loss of £4,113,460
- Loss per share of 0.27 pence
- Equity fell from £14,428,479 to £13,591,135
- Share price fell from 0.38 pence to 0.28 pence

### Funding

- £2,723,861 before expenses raised from share placings at prices between 0.952 pence and 0.228 pence
- £1,328,154 raised by new borrowings
- £1,712,992 raised from sale of investments

### Operations

- Ivory Coast: New exploration venture
- Kenya: Stage 1 of Feasibility Study complete
- Colombia: Sale agreed, expected to complete late 2014

### Strategic Report

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## Executive Chairman's Review

Dear Shareholders,

### Overview

The year to 30th June 2014 was not active in exploration terms, but instead management focussed on maximising value from existing assets, reflecting a stock market in which the valuation of mineral exploration companies continued to be depressed, and investors were unwilling to finance extensive exploration programmes.

Costs have been reduced across the board, and in many cases halved, and the balance sheet has been significantly improved with parent company borrowings being reduced from £2.6m to £1.1m over the year.

During the first quarter of the year we were in negotiations for the sale of a majority interest in our Greenland asset. However, partly for geopolitical reasons, the sale did not occur in the expected time frame, although we came very close to completion. We continue to discuss a sale but it is likely that progress on this front will have to await a recovery in iron ore prices and market sentiment. Since we conducted extensive exploration two years ago, there is no current spend requirement. The camp remains in place ready for our eventual return, and the equipment is secure and weather-proofed.

In Colombia, we have also been pursuing a sale. An initial party expressed interest in 2013, but did not progress to a sale. Negotiations were therefore begun with Nicaragua Milling Company, which paid US\$ 100,000 for an exclusivity period, and has now agreed a transaction.

A third asset potentially for sale is a part of our Jupiter Mines shareholding. The progress of Jupiter in the current year has been a notable feature of the last few months. However, the performance and prospects are now becoming so good that a decision to sell any part of this asset would be a hard one.

In Africa, which we see as a core focus for Red Rock in the future, exploration and assessment activities have continued at a reduced scale in Kenya and in addition to applying for new licences in Ivory Coast, we have acquired some existing licences which will enable us to start work on the ground much faster.

Among associate companies, following a strategic review, we helped Resource Star in Australia restructure away from its uranium assets, bring in new investors and move into a potential project outside the resources industry.

### Jupiter Mines

Although our shareholding in Jupiter Mines is only 1.2%, we were the co-creators of Jupiter Mines in its present form. Jupiter, with its interest in iron ore and manganese, is the inheritor of Red Rock's original iron ore and manganese tenements held on listing and we retain a gross production royalty on the largest single asset – the Mt Ida magnetite resource of 1.85bn tonnes at 29.48% Fe.

The first Jupiter asset to come into production was the Tshipi manganese mine, 49.9% held, in South Africa's South Kalahari basin, the source of most of the world's metallurgical grade manganese. Production in the first year to February 2014 reached 1Mt against a projected 700Kt and after 1Mt resource produced in the first five and a half months in the current year, the forecast for 2013-2014 has been raised from 1.7Mt to 2Mt. The facilities can produce at 2.4Mt and are scalable to 3.6Mt. Jupiter has achieved a significant market share, with 12% of Chinese seaborne manganese trade, while establishing itself as, we believe, the lowest cost producer in the industry.

This open pit mine, with a 60 plus year mine life and state-of-the-art facilities including a rapid load-out facility capable of loading a train in four hours (half the time of competitors) is a true world-class asset. We expect the Mt Mason haematite Direct Shipping Ore (DSO) project in Western Australia to come into production in 2017, although this may in part be dependent on the Esperance Port expansion programme not falling behind schedule. The returns from this short-term project would be by no-means insignificant in comparison with the attributable returns from Tshipi. To the north of both Mt Mason and Mt Ida lies ground held by Legacy Iron Ore, which is now nearly 80% owned by the National Mineral Development Corporation of India. The long term logic of a partnership with this key player is obvious, and we retain strong confidence that Mt Ida will eventually come into production. We expect the value of our Jupiter holding to be capable of realisation within a year or two, and at any time thereafter. Any sale meantime, while likely to be at significantly higher levels than the most recently traded prices, would not reflect true value, and is not therefore our preferred option.

### Highlights

- Re-focus of vision to African gold, with new project in Ivory Coast replenishing the project pipeline
- Sale of Colombian asset going through, with Nicaragua Milling Company having paid US\$ 100,000 for an exclusivity period
- Jupiter's Tshipi manganese mine in South Africa has been profitable, with production exceeding expectations

Management focussed on maximising value from existing assets.

## Colombia

Production has continued and the levels until spring 2014 were reasonably satisfactory, although there has been some reduction in grade since. A drawback of the current mine set up is that a lack of resource geology and mine development has led to Four Points Mining having insufficient predictability in its grades. This can be remedied with investment, but we are reluctant to provide this investment when our local partners are not able to do the same and the asset is held for sale. We therefore consider a sale of our asset as being the preferred option.

[Colombia – Go to page 10 to read more](#)

## Kenya

Kenya has been through the process of adopting a new constitution, having elections under it, and developing and debating a new mining bill. This has created, not just for us but for other investors, some uncertainties and delays which have been reflected on our part by a scaling down of activities. We have continued to work on pre-feasibility studies for the mineral resource with consultants, but the investment environment makes us unwilling to make a substantial commitment to a new drilling programme in the short term. We are meanwhile continuing to work on a restructure of our Kenyan interests.

## Ivory Coast

Early this year, application was made for new tenements in Ivory Coast, which are still in the process of being issued. More recently, we acquired the rights to three gold exploration licences already issued in the same region, with an additional four pending exploration permits included. This enables us to start work on the ground faster than anticipated in an area we had already identified as being one of key interest to us.

A key skill of Red Rock is in early stage exploration, yet our other existing projects have passed that stage and reached a stage at which more capital-intensive exploration and investment are required. In going to Ivory Coast, we replenish our project pipeline, and we enter a country which is opening up, has excellent prospects, and the best infrastructure in West Africa. Here, we can do the kind of exploration we want and make discoveries.

Red Rock's associated companies have all seen sharp price recoveries as a result of initiatives in which our management team were prime movers.

## Resource Star Limited

Resource Star Limited was the small company into which we injected the uranium assets that went with some of our iron ore assets in Australia, and that then added Malawi uranium assets. The quality of the exploration carried out by this company in Malawi was excellent and established a uranium resource and advanced a niobium/rare earth project. Despite this good exploration record, the effects on the uranium market of the Fukushima nuclear disaster are still being felt, and in a poor investment market for small companies in Australia, uranium was one of the least attractive areas in which to be operating. We used our contacts to introduce both investors and projects, and one of these is progressing, with a sharp recovery in the Resource Star price already reflecting this change. If the transaction in the cloud services sector goes ahead, this is far from our core business and this substantial holding will be a source of future liquidity.

[Jupiter Mines – Go to page 11 to read more](#)

## Outlook

Resource Star, Jupiter, as well as our related companies Regency Mines, Ram Resources and Alba Mineral Resources, have all seen sharp price recoveries as a result (in every case but that of Jupiter) of initiatives in which our management team were prime movers. Red Rock has had the legacy of unsuccessful sale negotiations for two major assets, which has held it back, but the management has a record of successful deal-making. Declining iron ore and gold prices have made it more difficult to progress but we now look to the future with greater confidence, as Chinese growth picks up and gold is so near marginal production cost that prices are likely to increase substantially over the medium term. The process of reconstruction and recovery will extend to Red Rock in the months ahead, and we trust that shareholders will draw encouragement from seeing the progress at these other companies as well as that at Red Rock.

As ever, the support and hard work of our staff has been exemplary and I would like to take this opportunity to thank them.

**Andrew Bell**  
Chairman and CEO  
20 November 2014

## STRATEGIC REPORT

# Group Structure

Red Rock adds value to its projects through activities which include exploration and development, deposit delineation, sales and disposals, joint ventures, retention of royalties and other transactions.

## Our Business Model

Asset sales and realisations

Fundraising backs strategic vision

Increase shareholder value

Exploration and development

Strong geological team

## Our Strategy

Selecting projects and investments which can be enhanced through exploration, development and corporate transactions

Active management of portfolio, identifying exit points to maximise ultimate value

## Our Key Performance Indicators

The Group used to analyse key performance indicators for gold production in Colombia, in particular the ore mined, the gold sold and the average grade of the ore, but is now focussed on accomplishment of the completion of the sale of its interests in Colombia.

As a mineral exploration business, there is the constant possibility of needing to access the equity markets for additional funding. Maintaining an open and constructive dialogue with shareholders and other stakeholders is important for maintaining confidence and understanding so that the price level will permit the raising of any necessary capital at a price minimally dilutive of existing share interest.

The Group therefore monitors the availability of sufficient cash to facilitate continued investment and to fund exploration programmes. At 30 June 2014 the Group had cash and cash equivalents of £51,167 and undrawn facilities available in the Standby Equity Distribution Agreement (SEDA) of £4.5m.

# Creating Value for Shareholders

## CURRENT PROJECTS

### ASSET

#### Kenya

- Gold exploration licences acquired 2009, with a 15% direct interest
- Inherited dataset required further validation

### PROGRESS

- Resources brought to JORC reporting standard with new Indicated and Inferred Mineral Resources established
- Phase one of Feasibility Study on Nyanza deposit completed
- Mining Lease Application for tailings resource under review
- Renewals for Special Prospecting Licences 122 and 202 currently being sought

#### Ivory Coast

- Greenfield exploration project taken on early 2014
- Three licences held within highly prospective West African Birimian greenstone belt
- Interests in 11 additional licences currently under application

The changes in quality and quantity of the assets of the Company over the past several years have come both through a combination of transactional activity, laying off risk while preserving upside, and successful exploration.

## INVESTMENTS

## OTHER PROJECTS & TRANSACTIONS

### ASSET

### PROGRESS

#### Jupiter Mines

- Fe tenements vended into Jupiter Mines (ASX:JMS) in 2009
- Highest shareholding was approximately 25%
- Tshipi Borwa Mine brought into production
- Partial sale of royalty interest yields £3.7m (US\$ 6m) in 2012, with further payments possible
- £7.5m (AUD 12.1m) raised through multiple disposals of JMS shares
- Jupiter Mines audited NAV now over 20 cents per share. Fair value recorded by Red Rock 9.5 cents per share

#### Resource Star Limited

- Set up by RRR as a back door listing for uranium assets (ASX:RSL)
- Recently exercised option to acquire 100% of Cloud Lands Digital Fortress Pty Ltd
- Share price rose 65% on day of ASX announcement
- Completion of deal conditional on a capital raising of AUD 3.5m, a share consolidation, and approval of RSL shareholders

### ASSET

### PROGRESS

#### Colombia

- Took operating control of El Limon gold mine 2011
- First foray into production
- Mine re-opened
- Cash cost cut drastically
- Mine development work improving performance
- Ownership at 50.002%
- Sale of asset agreed and likely to complete late 2014

#### Greenland

- 1,570km<sup>2</sup> greenfield mineral exploration licences acquired 2011 with 25% ownership initially
- One geological reconnaissance season, and one exploration drilling season
- 67Mt @31.4% Fe JORC-compliant Inferred Mineral Resource Estimate
- Ownership increased to 60% in December 2012
- SRK Consulting (UK) Ltd recognised Exploration Targets up to 474Mt Fe
- Impairment of £1.86m to value of asset in financial year to June 2014

Go to page 08 to read more on our current projects

STRATEGIC REPORT

## Market Overview

### Manganese Market

# 2Mt

PRODUCTION AGAINST 30Mt GLOBALLY

Jupiter's 2Mt production already this year is beginning to be substantial in market terms

#### Manganese Market

The manganese price chart shows some linkage with that of iron ore, reflecting the fact that 95% of manganese use is for steel manufacture.

When de-stocking occurs in China as a result of slowdown in steel production, this also affects manganese. There may have been some seasonality in the last two years, creating price weakness over the summer, but other factors have also been at work. However, there are some positives. The Chinese economy is recovering and other developing countries are increasing their demand for steel. Additionally, and this is a factor specific to the manganese market, Chinese domestic production is being increasingly replaced by imports of higher quality.

Jupiter Mines, through its holding in Tshipi é Ntle, has taken a 12% market share in Chinese seaborne manganese trade, and this may be one factor that has weighed on prices, as this large new entrant has entered the market to compete.

With total metallurgical manganese traded volumes of 30Mt a year, Jupiter's 2Mt production already this year is beginning to be substantial in market terms. The likelihood is that as time goes by, Jupiter will become a more and more significant factor in the market.

Metallurgical grade manganese production is mainly from South Africa, with Australia, Gabon and Brazil. But the resource position is different with South Africa dominant, and South Africa will therefore be the main long-term source for manganese, for which there is no economic substitute in steel production.

Cost, Insurance and Freight (CIF) prices in China have fallen from US\$ 4.50 to US\$ 3.80 per Dry Metric Tonne Unit (DMTU), and at this price, only the most efficient operators are making good money, among which is Jupiter. We expect price recovery later this year and an upward price trend over the next years. This may be moderated in the event of any substantial increase in rail capacity in South Africa that might enable new entrants to obtain rail capacity.

Manganese Price  
2.25 USD/kg 28 Oct '14

## Gold Market

The strategy of Red Rock is to explore and identify gold resources that can be further explored with partners.

### Gold Prices 2014

After a decline in 2012-13 from a peak of over US\$ 1,700 per oz to US\$ 1,200 per oz, by the end of calendar 2013, gold was consolidating at a level around US\$ 1,300 per oz where it remained for the first part of 2014. There has recently been a slide to under US\$ 1,200 per oz with late autumn seeing some signs of recovery with Russian buying and the Indian wedding season seeing a strong resumption in Indian demand. We expect some stability at this level for the rest of the year.

### Demand

India has seen, over the last year, a set of measures including quotas and duties designed to damp down imports of gold after the 974.8 tonne demand last year, which was the third highest on record. The election of Prime Minister Modi has already led to some freeing of the restrictions, and with improving growth and a great increase in consumer confidence, Indians have started buying gold into the wedding season so that the total demand for the year may equal 2013's, despite the weak first half.

China, on the other hand, has seen a considerable weakening in demand compared with 2013, and may see total demand for the year more comparable to 2012 and falling behind Indian demand. The sales by Exchange Traded Funds (ETF) have been relatively low in the current year. The balance of these factors has been reflected in the sideways movement of gold. It is likely that next year will see some further improvement in Asian demand, starting with the Chinese New Year, and that a turnaround in sentiment will result, with stronger demand and an end to ETF destocking.

Currency instabilities in Europe, and signs of fatigue in the American economy, may be additional sentiment factors. Unless there is a sharp increase in gold production, the outlook for 2015 may be more likely to see a move up out of the current trading range than down.

### Supply

The continuing decline in South African production has been offset by increases from a number of countries, but none of them have been significant. The average grade of new

mines over recent years has been falling, though not as sharply in Africa as elsewhere, and the grade of the ten largest producing mines has also been in secular downturn. The cost of producing the marginal ounce of gold to meet world demand can probably not, even with production cost reductions come below US\$ 1,000 per ounce, and for new mines to earn good returns it is likely that gold prices will need to be higher. Therefore, within the next couple of years, supply factors indicate that the gold price, other things being equal, will need to increase.

### Strategy

The strategy of Red Rock is to explore and identify gold resources that can be further explored with partners. Red Rock will therefore usually concentrate on the early stages of the exploration process, leaving the more capital-intensive stages to be financed by partners with lower costs of capital. But the object always will be to identify those projects at surface, or with exceptional grades, or both, where the Company will feel justified in carrying the project through to production and earning a developer's return.

## Focus on Gold

+3%

### WORLD GOLD PRODUCTION

Rose 3% (80 tonnes) to 2770 tonnes in 2013

880 tonnes

### ETF SALES

Exchange Traded Funds sold 880 tonnes of gold in 2013 as prices declined

420 tonnes

### CHINESE PRODUCTION

China consolidated its #1 producer ranking with a 17 tonne rise to 420 tonnes in 2013, and overtook India in consumption with demand rising to 1065.8 tonnes

## STRATEGIC REPORT

# Current Projects

## Kenya

### Location

Special Prospecting Licences (SPL) 122 and 202 are located in the south-west of Kenya and span 63km along the strike length of the Migori Greenstone Belt.

### Highlights

- JORC Resource Estimates completed at 0.5g/t Au cut-off: 29.4Mt @ 1.26g/t Au with contained metal content of 1.2Moz Au
- Preliminary Technical and Economic Assessment completed on the Nyanza Gold Deposit for a stand-alone open pit gravity operation
- Capital cost of US\$ 3m recoverable within first 6 months of operation
- Approximately 30 regional targets identified across the 63km strike length of the Migori Greenstone Belt with confirmed base metal and gold mineralisation potential
- Mining Lease Application submitted to the Kenyan Ministry of Mining for the reprocessing of the Macalder Tailings: 1.3Mt @ 1.7g/t Au for 68koz contained Au

### Red Rock Resources' Interest

Red Rock holds a 15% direct interest in Mid Migori Mining Company Ltd (MMM) (which is the holder of SPL122 and SPL202, where renewals are currently being sought) and 32.27% indirectly through its 37.96% investment in Kansai Mining Corporation Ltd. Upon completion of a Bankable Feasibility Study (BFS), Red Rock will be entitled to a 60% direct interest, bringing its total to over 75%.

### Resource

The project's 1.2Moz gold resource lies over five main zones within the Mikei Shear zone. The final mineral resource statement was released in December 2012 with the resources validated to Indicated and Inferred JORC status.

The Nyanza lode gold is host to very high grade ore shoots within the Mikei shear zone. The host geology is amenable to gold enrichment consisting of predominantly iron-rich mafics with carbonate alteration and some felsic intrusives, cut by a major shear zone and in close proximity to the Migori granite. Significant drill intersections up to 31m @ 3.91g/t Au have been diamond drilled.

The Macalder VMS deposit was discovered in the mid-1930s and mined for copper and gold. The tailings produced from the mining were deposited adjacent to the mining area near Macalder town. The tailings contain potentially economic levels of residual gold mineralisation. A JORC Measured Mineral Resource Estimate was completed in 2011.

### Recent Work

In H1 2014, a South African-based geological and mining consultancy, undertook a Preliminary Technical and Economic Assessment which constituted the first stage of a Feasibility Study on the Nyanza Gold Deposit. This initial study confirmed a potentially viable open pit gold mining operation with average operating cost of US\$ 958 per oz of gold recovered.

Red Rock is now working on a detailed plan of activities for the second phase of the Feasibility Study, which will involve continuing to upgrade and expand the resource.

### JORC Resource Summary: 1.2Moz hard rock and 68koz tailings

| Prospect          | JORC Classification    | Mt           | g/t Au      | Moz        | Cut-off g/t Au |
|-------------------|------------------------|--------------|-------------|------------|----------------|
| KKM               | Indicated and Inferred | 17.75        | 1.01        | 0.58       | 0.5            |
| KKM-West          | Indicated and Inferred | 4.16         | 1.04        | 0.14       | 0.5            |
| Nyanza            | Indicated and Inferred | 2.32         | 2.72        | 0.20       | 0.5            |
| Gori Maria        | Inferred               | 3.78         | 1.16        | 0.14       | 0.5            |
| MK                | Indicated and Inferred | 1.35         | 3.07        | 0.13       | 0.5            |
|                   | <b>Total</b>           | <b>29.36</b> | <b>1.26</b> | <b>1.2</b> | <b>0.5</b>     |
| Macalder Tailings | Measured               | 1.29         | 1.65        | 0.068      | N/A            |

## 75+%

### DIRECT AND INDIRECT INTEREST

Red Rock is set to acquire a 75% direct and indirect interest in the project upon completion of Bankable Feasibility Study (BFS)

### STAGE 1 OF A PHASED APPROACH LEADING TO A FEASIBILITY STUDY COMPLETED MAY 2014

- Project's 1.2Moz gold resource lies over five main zones within the Mikei Shear zone
- Capital cost of US\$ 3m recoverable within first 6 months of operation
- Significant drill intersections up to 31m @ 3.91g/t Au have been drilled

All of Red Rock's licences are located in areas assessed as highly prospective for gold mineralisation.

## Ivory Coast

### Location

Located in equatorial West Africa, Ivory Coast is bordered by the Gulf of Guinea to the south and surrounded by gold-producing giants such as Ghana and Mali. It remains one of the final frontiers of West African gold exploration and has the potential to host world class gold deposits.

### Highlights

- Three licences held within the highly prospective Birimian greenstone belt of West Africa
- Interests in 11 additional licences currently under application, also in prospective Birimian and Tarkwaian geological regions
- Ivory Coast contains more than a third of the Birimian greenstone geology yet has only undergone systematic exploration in recent years
- Ivory Coast possesses some of West Africa's best infrastructure and low-cost energy

### Introduction

Ivory Coast is an underexplored country with first-rate regional infrastructure and exceptional mineral potential. As political stability has returned to the country in recent years a new wave of explorers, including successful major gold producers, have begun operations and, since 2010, have opened mines.

### Geology

West Africa's extensive Birimian Greenstone Belt is a fast-growing region for gold exploration and production. Ivory Coast contains more than a third of the Birimian geology yet, due to the relative lack of exploration, produces less gold than neighbouring countries. Ghana is the region's greatest producer, with most production coming from the gold-rich Ashanti Belt, home to numerous multi-million ounce world-class deposits in southwest Ghana, close by the Ivorian border.

### Granted licences

In September, Red Rock entered into an agreement to acquire the entire issued share capital of Nemex Resources CI Sarl (Nemex) and Barclay Resources Sarl (Barclay) who own three exploration licences totalling 1,200km<sup>2</sup> with a further four licences under application. All licences are located in areas assessed as highly prospective for gold mineralisation:

- The Dabakala licence is situated in north-central Ivory Coast and occupies part of the Ouango-Fetini Greenstone Belt, along-trend of the multi-million ounce Mana gold mine in Burkina Faso

- The Abengourou licence is situated in eastern Ivory Coast along a 35km NNE-trending sheared corridor. Recent exploration work by Nemex identified five gold anomalies leading to an application to extend the original licence area
- The Alepe licence is located in south-east Ivory Coast close by the Ghanaian border and along-trend from Newmont's 17Moz Ahafo gold mine

### Licence Applications

Prior to the agreement with Nemex and Barclay, Red Rock had applied for three exploration licences totalling 1,173.9km<sup>2</sup> in southeast Ivory Coast, proximal to the Alepe licence and also along-trend from the Ahafo gold mine. Red Rock expects the licences to be granted in 2015.

Alongside RRR's own licence applications, the company is providing technical advisory services for Basse Terre Sarl, a local affiliate which has in turn applied for four exploration licences in central Ivory Coast. All licences are underlain by prospective Birimian greenstone geology and three of the four are located along-trend or proximal to major gold deposits.

## STRATEGIC REPORT

# Other Projects and Transactions

## Colombia

### Highlights

- Producing gold mine in the Frontino Gold Belt, Antioquia, Colombia's premier gold district
- Sale agreed with Nicaragua Milling Company Limited, expected to complete in late 2014
- Co-located plant capable of processing 100t ore per day producing doré bullion
- Since Red Rock took over management has improved performance and reduced cash costs

## US\$ 913+

REDUCTION IN COST PER Oz

Cash cost of production was cut from US\$ 1,913 in 2012/2013 to under US\$ 1000 in early 2014

### Introduction

Red Rock owns 50.002% of local operator Four Points Mining (FPM), which owns the mining licences to the El Limon Mine and processing plant, in the Antioquia region of Colombia. The mine has been in near continuous production for over 60 years, with Red Rock opening an 8th level and undertaking a programme of improvements during its time in management. These improvements include cutting the cash cost from US\$ 1,913 per oz in 2012/2013 to under US\$ 1000 in early 2014.

### Transaction Update

Following a decision by the Red Rock board to consider strategic disposal options for its interest in the mine, on 12 May 2014 Red Rock executed a Letter of Intent (LOI) with Nicaragua Milling Company Limited (NMCL), a private company registered in Belize. The Company has since agreed to sell its 100% interest in American Gold Mines Limited (AGM), which owns a 50.002% direct interest in FPM, the owner of the El Limon mine for a total consideration of up to US\$ 5,000,000. The Company expects the transaction to close in late 2014.

## Greenland

### Highlights

- Red Rock owns 60% of Melville Bay Ltd (MBL), which owns the 1,570km<sup>2</sup> licence on which is located the Melville Bugt iron project
- Recognised potential for high grade haematite (Direct Shipping Ore) with grades in excess of 60% Fe in the eastern licence areas
- A maiden drill programme in 2012 resulted in a JORC Inferred Mineral Resource Estimate of 67Mt @ 31.4% Fe declared at Havik East and Havik Northeast
- Davis Tube testwork from Havik samples show a high quality concentrate with mass recovery of approximately 35% for a concentrate grading at approximately 70% Fe, 2.0% SiO<sub>2</sub>, 0.3Al<sub>2</sub>O<sub>3</sub>, 0.01% P
- Additional twelve Exploration Targets recognised by SRK Consulting (UK) Ltd with a potential tonnage of up to 474Mt
- Impairment of £1.86m to value of asset in financial year to June 2014

### Introduction

The total licence area is 1,570km<sup>2</sup> and is located in the north-west of Greenland, 150km south of the town of Qaanaaq. Greenland is one of the world's most remote mining frontiers, with vast areas of untapped mineral potential and a population supportive of development. Government incentives encouraging exploration and mineral development make the country an attractive exploration destination.

The Red Rock geology team undertook two exploration seasons in Melville Bay in 2011 and 2012, with the aim of identifying and declaring a new iron ore province. The first season confirmed the existence of significant iron deposits, and a drill programme the following year led to the declaration of a JORC Inferred Mineral Resource Estimate of 67Mt @ 31.4% Fe, with further potential identified across the licence area.

### Potential

Project focus going forward will be on further identification and delineation of valuable Direct Shipping Ore (DSO) targets. SRK's evaluated exploration targets, considered by Red Rock geologists to be conservative, are for DSO of up to 111Mt and are located on the

least-explored parts of the licence to date. Expanding existing magnetite resources and developing the project's haematite potential all with close proximity to deep water access help make Melville Bugt one of Greenland's most promising iron development opportunities.

### Transaction

In November 2012, Red Rock received an offer to acquire a 51% shareholding of Melville Bay Ltd. Due diligence was completed in 2013, however significant delays in deal progression and the fall of iron ore prices lead Red Rock to declare in April 2014 a reduced possibility of the deal being completed. The Company is currently exploring alternative investment and development options for the project.

# Investments

## Jupiter Mines Limited

### Highlights

- 49.9% of open pit manganese mine at Tshipi, South Africa
  - Started production early 2013
  - Resources of 163Mt at 37.1% Mn, plus top-cut resource of 145Mt at 31.58% Mn
  - Mine profitable from day one
- DSO project at Mount Mason, Western Australia
  - Studies being optimised for Capex and Opex
  - Permits and approvals being secured
  - Multiple development options under consideration
- Magnetite project at Mt Ida, Western Australia
  - Currently on hold pending improved market conditions
  - Studies being optimised for Capex and Opex
  - Total JORC Inferred Resource 1.85bn tonnes at 29.48% Fe

### Introduction

Jupiter Mines Limited is an Australian company with interests in Tshipi é Ntle's manganese mine in South Africa, a Direct Shipping Ore iron project at Mount Mason in Western Australia, and a Magnetite project at Mt Ida, also in Western Australia.

### Red Rock's Interest

Red Rock's 27.3m shares (1.2%) in Jupiter Mines Limited are a significant factor in its business strategy. Part of the company's investment portfolio since 2007, when Red Rock vended its iron exploration tenements into then-ASX listed Jupiter, the value and size of the investment has fluctuated over the years. In December 2013, when it became clear that the value of Jupiter's assets was not being reflected in the share price (which had fallen dramatically since reaching a peak of 87 cents in early 2011), management decided to de-list. The price at delisting was 8 cents per share. The fair value of the shares at year end was determined as 9.5 cents.

### Tshipi

Jupiter owns 49.9% of the open pit manganese miner Tshipi é Ntle in South Africa. The 163Mt @ 37.1%Mn Tshipi mine started production in early 2013 and has been profitable from day one. With a 60 year mine life, and production exceeding targets, Jupiter has managed to take a 12% market share of Chinese seaborne trade.

### Other Projects

Progress at both of Jupiter's Western Australia projects has been slowed by the low iron ore price. Mt Ida, in which Red Rock retains a 0.75% production royalty, has a JORC inferred Mineral Resource Estimate of 1.85bn tonnes at 29.48% Fe. The Direct Shipping Ore project at Mt Mason could be in production as soon as 2017, depending on progress of the Port Esperance expansion and local partnership developments.

Jupiter owns 49.9% of the open pit manganese miner Tshipi é Ntle in South Africa. The 163Mt @ 37.1% Mn Tshipi mine started production in early 2013 and has been profitable from day one.

STRATEGIC REPORT

## Investments continued

15.23%

**HOLDING**

Red Rock holds 65.3m shares in Resource Star Limited

AUD 400,000

**FUNDRAISING**

RSL is in the process of first stage fundraising in acquisition of Cloud Lands Digital Fortress Pty Ltd

### Resource Star Limited

**Summary**

- Listed in Australia (ASX:RSL)
- Historic holder of Uranium assets
- Recently signed deal to acquire Cloud Lands Digital Fortress Pty Ltd (Cloud Lands)
  - Cloud Lands offer an integrated and secure enterprise class hardware, software and service solution
  - Cloud Lands have MOU with Tier 1 global multibillion dollar IT services and hardware supplier; world leading IT networking and computing hardware vendor; and pre-eminent global security equipment and software supplier
  - Formal binding agreement signed with Fujitsu for top tier professional IT services and on-going customer support
- Carrying value of Resource Star at year end and prior year end is zero

**Introduction**

Resource Star Limited (RSL) was set up by Red Rock in 2007 as a back door listing for uranium assets that came with some of Red Rock's iron ore assets in Australia, and at the same time took on a uranium project in Malawi. Over time, more uranium assets were picked up but the 2011 Fukushima nuclear disaster impacted market sentiment for uranium, and RSL struggled to maintain value for shareholders. In August 2014, RSL secured an exclusive option to acquire 100% of Australian cloud computing service and infrastructure provider, Cloud Lands Digital Fortress Pty Ltd. On 14th November, it was announced that RSL would be exercising these options, conditional on a capital raising of AUD 3.5m, a share consolidation, and approval of RSL shareholders.

**Red Rock's Interest**

Red Rock holds 65.3m shares (a 15.23% holding) and 5.21m options exercisable at US\$ 0.004 in RSL. This is a non-core business for Red Rock.

**Cloud Lands**

Intending to provide highly secure cloud services to the Tier 2 enterprise and SME market, Cloud Lands is working with major Tier 1 partners with which it has signed Memorandums of Understanding (MOU). This level of support sets it apart from peer companies and fills a gap in the market. Cloud Lands Digital Fortress Pty Ltd entered into a formal binding agreement with leading IT service provider, Fujitsu Australian Limited on 16th October 2014. This agreement provides Cloud Lands with access to Fujitsu's top tier professional IT services and on-going customer support and provides them with access to Fujitsu's premier data centre in Perth, effective in December 2014.

## Regency Mines plc

### Highlights

- Related to Red Rock through current directorships and listed in London (AIM:RGM)

- Projects include:

#### Mineral Exploration

- Agrominerals: Early stage exploration in Sudan
- Nickel: JORC 162.5Mt @ 0.94% Ni and 0.09% Co resource in Mambare, Papua New Guinea
- Nickel technology: 6.78% shareholding in Direct Nickel Limited, creators of revolutionary nickel laterite treatment technology
- Fraser Range investment: 7.28% shareholding in RAM Resources (ASX:RMR) working close to Sirius' Nova deposit in Fraser Range

#### Oil & Gas

- Horse Hill, Surrey: 5% shareholding in Horse Hill Developments Ltd (HHDL) and 9.4% shareholding in ALBA Mineral Resources plc (AIM:ALBA), who also hold 5% of HHDL
- West Virginia: 25% Investment in two wells being drilled H1 2015

### Introduction

Regency Mines (Regency) is a related (2% held) company of Red Rock Resources plc which shares premises and some other overhead costs. Formed in 2004 to undertake mineral exploration, Regency has picked up a number of exploration projects over the last decade, and in H2 2014 started investing in Oil & Gas projects.

### Projects

Regency's flagship project is in Mambare, Papua New Guinea, where a JORC Resource of 162.5m tonnes @ 0.94% Ni and 0.09% Co (1.53m tonnes of nickel) has been declared, and further exploration targets identified. Regency also has nickel interests through its investment in Direct Nickel Ltd – an Australian company which have created a game-changing lateritic nickel treatment technology (the DNi Process) and is currently in talks to put it into commercial action in Indonesia.

In 2012-2013, Regency sold its interest in Fraser Range, Australia – location of Sirius' Nova deposit – to Ram Resources, retaining a 20% carried interest (now 13.5%) and royalty in one of the assets, and a 19.9% share (now 7.28%) of Ram. Exploration in Fraser Range is ongoing, with drilling yielding positive results. In Sudan, Regency has an early stage agromineral exploration project prospective for phosphate, potash and gypsum.

In H2 2014, Regency invested in two Oil and Gas projects. Taking a 5% interest in Horse Hill Developments Ltd (HHDL) who have rights to a 65% participating interest and operatorship in the Horse Hill Surrey onshore UK Oil and Gas project, Regency is also invested in the project via its 9.4% holding in Alba Mineral Resources, who also hold 5% of HHDL. Regency also has interests in two wells being drilled in West Virginia in early 2015.

## 19.1 mmbbbls

### OIL DISCOVERY AT HORSE HILL-1 WELL

Most likely estimate of 3.1m barrels of gross in place hydrocarbon volume within upper Portland, with a further gross unrisked in place prospective hydrocarbon volume of 16.8m barrels in a separate lower sand interval in an untested fault block

## Corporate Social Responsibility and Health & Safety

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

### Corporate Social Responsibility

Red Rock's Corporate Social Responsibility (CSR) policy recognises that as a junior explorer, the Company has a responsibility to the local communities in which it works, ensuring that the projects it brings off the ground are undertaken with responsible behaviours. The Company's framework for CSR places emphasis on stakeholder engagement and information dissemination, ensuring the local community is aware of plans and activities. Where appropriate, the Company also undertakes sustainable development projects including capacity building, scholarships, and other ventures.

### Health & Safety

The Company includes Health and Safety (H&S) procedures and frameworks in all of its planning and field activities, with emphasis on top-down as well as bottom-up ownership and responsibility, quality training of all personnel, and risk assessments that go beyond regulatory compliance. Comprehensive Risk Assessments of Health and Safety Systems have been developed to identify existing risks, to implement relevant mitigation measures, and to identify potential risks before they may be directly applicable to our operations.

Red Rock's H&S strategy includes project and location specific training and H&S inductions, Emergency Response Plans and field team reporting procedures.

## STRATEGIC REPORT

# Principal Risks and Uncertainties

## Key Risks

- Exploration and development risks
- General and economic risks
- Funding risk
- Commodity risk
- Liquidity risk

### Exploration and Development Risks

- Exploration is speculative in nature. 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.
- Estimates of ore reserves are based on many assumptions and subjective judgements which may change significantly when new information becomes available.
- 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.
- 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.

### General and Economic Risks

- 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.
- 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.

### Commodity Risk

The economic viability of a project is affected by world commodity prices. Commodities are subject to high levels of volatility in price and demand, international economic trends, currency fluctuations and consumption patterns over which the Group has no control. Mining, processing and transportation costs also depend on many factors, including commodity prices, capital costs and operating costs in relation to any operational site.

### 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 for commercial exploration and that controls over expenditure are carefully managed.

### 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. The company involves itself in a diversity of projects to mitigate risks and exploration uncertainties. Project milestones and timelines are regularly reviewed. Further details of the Group's risk management policies can be found in note 22.

The Strategic Report on pages 1 to 15 is hereby signed on behalf of the Board of Directors.

**Andrew Bell**  
Chairman and CEO  
20 November 2014

# Board of Directors

The Board of Directors make decisions on shareholders' behalf. Red Rock has three non-executive directors and a Chairman and CEO.

**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 Chief Executive Officer, (CEO), of Alba Mineral Resources plc and a director and CEO of Magyar Mining Limited.

**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.

**Andrew Bell** MA, LLB, FGS  
Chairman and CEO

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).

**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 17 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 Goldcrest Resources plc.

## GOVERNANCE

# Directors' Report

FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their tenth annual report on the affairs of the Group and Parent Company, together with the Group financial statements for the year ended 30 June 2014.

## Results and dividends

The Group's results are set out in the consolidated income statement on page 25. The audited financial statements for the year ended 30 June 2014 are set out on pages 24 to 65.

The Group made a post-tax loss of £4,113,460 (2013: £22,105,562).

The Directors do not recommend the payment of a dividend.

## Business review and future developments

The business review and future developments are dealt with in the Chairman's statement and in the strategic report on pages 2 to 15.

## Fundraising and share capital

During the year, the Company raised £2,723,861 (2013: £4,103,795) of new equity by the issue of 654,818,441 Ordinary shares (2013: 395,619,288 shares); further details are given in note 19.

## 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 (Non-executive Director effective 1 July 2013, Resigned 31 December 2013)

The direct and beneficial interests of the Board in the shares of the Company as at 30 June 2014 were as follows:

|                 | Ordinary shares |             | Total      | As percentage of issued share capital |
|-----------------|-----------------|-------------|------------|---------------------------------------|
|                 | Direct          | Beneficial* |            |                                       |
| Andrew R M Bell | 5,563,830       | 2,878,482   | 8,442,312  | 0.44%                                 |
| James F Ladner  | 6,000,000       | 3,514,747   | 9,514,747  | 0.49%                                 |
| Michael C Nott  | 8,167,563       | 10,313,482  | 18,481,045 | 0.96%                                 |
| John Watkins    | 7,250,000       | 4,738,482   | 11,988,482 | 0.62%                                 |

\*Each Director indirectly holds 2,738,482 shares through the Share Incentive Plan Trustees. In addition, Andrew Bell holds 140,000 shares through Beaufort Nominees Limited, Michael C Nott indirectly holds 7,575,000 shares through Anna Nott, John Watkins holds 2,000,000 shares through Diane Mary Watkins and James F Ladner holds 776,265 shares through an undisclosed nominee which are pledged as collateral for a loan.

## Events after the reporting period

The events after the reporting period are set out in note 25 to the financial statements.

## Substantial shareholdings

On 30 June 2014 and 27 October 2014 the following were registered as being interested in 3% or more of the Company's Ordinary share capital:

|                                                                             | 30 June 2014                   |                                    | 27 October 2014                |                                    |
|-----------------------------------------------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
|                                                                             | Ordinary shares of £0.001 each | Percentage of issued share capital | Ordinary shares of £0.001 each | Percentage of issued share capital |
| TD Direct Investing Nominees (Europe) Limited                               | 245,852,346                    | 12.71%                             | 297,089,747                    | 13.46%                             |
| Daniel Sklan (through HSBC Client Holdings Nominee (UK) Limited)            | 190,119,007                    | 9.83%                              | 248,507,662                    | 11.25%                             |
| Regency Mines plc                                                           | 189,619,006                    | 9.80%                              | 227,119,006                    | 10.29%                             |
| Barclayshare Nominees Limited                                               | 165,484,410                    | 8.55%                              | 206,824,581                    | 9.37%                              |
| HSDL Nominees Limited                                                       | 128,665,112                    | 6.65%                              | 160,583,830                    | 7.27%                              |
| HSBC Client Holdings Nominee (UK) Limited (excluding Daniel Sklan's shares) | 84,388,553                     | 4.36%                              | 97,678,474                     | 4.42%                              |
| Investor Nominees Limited                                                   | 80,305,611                     | 4.15%                              | 74,086,313                     | 3.36%                              |
| Hargreaves Lansdown (Nominees) Limited                                      | 61,278,178                     | 3.17%                              | 75,946,047                     | 3.44%                              |
| Total number of shares in issue                                             | 1,934,587,543                  |                                    | 2,208,008,225                  |                                    |

**Auditor**

A resolution proposing the appointment of Chapman Davis LLP as auditor is contained in the notice of Annual General Meeting and will be put to shareholders at the Annual General Meeting.

**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 2014, 8,000,000 of these options were outstanding.

In January 2012 the Company implemented 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 employee per annum.

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

Further details on share options and the Share Incentive Plan are set out in note 21 to the financial statements.

**Directors' remuneration report**

The remuneration of the Executive Director 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 Director. 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 2014. 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.

The Company also has 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 4.5% 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 9.80% interest in the Company as at 30 June 2014. The Company had a 2.30% interest in Regency Mines plc as at 30 June 2014. 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 20 to 21.

**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. The Company policy is to follow the best international practice in mitigating and minimising impacts through exploration and mining activities. The Company ensures that it and its subsidiaries comply with the local regulatory requirements and the revised Equator Principles, and the industry standard for environmental and social risk management.

The Company is continuing its Environmental and Social Impact Assessment ("ESIA") for the tailings retreatment project in compliance with Kenya's Environmental Management and Co-ordination Act of 1999. The Company established a tree nursery over a year ago on its Migori Project in Kenya to promote environmental conservation and has donated batches of seedlings of different species to landowners within the licence areas.

**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.

GOVERNANCE

## Directors' Report continued

FOR THE YEAR ENDED 30 JUNE 2014

### Going concern

The Group has incurred a loss of £4.1m for the year ended 30 June 2014. At that date there was a net current liability of £2.4m. The loss resulted mainly from provision for bad debts and impairments net of deferred tax credits of £3.1m. Whilst the Directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

During the fiscal year the Board of Directors has made the decision to undertake a strategic disposal of its Colombian gold mining operations. As such the Company has signed a binding letter of intent with Nicaragua Milling Company Limited ("NMCL") to sell its Colombia interest for a total consideration of US\$ 5.0m. Payment is to occur over four tranches the first of which is US\$ 1.050m payable upon completion, US\$ 1.075m payable six months after closing, a further US\$ 1.125m payable a year after closing, and a final US\$ 1.750m payable in the form of 3% royalty on gold sales. NMCL have already paid US\$ 0.1m as a non-refundable deposit to conduct due diligence with exclusivity. NMCL has separately arranged to purchase an additional 11% in Four Points Mining SAS from a minority shareholder. NMCL has shown further evidence of being a committed buyer by making a public announcement to assign certain agreements and rights to Prize Mining Corporation to acquire 61% of the issued and outstanding shares in the capital of Four Points Mining SAS, which includes and is contingent upon both the purchase of 50.002% from the Company and 11% from a minority shareholder. Management have completed negotiations with NMCL as of mid-November 2014, with documentation being finalised. Further details are given in note 23. Based on negotiations conducted to date the Directors have a reasonable expectation that the sale proceeds will provide the majority of the funding needed for the business over the coming year.

The Group will need to secure additional finance facilities over the coming year, and as a result has already entered into talks with the UK Bond Network about an expanded two year loan facility. The Group also has an equity drawdown facility of approximately £4.5m available under the £10.5m SEDA facility with YA Global, and has discussed an additional convertible loan with a third vendor as of November 2014.

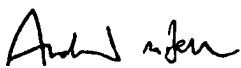
The Group has further implemented plans to minimise its cash outflows by reducing its cost base by such measures as staff reductions both in the form of redundancies earlier in the year and natural employee attrition, as well as minimising marketing costs and other office and corporate overheads. Subsequent to year end, the Group has paid off £0.15m of its borrowings leaving residual loans of £0.926m to be paid in 2014, 2015 and 2016.

The Directors are confident in the Company's ability to raise new finance from stock markets if this is required during 2015 and the Group has demonstrated a consistent ability to do so. This includes recent share issues of 100m shares for a total consideration of £0.20m and 76m shares for a total consideration of £0.167m. Furthermore the Company retains liquid investments in the form of Resource Star Limited and Regency Mines Plc, as well as a substantial stake in private Jupiter Mines Limited, all of which may be sold or disposed of if required during the course of the year. Currently the firm expects to begin partial disposals of Resource Star Limited when it is deemed strategically sound to do so. The majority of the Company's shares in Resource Star Limited, Jupiter Mines Limited and all of the Company's shareholding in Regency Mines plc and American Gold Mines Limited are pledged as collateral against loans owing to YA Global Master SPV Limited and the UK Bond Network Limited. Further details are given in note 17.

The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

By order of the Board

Signed by:



Andrew Bell  
Executive Chairman  
20 November 2014

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare 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.

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.

## GOVERNANCE

# 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. The Company does not comply with the UK Corporate Governance Code. However, the Directors have reported on Corporate Governance arrangements by drawing upon the best practice available, including those aspects of the UK Corporate Governance Code which are considered to be relevant to the company and best practice.

### 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 Director who is charged with consulting the Board on all significant financial and operational matters.

### Board of Directors

The Board of Directors comprises four Directors (five until 31 December 2013), one of whom is Executive Chairman and Chief Executive as of year end; There is one Independent Non-executive Director, being James Ladner, and two Non-executive Directors who have additionally provided 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 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 2014 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.

#### 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.

FINANCIAL STATEMENTS

# 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 2014 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 19 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014 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.

## Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.5 to the financial statements concerning the group's ability to continue as a going concern.

The group incurred a net loss of £4.1m during the year ended 30 June 2014 and, at that date, the group had net current liabilities of £2.4m. As of this date, the directors were seeking to sell an investment to provide additional working capital.

As explained in note 1.5, the group is working on completing the sale of their interest in Four Points Mining S.A.S to Nicaragua Mining Company Limited for US\$ 5.0m with payment to occur over four tranches the first of which is US\$ 1.05m payable upon completion, US\$ 1.075m payable six months after closing, a further US\$ 1.125m payable a year from completion and a final US\$ 1.75m payable in the form of a 3% royalty on gold sales. The directors anticipate that this sale will prove successful in providing most of the funding needed for the business over the coming year.

These conditions, along with the other matters explained in note 1.5 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

In our opinion the information given in the Strategic Report and 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

20 November 2014

## FINANCIAL STATEMENTS

## Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

|                                                                             | Notes | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|-----------------------------------------------------------------------------|-------|----------------------|----------------------|
| <b>ASSETS</b>                                                               |       |                      |                      |
| <b>Non-current assets</b>                                                   |       |                      |                      |
| Property, plant and equipment                                               | 10    | 5,100                | 8,173,525            |
| Investments in associates and joint ventures                                | 12    | 5,319,306            | 4,035,728            |
| Available for sale financial assets                                         | 13    | 1,583,984            | 3,136,448            |
| Non-current receivables                                                     | 15    | 7,148,560            | 6,484,534            |
| <b>Total non-current assets</b>                                             |       | <b>14,056,950</b>    | <b>21,830,235</b>    |
| <b>Current assets</b>                                                       |       |                      |                      |
| Cash and cash equivalents                                                   | 14    | 51,167               | 21,081               |
| Restricted cash                                                             | 14    | 221,846              | –                    |
| Other receivables                                                           | 16    | 579,145              | 2,949,415            |
| <b>Total current assets</b>                                                 |       | <b>852,158</b>       | <b>2,970,496</b>     |
| Assets classified as held for sale                                          | 8     | 6,994,468            | 3,168,735            |
| <b>TOTAL ASSETS</b>                                                         |       | <b>21,903,576</b>    | <b>27,969,466</b>    |
| <b>EQUITY AND LIABILITIES</b>                                               |       |                      |                      |
| <b>Equity attributable to owners of the Parent</b>                          |       |                      |                      |
| Called up share capital                                                     | 19    | 1,934,588            | 1,279,769            |
| Share premium account                                                       |       | 22,663,691           | 20,558,401           |
| Other reserves                                                              |       | 604,064              | 243,716              |
| Retained earnings                                                           |       | (11,671,669)         | (7,783,544)          |
| <b>Total</b>                                                                |       | <b>13,530,674</b>    | <b>14,298,342</b>    |
| Non-controlling interest                                                    |       | 60,461               | 130,137              |
| <b>Total equity</b>                                                         |       | <b>13,591,135</b>    | <b>14,428,479</b>    |
| <b>LIABILITIES</b>                                                          |       |                      |                      |
| <b>Current liabilities</b>                                                  |       |                      |                      |
| Trade and other payables                                                    | 17    | 2,493,289            | 4,528,558            |
| Short-term borrowings                                                       | 17    | 755,889              | 5,602,840            |
| <b>Total current liabilities</b>                                            |       | <b>3,249,178</b>     | <b>10,131,398</b>    |
| Liabilities directly associated with the assets classified as held for sale | 8     | 4,744,285            | –                    |
| <b>Non-current liabilities</b>                                              |       |                      |                      |
| Long-term borrowings                                                        | 17    | 318,978              | 245,588              |
| Deferred tax liabilities                                                    | 18    | –                    | 3,164,001            |
| <b>Total non-current liabilities</b>                                        |       | <b>318,978</b>       | <b>3,409,589</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                         |       | <b>21,903,576</b>    | <b>27,969,466</b>    |

These financial statements on pages 24 to 65 were approved by the Board of Directors and authorised for issue on 20 November 2014 and are signed on its behalf by:



Andrew Bell  
Executive Chairman

# Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2014

The accompanying notes form an integral part of these financial statements.

|                                                              | Notes | Year to<br>30 June<br>2014<br>£ | Year to<br>30 June<br>2013*<br>£ |
|--------------------------------------------------------------|-------|---------------------------------|----------------------------------|
| Gain/(loss) on sales of investments                          |       | 6,994                           | (2,468,814)                      |
| Gain on dilution of interest in associate                    | 12    | –                               | 17,942                           |
| Impairment of investment in associates and joint ventures    | 12    | (1,863,962)                     | –                                |
| Impairment of available for sale investment                  | 13    | (469,446)                       | (12,667,999)                     |
| Financial assets at fair value through profit and loss       |       | –                               | (150,413)                        |
| Exploration expenses                                         |       | (34,939)                        | (55,061)                         |
| Other expenses                                               |       | (1,563,808)                     | (2,244,908)                      |
| Share of losses of associates                                | 12    | (105,092)                       | (326,240)                        |
| Provision for bad debts                                      | 16    | (599,673)                       | (928,012)                        |
| Write-off of associate investment reserve                    |       | –                               | (126,226)                        |
| Other income                                                 |       | 375,643                         | –                                |
| Finance income/(costs), net                                  | 4     | 485,725                         | (191,226)                        |
| Loss for the year before taxation from continuing operations | 3     | (3,768,558)                     | (19,140,957)                     |
| Tax credit                                                   | 5     | –                               | 2,170,333                        |
| Loss for the year from continuing operations                 |       | (3,768,558)                     | (16,970,624)                     |
| Discontinued operations                                      |       |                                 |                                  |
| Loss after tax for the year from discontinued operations     | 8     | (344,902)                       | (5,134,938)                      |
| Loss for the year                                            |       | (4,113,460)                     | (22,105,562)                     |
| Loss for the year attributable to:                           |       |                                 |                                  |
| Equity holders of the Parent                                 |       | (4,043,784)                     | (19,676,289)                     |
| Non-controlling interest                                     |       | (69,676)                        | (2,429,273)                      |
|                                                              |       | (4,113,460)                     | (22,105,562)                     |
| Loss per share attributable to owners of the Parent:         |       |                                 |                                  |
| Basic loss per share                                         |       |                                 |                                  |
| – Loss from continuing operations                            |       | (0.25) pence                    | (1.58) pence                     |
| – Loss from discontinued operations                          |       | (0.02) pence                    | (0.25) pence                     |
| Total                                                        | 9     | (0.27) pence                    | (1.83) pence                     |
| Diluted                                                      |       |                                 |                                  |
| – Loss from continuing operations                            |       | (0.25) pence                    | (1.58) pence                     |
| – Loss from discontinued operations                          |       | (0.02) pence                    | (0.25) pence                     |
| Total                                                        | 9     | (0.27) pence                    | (1.83) pence                     |

\*Certain amounts shown here do not correspond to the 2013 financial statements to re-present the results of discontinued operations as detailed in Note 8.

The accompanying notes form an integral part of these financial statements.

## FINANCIAL STATEMENTS

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

|                                                                                                         | Notes | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|---------------------------------------------------------------------------------------------------------|-------|----------------------|----------------------|
| Loss for the year                                                                                       |       | (4,113,460)          | (22,105,562)         |
| Other comprehensive income                                                                              |       |                      |                      |
| Items that will be reclassified subsequently to profit or loss                                          |       |                      |                      |
| Surplus/(deficit) on revaluation of available for sale investment                                       | 13    | 390,001              | (2,229,255)          |
| Revaluation reserve transferred to the income statement on impairment of available for sale investments | 13    | –                    | 12,603,355           |
| Deferred tax charge on revaluation of available for sale investments                                    | 18    | –                    | (2,323,323)          |
| Write-off of associate investment reserve to income statement                                           |       | –                    | 126,226              |
| Unrealised foreign currency profit/(loss) arising upon retranslation of foreign operations              |       | 126,006              | (60,367)             |
| <b>Total other comprehensive income net of tax for the year</b>                                         |       | <b>516,007</b>       | <b>8,116,636</b>     |
| <b>Total comprehensive expense net of tax for the year</b>                                              |       | <b>(3,597,453)</b>   | <b>(13,988,926)</b>  |
| <b>Total comprehensive expense net of tax attributable to:</b>                                          |       |                      |                      |
| Owners of the Parent                                                                                    |       | (3,527,777)          | (11,559,653)         |
| Non-controlling interest                                                                                |       | (69,676)             | (2,429,273)          |
|                                                                                                         |       | <b>(3,597,453)</b>   | <b>(13,988,926)</b>  |

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

The movements in equity during the period were as follows:

|                                         | Share capital<br>£ | Share premium account<br>£ | Retained earnings<br>£ | Other reserves<br>£ | Total attributable to owners of the Parent<br>£ | Non-controlling interest<br>£ | Total equity<br>£ |
|-----------------------------------------|--------------------|----------------------------|------------------------|---------------------|-------------------------------------------------|-------------------------------|-------------------|
| 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        |
| <b>Changes in equity for 2013</b>       |                    |                            |                        |                     |                                                 |                               |                   |
| Loss for the year                       | –                  | –                          | (19,676,289)           | –                   | (19,676,289)                                    | (2,429,273)                   | (22,105,562)      |
| Other comprehensive income for the year | –                  | –                          | –                      | 8,116,636           | 8,116,636                                       | –                             | 8,116,636         |
| <b>Transactions with owners</b>         |                    |                            |                        |                     |                                                 |                               |                   |
| Issue of shares                         | 382,064            | 3,696,111                  | –                      | –                   | 4,078,175                                       | –                             | 4,078,175         |
| Share issue costs                       | –                  | (210,276)                  | –                      | –                   | (210,276)                                       | –                             | (210,276)         |
| Share issue in relation to SIP          | 13,555             | 134,131                    | –                      | –                   | 147,686                                         | –                             | 147,686           |
| <b>Total transactions with owners</b>   | <b>395,619</b>     | <b>3,619,966</b>           | <b>–</b>               | <b>–</b>            | <b>4,015,585</b>                                | <b>–</b>                      | <b>4,015,585</b>  |
| As at 30 June 2013                      | 1,279,769          | 20,558,401                 | (7,783,544)            | 243,716             | 14,298,342                                      | 130,137                       | 14,428,479        |
| <b>Changes in equity for 2014</b>       |                    |                            |                        |                     |                                                 |                               |                   |
| Loss for the year                       | –                  | –                          | (4,043,784)            | –                   | (4,043,784)                                     | (69,676)                      | (4,113,460)       |
| Other comprehensive income for the year | –                  | –                          | –                      | 516,007             | 516,007                                         | –                             | 516,007           |
| <b>Transactions with owners</b>         |                    |                            |                        |                     |                                                 |                               |                   |
| Issue of shares                         | 627,739            | 2,076,484                  | –                      | –                   | 2,704,223                                       | –                             | 2,704,223         |
| Share issue costs                       | –                  | (56,465)                   | –                      | –                   | (56,465)                                        | –                             | (56,465)          |
| Share issue in relation to SIP          | 27,080             | 85,271                     | –                      | –                   | 112,351                                         | –                             | 112,351           |
| Share-based payment transfer            | –                  | –                          | 155,659                | (155,659)           | –                                               | –                             | –                 |
| <b>Total transactions with owners</b>   | <b>654,819</b>     | <b>2,105,290</b>           | <b>155,659</b>         | <b>(155,659)</b>    | <b>2,760,109</b>                                | <b>–</b>                      | <b>2,760,109</b>  |
| As at 30 June 2014                      | 1,934,588          | 22,663,691                 | (11,671,669)           | 604,064             | 13,530,674                                      | 60,461                        | 13,591,135        |

|                                                   | Available for sale trade investments reserve<br>£ | Associate investments reserve<br>£ | Foreign currency translation reserve<br>£ | Share-based payment reserve<br>£ | Total other reserves<br>£ |
|---------------------------------------------------|---------------------------------------------------|------------------------------------|-------------------------------------------|----------------------------------|---------------------------|
| As at 30 June 2012                                | (8,056,820)                                       | (126,226)                          | 26,548                                    | 283,578                          | (7,872,920)               |
| <b>Changes in equity for 2013</b>                 |                                                   |                                    |                                           |                                  |                           |
| Other comprehensive income/(expense) for the year | 8,050,777                                         | 126,226                            | (60,367)                                  | –                                | 8,116,636                 |
| As at 30 June 2013                                | (6,043)                                           | –                                  | (33,819)                                  | 283,578                          | 243,716                   |
| <b>Changes in equity for 2014</b>                 |                                                   |                                    |                                           |                                  |                           |
| Other comprehensive income for the year           | 390,001                                           | –                                  | 126,006                                   | –                                | 516,007                   |
| <b>Transactions with owners</b>                   |                                                   |                                    |                                           |                                  |                           |
| Share-based payment transfer                      | –                                                 | –                                  | –                                         | (155,659)                        | (155,659)                 |
| <b>Total transactions with owners</b>             | <b>–</b>                                          | <b>–</b>                           | <b>–</b>                                  | <b>(155,659)</b>                 | <b>(155,659)</b>          |
| As at 30 June 2014                                | 383,958                                           | –                                  | 92,187                                    | 127,919                          | 604,064                   |

See note 20 for a description of each reserve included above.

## FINANCIAL STATEMENTS

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

|                                                                     | Notes | Year to<br>30 June<br>2014<br>£ | Year to<br>30 June<br>2013<br>£ |
|---------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
| <b>Cash flows from operating activities</b>                         |       |                                 |                                 |
| Loss before tax from continuing operations                          |       | (3,768,558)                     | (19,140,957)                    |
| Loss before tax from discontinued operations                        | 8     | (2,542,156)                     | (5,347,046)                     |
| Loss before tax                                                     |       | (6,310,714)                     | (24,488,003)                    |
| (Increase) in receivables                                           |       | (407,285)                       | (596,938)                       |
| (Decrease)/increase in payables                                     |       | (470,342)                       | 2,003,737                       |
| Share of losses in associates                                       |       | 105,092                         | 326,240                         |
| Write-off of associate asset reserve                                |       | -                               | 126,226                         |
| Interest receivable and finance income                              |       | (627,557)                       | (298,752)                       |
| Interest payable                                                    |       | 141,832                         | 730,612                         |
| Share-based payments                                                |       | 92,712                          | 122,067                         |
| Unrealised foreign exchange loss                                    |       | 125,364                         | 2,661                           |
| Impairment of associate                                             |       | 1,863,962                       | -                               |
| Impairment of available for sale investment                         |       | 469,446                         | 12,667,999                      |
| Impairment of assets classified as held for sale                    | 8     | 2,388,158                       | -                               |
| Loss on write-off/impairment of property, plant and equipment       |       | 41,326                          | 3,947,609                       |
| Gain on dilution of interest in associates                          |       | -                               | (17,942)                        |
| (Gain)/loss on sale of investments                                  |       | (6,994)                         | 2,468,814                       |
| Provision for bad debts                                             |       | 599,673                         | 928,012                         |
| Financial assets at fair value through profit and loss              |       | -                               | 150,413                         |
| Depreciation                                                        |       | 522,497                         | 928,853                         |
| <b>Net cash outflow from operations</b>                             |       | <b>(1,472,830)</b>              | <b>(998,392)</b>                |
| Corporation tax (paid)/reclaimed                                    |       | (18,946)                        | 219,592                         |
| <b>Net cash used in operations</b>                                  |       | <b>(1,491,776)</b>              | <b>(778,800)</b>                |
| <b>Cash flows from investing activities</b>                         |       |                                 |                                 |
| Interest received                                                   |       | 516                             | 2,893                           |
| Proceeds of sale of investments                                     |       | 1,712,992                       | 1,110,706                       |
| Payments to acquire associate company and joint venture investments |       | (83,897)                        | (2,632,673)                     |
| Payments to acquire available for sale investments                  |       | (232,978)                       | (200,000)                       |
| Payments to acquire property, plant and equipment                   |       | (39,430)                        | (104,629)                       |
| <b>Net cash inflow/(outflow) from investing activities</b>          |       | <b>1,357,203</b>                | <b>(1,823,703)</b>              |
| <b>Cash flows from financing activities</b>                         |       |                                 |                                 |
| Proceeds from issue of shares                                       |       | 2,723,861                       | 4,103,795                       |
| Transaction costs of issue of shares                                |       | (56,465)                        | (210,276)                       |
| Interest paid                                                       |       | (106,285)                       | (730,612)                       |
| Proceeds of new borrowings                                          |       | 1,328,154                       | 1,405,445                       |
| Repayments of borrowings                                            |       | (3,720,155)                     | (2,297,606)                     |
| <b>Net cash inflow from financing activities</b>                    |       | <b>169,110</b>                  | <b>2,270,746</b>                |
| <b>Net increase/(decrease) in cash and cash equivalents</b>         |       | <b>34,537</b>                   | <b>(331,757)</b>                |
| Cash and cash equivalents at the beginning of period                |       | 21,081                          | 352,838                         |
| <b>Cash and cash equivalents at end of period</b>                   | 14    | <b>55,618</b>                   | <b>21,081</b>                   |

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

# Company Statement of Financial Position

AS AT 30 JUNE 2014

|                                              | Notes | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|----------------------------------------------|-------|----------------------|----------------------|
| <b>ASSETS</b>                                |       |                      |                      |
| <b>Non-current assets</b>                    |       |                      |                      |
| Property, plant and equipment                | 10    | 5,100                | 19,466               |
| Investments in subsidiaries                  | 11    | –                    | 947,149              |
| Investments in associates and joint ventures | 12    | 5,693,873            | 5,173,794            |
| Available for sale financial assets          | 13    | 1,583,984            | 3,136,448            |
| Non-current receivables                      | 15    | 7,148,560            | 6,484,534            |
| <b>Total non-current assets</b>              |       | <b>14,431,517</b>    | <b>15,761,391</b>    |
| <b>Current assets</b>                        |       |                      |                      |
| Cash and cash equivalents                    | 14    | 50,969               | 8,230                |
| Restricted cash                              | 14    | 221,846              | –                    |
| Other receivables                            | 16    | 577,970              | 3,691,685            |
| <b>Total current assets</b>                  |       | <b>850,785</b>       | <b>3,699,915</b>     |
| Assets classified as held for sale           | 8     | 2,189,723            | 3,168,735            |
| <b>TOTAL ASSETS</b>                          |       | <b>17,472,025</b>    | <b>22,630,041</b>    |
| <b>EQUITY AND LIABILITIES</b>                |       |                      |                      |
| Called up share capital                      | 19    | 1,934,588            | 1,279,769            |
| Share premium account                        |       | 22,663,691           | 20,558,401           |
| Other reserves                               |       | 513,228              | 278,886              |
| Retained earnings                            |       | (11,207,345)         | (5,552,141)          |
| <b>Total equity</b>                          |       | <b>13,904,162</b>    | <b>16,564,915</b>    |
| <b>LIABILITIES</b>                           |       |                      |                      |
| <b>Current liabilities</b>                   |       |                      |                      |
| Trade and other payables                     | 17    | 2,492,996            | 3,508,113            |
| Short-term borrowings                        | 17    | 755,889              | 2,557,013            |
| <b>Total current liabilities</b>             |       | <b>3,248,885</b>     | <b>6,065,126</b>     |
| <b>Non-current liabilities</b>               |       |                      |                      |
| Long-term borrowings                         | 17    | 318,978              | –                    |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |       | <b>17,472,025</b>    | <b>22,630,041</b>    |

These financial statements on pages 24 to 65 were approved by the Board of Directors and authorised for issue on 20 November 2014 and are signed on its behalf by:



Andrew Bell  
Executive Chairman

The accompanying notes form an integral part of these financial statements.

Registration number: 05225394.

## FINANCIAL STATEMENTS

# Company Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

The movements in equity during the period were as follows:

|                                         | Share capital<br>£ | Share premium account<br>£ | Retained earnings<br>£ | Other reserves<br>£ | Total equity<br>£ |
|-----------------------------------------|--------------------|----------------------------|------------------------|---------------------|-------------------|
| As at 30 June 2012                      | 884,150            | 16,938,435                 | 13,317,715             | (7,771,891)         | 23,368,409        |
| Changes in equity for 2013              |                    |                            |                        |                     |                   |
| Loss for the year                       | –                  | –                          | (18,869,856)           | –                   | (18,869,856)      |
| Other comprehensive income for the year | –                  | –                          | –                      | 8,050,777           | 8,050,777         |
| Transactions with owners                |                    |                            |                        |                     |                   |
| Issue of shares                         | 382,064            | 3,696,111                  | –                      | –                   | 4,078,175         |
| Share issue costs                       | –                  | (210,276)                  | –                      | –                   | (210,276)         |
| Share issues in relation to SIP         | 13,555             | 134,131                    | –                      | –                   | 147,686           |
| Total transactions with owners          | 395,619            | 3,619,966                  | –                      | –                   | 4,015,585         |
| As at 30 June 2013                      | 1,279,769          | 20,558,401                 | (5,552,141)            | 278,886             | 16,564,915        |
| Changes in equity for 2014              |                    |                            |                        |                     |                   |
| Loss for the year                       | –                  | –                          | (5,810,863)            | –                   | (5,810,863)       |
| Other comprehensive income for the year | –                  | –                          | –                      | 390,001             | 390,001           |
| Transactions with owners                |                    |                            |                        |                     |                   |
| Issue of shares                         | 627,739            | 2,076,484                  | –                      | –                   | 2,704,223         |
| Share issue costs                       | –                  | (56,465)                   | –                      | –                   | (56,465)          |
| Share issues in relation to SIP         | 27,080             | 85,271                     | –                      | –                   | 112,351           |
| Share-based payment transfer            | –                  | –                          | 155,659                | (155,659)           | –                 |
| Total transactions with owners          | 654,819            | 2,105,290                  | 155,659                | (155,659)           | 2,760,109         |
| As at 30 June 2014                      | 1,934,588          | 22,663,691                 | (11,207,345)           | 513,228             | 13,904,162        |

|                                         | Available for sale trade investments reserve<br>£ | Share-based payment reserve<br>£ | Total other reserves<br>£ |
|-----------------------------------------|---------------------------------------------------|----------------------------------|---------------------------|
| As at 30 June 2012                      | (8,055,469)                                       | 283,578                          | (7,771,891)               |
| Changes in equity for 2013              |                                                   |                                  |                           |
| Other comprehensive income for the year | 8,050,777                                         | –                                | 8,050,777                 |
| As at 30 June 2013                      | (4,692)                                           | 283,578                          | 278,886                   |
| Changes in equity for 2014              |                                                   |                                  |                           |
| Other comprehensive income for the year | 390,001                                           | –                                | 390,001                   |
| Transactions with owners                |                                                   |                                  |                           |
| Share-based payment transfer            | –                                                 | (155,659)                        | (155,659)                 |
| Total transactions with owners          | –                                                 | (155,659)                        | (155,659)                 |
| As at 30 June 2014                      | 385,309                                           | 127,919                          | 513,228                   |

See note 20 for a description of each reserve included above.

# Company Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

|                                                             | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|-------------------------------------------------------------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                 |                      |                      |
| Loss before taxation                                        | (5,810,863)          | (21,191,306)         |
| Increase in receivables                                     | (467,823)            | (1,678,694)          |
| (Decrease)/increase in payables                             | (983,976)            | 1,969,472            |
| Interest receivable and finance income                      | (727,987)            | (298,726)            |
| Interest payable                                            | 141,832              | 436,688              |
| Share-based payments                                        | 92,712               | 122,067              |
| Impairment of investment in subsidiary                      | –                    | 3,056,923            |
| Impairment of assets held for sale                          | 1,393,955            | –                    |
| Impairment of investments in associates and joint ventures  | 2,732,553            | –                    |
| Impairment of available for sale investment                 | 469,446              | 12,667,999           |
| (Gain)/loss on sale of investments                          | (6,994)              | 2,468,814            |
| Provision for bad debts                                     | 599,673              | 928,012              |
| Financial assets at fair value through profit and loss      | –                    | 150,413              |
| Unrealised foreign exchange loss                            | 315,898              | 38,484               |
| Depreciation                                                | 14,366               | 18,447               |
| <b>Net cash outflow from operations</b>                     | <b>(2,237,208)</b>   | <b>(1,311,407)</b>   |
| Corporation tax received                                    | –                    | 219,592              |
| <b>Net cash used in operations</b>                          | <b>(2,237,208)</b>   | <b>(1,091,815)</b>   |
| <b>Cash flows from investing activities</b>                 |                      |                      |
| Interest received                                           | 516                  | 2,866                |
| Proceeds of sale of investments                             | 1,712,992            | 1,110,706            |
| Payments to acquire associate company investments           | (83,897)             | (2,632,673)          |
| Payments to acquire available for sale investments          | (232,978)            | (200,000)            |
| <b>Net cash outflow from investing activities</b>           | <b>1,396,633</b>     | <b>(1,719,101)</b>   |
| <b>Cash flows from financing activities</b>                 |                      |                      |
| Proceeds from issue of shares                               | 2,723,861            | 4,103,795            |
| Transaction costs of issue of shares                        | (56,465)             | (210,276)            |
| Interest paid                                               | (141,832)            | (436,688)            |
| Proceeds of new borrowings                                  | 1,328,154            | 998,025              |
| Repayments of borrowings                                    | (2,970,404)          | (1,982,226)          |
| <b>Net cash inflow from financing activities</b>            | <b>883,314</b>       | <b>2,472,630</b>     |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>42,739</b>        | <b>(338,286)</b>     |
| Cash and cash equivalents at the beginning of period        | 8,230                | 346,516              |
| <b>Cash and cash equivalents at end of period</b>           | <b>50,969</b>        | <b>8,230</b>         |

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

## FINANCIAL STATEMENTS

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

### 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 2014 were authorised for issue by the Board on 20 November 2014 and the statement of financial position signed on the Board's behalf by Andrew Bell. 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 £5,810,863 (2013: £18,869,856). The Company's other comprehensive income for the financial year was £390,001 (2013: £8,050,777).

#### Amendments to published standards effective for the year ended 30 June 2014

The following standards have been adopted during the year:

- IFRS 13 "Fair Value Measurement"; and
- IAS 19 "Employee Benefits (revised)".

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

#### 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 2014:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IAS 27 (Revised) "Separate Financial Statements"; and
- IAS 28 (Revised) "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 due to the requirement to potentially consolidate the Company's associate, Mid Migori Mining Company Limited, over which the Company might be considered as having control under the revised definition and IFRS 11 and IFRS 12 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.

## **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.

### **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 2014, 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. Red Rock Kenya Limited has been excluded from consolidation on the basis of being immaterial.

#### **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.

### **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.

## FINANCIAL STATEMENTS

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 1 Principal accounting policies continued

### 1.4 Summary of significant accounting policies continued

#### 1.4.1 Property, plant and equipment continued

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 Company has 60% interest in Melville Bay Limited (formerly known as "NAMA Greenland Limited"). The Company does not have significant control over Melville Bay Limited but has joint control along with North Atlantic Mining Associates Limited and International Media Projects Ltd through a contractual joint venture arrangement making it a jointly controlled entity.

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 2013. 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 Non-current assets held for sale

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.

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

When a non-current asset ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) the asset is measured at the lower of: its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and its recoverable amount at the date of the subsequent decision not to sell.

## **1 Principal accounting policies continued**

### **1.4 Summary of significant accounting policies continued**

#### **1.4.5 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.

#### **1.4.6 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 relevant entity 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.

FINANCIAL STATEMENTS

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 1 Principal accounting policies continued

### 1.4 Summary of significant accounting policies continued

#### 1.4.7 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.

#### 1.4.8 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.

#### 1.4.9 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.

#### 1.4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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.

##### *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.

##### *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.

## **1 Principal accounting policies continued**

### **1.4 Summary of significant accounting policies continued**

#### **1.4.10 Financial instruments continued**

##### **Financial assets continued**

###### *Restricted cash*

Cash which is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period is not considered cash and cash equivalents and is classified as restricted cash.

###### *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.

##### **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.

###### *Deferred and contingent consideration*

Where it is probable that deferred or contingent consideration is payable on the acquisition of a business based on an earn out arrangement, an estimate of the amount payable is made at the date of acquisition and reviewed regularly thereafter, with any change in the estimated liability being reflected in the income statement. Where deferred consideration is payable after more than one year the estimated liability is discounted using an appropriate 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 described in the directors' report on page 16, the Group has incurred a loss of £4.1m for the year ended 30 June 2014. At that date there was a net current liability of £2.4m. The loss resulted mainly from provision for bad debts and impairments net of deferred tax credits of £3.1m. Whilst the Directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

During the fiscal year the Board of Directors has made the decision to undertake a strategic disposal of its Colombian gold mining operations. As such the Company has signed a binding letter of intent with Nicaragua Milling Company Limited ("NMCL") to sell its Colombia interest for a total consideration of US\$ 5.0m. Payment is to occur over four tranches the first of which is US\$ 1.050m payable upon completion, US\$ 1.075m payable six months after closing, a further US\$ 1.125m payable a year after closing, and a final US\$ 1.750m payable in the form of 3% royalty on gold sales. NMCL have already paid US\$ 0.1m as a non-refundable deposit to conduct due diligence with exclusivity. NMCL has separately arranged to purchase an additional 11% in Four Points Mining SAS from a minority shareholder. NMCL has shown further evidence of being a committed buyer by making a public announcement to assign certain agreements and rights to Prize Mining Corporation to acquire 61% of the issued and outstanding shares in the capital of Four Points Mining SAS, which includes and is contingent upon both the purchase of 50.002% from the Company and 11% from a minority shareholder. Management have completed negotiations with NMCL as of mid-November 2014, with documentation being finalised. Further details are given in note 23. Based on negotiations conducted to date the Directors have a reasonable expectation that the sale proceeds will provide the majority of the funding needed for the business over the coming year.

FINANCIAL STATEMENTS

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 1 Principal accounting policies continued

### 1.5 Significant accounting judgements, estimates and assumptions continued

#### Going concern continued

The Group will need to secure additional finance facilities over the coming year, and as a result has already entered into talks with the UK Bond Network about an expanded two year loan facility. The Group also has an equity drawdown facility of approximately £4.5m available under the £10.5m SEDFA facility with YA Global, and has discussed an additional convertible loan with a third vendor as of November 2014.

The Group has further implemented plans to minimise its cash outflows by reducing its cost base by such measures as staff reductions both in the form of redundancies earlier in the year and natural employee attrition, as well as minimising marketing costs and other office and corporate overheads. Subsequent to year end, the Group has paid off £0.15m of its borrowings leaving residual loans of £0.926m to be paid in 2014, 2015 and 2016.

The Directors are confident in the Company's ability to raise new finance from stock markets if this is required during 2015 and the Group has demonstrated a consistent ability to do so. This includes recent share issues of 100m shares for a total consideration of £0.20m and 76m shares for a total consideration of £0.167m. Furthermore, the Company retains liquid investments in the form of Resource Star Limited and Regency Mines Plc, as well as a substantial stake in private Jupiter Mines Limited, all of which may be sold or disposed of if required during the course of the year. Currently the firm expects to begin partial disposals of Resource Star Limited when it is deemed strategically sound to do so. The majority of the Company's shares in Resource Star Limited, Jupiter Mines Limited and all of the Company's shareholding in Regency Mines Plc and American Gold Mines Limited are pledged as collateral against loans owing to YA Global Master SPV Limited and the UK Bond Network Limited. Further details are given in note 17.

The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Assets classified as held for sale

In November 2012, the Company started discussions with potential farm-in partners following an indicative offer from International Media Projects Ltd. ("IMP"), a private British Virgin Island based company, on behalf of its industrial partner ("the investor"), to acquire 51% of the outstanding share capital ("the Offer") of Melville Bay Limited ("MBL"), then known as "NAMA Greenland Limited", which holds direct ownership of the Melville Bugt Iron Ore project ("the Project") in Greenland. 51% of the cost of the Company's investment in MBL has been reclassified as an asset held for sale as at prior year end.

In April 2014, the Company announced that the probability of eventual contract with the above investor parties must be reduced to some degree, and the probability of an early contract and completion must be considerably reduced. Although the Company have received verbal indications that the transaction will progress, there is no recent activity that shows it is being actively worked on. The Company has been engaging with possible alternative investors, and these discussions will continue. Considering there is no foreseeable timeline on the completion of the sale and discussions with alternative investors are still at an early stage, the criteria for an asset held for sale is deemed no longer met as at 30 June 2014. Hence, the portion previously presented as an asset classified as held for sale is re-presented as an investment in joint ventures and measured at its recoverable amount at the date of the subsequent decision not to sell.

On 12 May 2014 the Company executed a binding Letter of Intent ("LOI") with Nicaragua Milling Company Limited ("NIMCL"), a private company registered in Belize. Under the LOI, the Company will sell (a) its 100% interest in American Gold Mines Limited ("AGML"), which owns a 50,002% interest in Four Points Mining SAS ("FPM"), the owner of the El Limon mine, and (b) its loans to FPM, for a total consideration of US\$ 5m payable in three tranches including a payment of US\$ 1m in the form of a 3% royalty on annual net gold sales. In November 2014, the terms of payment were re-negotiated as follows:

Payment of consideration will occur in four tranches. The first tranche of US\$ 1,050m will be payable upon the closing of the transaction which is expected in December 2014.

A second tranche of US\$ 1,075m is payable six months after closing and a third tranche of US\$ 1,125m is payable a year after closing. These tranches will be satisfied by the issuance by NIMCL to the Company of a non-interest bearing promissory note (the "PN") due and payable on or before the dates specified. Security for the PN will be held in the form of a charge over 100% of the shares in AGML.

The fourth tranche of up to US\$ 1,750m will be paid in the form of a 3% royalty on annual net gold sales. In the event that gold production at any stage ceases at El Limon, the total paid under the fourth tranche may fall short of this amount.

A 7% commission is payable to Ariel Partners on the transaction.

Based on this and in accordance with IFRS 5, FPM is classified as a disposal group held for sale in the Company & Group's accounts as at 30 June 2014.

#### Recognition of holdings less than 20% as an associate

The Company owns 15% of the issued share capital of Mid Major Mining Company Limited ("MMML"), Andrew Bell is a member of the board of MMML, 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, MMML has been recognised as an associate for the year ended 30 June 2014.

The effect of recognising MMML as an available for sale financial asset would be to decrease the loss by £19,395.

## 1 Principal accounting policies continued

### 1.5 Significant accounting judgements, estimates and assumptions continued

#### 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 include the impairment determinations, the selling price of assets held for sale, the useful lives of property plant and equipment, the bad debt provision and the fair values of our financial assets and liabilities.

#### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

For unquoted equity investments, we have based our valuation on the weighted average share price of actual sale transactions which we consider as level 2 of the fair value hierarchy as they are based on indirectly observable inputs. In the absence of a quoted liquid market for Jupiter shares directly determining their value, the Company applied two different methodologies to estimate the fair value of its holding. These included an Adjusted Net Asset Method and a Market Approach. Under the Adjusted Net Asset method, the final results of Jupiter announced on 3rd June 2014, as well as the independent business valuation on the Tshipi asset by Venmyn Deloitte were used to provide relevant data points. Taking the net asset value, an adjusted hard asset only net asset value, and a further adjusted asset value modified using figures from Venmyn Deloitte, management arrived at an average value of 20 cents per share and a total valuation of AUD 5.47m (£3.14m). Applying a discount of 40% to this for illiquidity would reduce the fair value to 12 cents per share or AUD 3.282m (£1.88m). Under the Market Approach, the Company considered all the transactions involving Jupiter shares since de-listing. A total of seven transactions occurred between the de-listing date in January 2014 and the financial year-end, at an average price of 9.5 cents per share. This period is determined to be representative of the fair value at year end since there were no significant changes to the business and the transactions were considered orderly. After careful consideration of all the facts and circumstances that existed at the year-end date, Management believes that greater weight should be given to the actual transactions between buyers and sellers rather than the net asset value figures. Thus, the market value approach was determined to be more suitable, and the corresponding 9.5 cents per share value implies that the Company's holding in Jupiter Mines is valued at AUD 2.596m (£1.49m).

#### 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 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.

## FINANCIAL STATEMENTS

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

**1 Principal accounting policies continued****1.5 Significant accounting judgements, estimates and assumptions continued**

Fair value measurement continued

*Impairment of financial assets continued*

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 is 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.

As a result of the Group's evaluation, an impairment loss of £469,446 on available for sale financial assets was recognised in the income statement.

*Impairment of non-financial assets*

The Group follows the guidance of IAS 36 to determine when a non-financial asset is impaired. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed projections, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These projections generally cover a period of five years with a terminal value or salvage value applied.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset.

For investments in associates and joint ventures, the Group assesses impairment after the application of the equity method.

As a result of the Group's evaluation of its non-financial assets, an impairment loss of £1,863,962 on investments in associates and joint ventures was recognised in the income statement (2013: £3,947,609 impairment on property, plant and equipment was recognised within loss from discontinued operations). The impairment of £1.863m relates to the Company's iron ore assets in Greenland. Management recognises that the loss of a prospective buyer and transaction, the recent declines in the price of iron ore and the general decline in global growth rates, are all factors which indicate an impairment may be required in the Greenland asset. In estimating the level of this impairment, management have considered factors such as the outlook for the iron ore market, the infrastructure which would be required to produce iron ore for the Greenland asset. It was decided that a valuation based on the income approach would not be appropriate due to the relative infancy of the project, and an inability to accurately project cash-flows in a meaningful way. Hence the fair value has been determined by estimating the recoverable amount based on the asset's fair value less cost to sell per IAS 36. In estimating the level of impairment required, several judgements have had to be made and these have been based on comparing similar comparable transactions involving the sale of iron ore assets. Five iron ore asset transactions from 2013-14 were deemed to be comparable and relevant to the Company's assets in Greenland. Of these, two 2013 transactions were discounted to take account of the decline in iron prices over this time period, and the resulting modified group gives a resource value of £4.40m. However, it was decided it is more appropriate to use the three comparable transactions which took place during 2014 resulting in a modified group resource value of £4.17m. A final impairment value of £1.863m was thus determined to be most appropriate.

*Amounts due from associates*

The Company conducted a review of the carrying value of the amount receivable from Mid Migori Mining Company Limited in relation to the Kenya asset. For the purpose of impairment review, the company views this receivable as part of its net investment in the associate and hence followed the guidance of IAS 36. Management recognise that the recent variability in gold prices, change in market fundamentals based on demand from key consumers, concerns around the global macroeconomic environment in general, and the pending renewals of licences can all have an effect on the value of this project. As the Kenya asset is still at a pre-feasibility stage, it is not possible to accurately project future cash flows to measure value in use. Thus, it was decided that a valuation based on the market approach would be more appropriate as it reflects how comparable gold assets are being valued by market participants worldwide. In estimating the value of this asset, the management looked at comparable companies involved in gold exploration with assets at a similar stage of development. Thirty-eight companies with projects across the globe and gold resources between 0-2m ounces were deemed to be comparable and relevant for this valuation exercise. The thirty-eight company peer group is statistically significant and all companies in the industry are affected by the general macroeconomic environment and downturn. Hence, the metric obtained can be directly applied for use in the valuation of the Company's assets in Kenya. The average valuation of this group was US\$ 39 per ounce of gold in the ground. Using this metric implies that the Company's share in the Kenya asset is worth US\$ 23.26m and thus, no impairment is currently required. Management believe that the receivable balance will be repaid by Mid Migori Mining Company Limited once gold is being produced from the asset or from the proceeds of a possible sale or other transaction involving the assets. Further, the Company has invested considerable time and resources to develop the project to date and maintains good relations with the Kenyan Ministry of Mines and has no information to currently indicate that the exploration licences on the tenements will not be successfully renewed.

## 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 2014 the Group had cash and cash equivalents of £51,167 and undrawn facilities available in the SEDA of £4.5m.

The market values of the Group's most significant listed investments at 30 June 2014 are as follows:

- Regency Mines plc: £88,140; and
- Resource Star Limited: £112,448.

The Group considers 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. Its mining segment is currently presented as discontinued operations on the face of the primary financial statements and is excluded from the continuing operations segmental analysis below.

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.

|                                                                    | Investment                       |                           | Exploration                    |                             | Other                                | Total<br>£         |
|--------------------------------------------------------------------|----------------------------------|---------------------------|--------------------------------|-----------------------------|--------------------------------------|--------------------|
|                                                                    | Jupiter<br>Mines<br>Limited<br>£ | Other<br>investments<br>£ | Australian<br>exploration<br>£ | African<br>exploration<br>£ | Corporate<br>and<br>unallocated<br>£ |                    |
| Year to 30 June 2014                                               |                                  |                           |                                |                             |                                      |                    |
| Gain on sales of investments                                       | 6,994                            | -                         | -                              | -                           | -                                    | 6,994              |
| Impairment of available for sale investments                       | -                                | -                         | -                              | (469,446)                   | -                                    | (469,446)          |
| Impairment of investments in associates and joint ventures         | -                                | (1,863,962)               | -                              | -                           | -                                    | (1,863,962)        |
| Exploration expenses                                               | -                                | (31,865)                  | (871)                          | (1,838)                     | (365)                                | (34,939)           |
| Other expenses (excluding currency loss)*                          | -                                | -                         | (2,337)                        | -                           | (1,377,853)                          | (1,380,190)        |
| Currency loss                                                      | -                                | -                         | (18,983)                       | -                           | (164,635)                            | (183,618)          |
| (Provision for)/Reversal of provision for bad debts                | -                                | (600,000)                 | -                              | -                           | 327                                  | (599,673)          |
| Shares of losses in associates                                     | -                                | (85,696)                  | -                              | (19,396)                    | -                                    | (105,092)          |
| Other income                                                       | -                                | -                         | -                              | -                           | 375,643                              | 375,643            |
| Finance cost, net                                                  | -                                | -                         | -                              | 627,042                     | (141,317)                            | 485,725            |
| <b>Net profit/(loss) before tax<br/>from continuing operations</b> | <b>6,994</b>                     | <b>(2,581,523)</b>        | <b>(22,191)</b>                | <b>136,362</b>              | <b>(1,308,200)</b>                   | <b>(3,768,558)</b> |

\*Included in other expenses is a depreciation charge of £14,409.

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 2 Segmental analysis continued

|                                                                    | Investment                       |                          |                           | Exploration                    |                             | Other                                | Total<br>£          |
|--------------------------------------------------------------------|----------------------------------|--------------------------|---------------------------|--------------------------------|-----------------------------|--------------------------------------|---------------------|
|                                                                    | Jupiter<br>Mines<br>Limited<br>£ | Ascot<br>Mining plc<br>£ | Other<br>investments<br>£ | Australian<br>exploration<br>£ | African<br>exploration<br>£ | Corporate<br>and<br>unallocated<br>£ |                     |
| Year to 30 June 2013*                                              |                                  |                          |                           |                                |                             |                                      |                     |
| Loss on sales of investments                                       | (2,468,814)                      | –                        | –                         | –                              | –                           | –                                    | (2,468,814)         |
| Gain on dilution of interest in associate                          | –                                | –                        | 17,942                    | –                              | –                           | –                                    | 17,942              |
| Impairment of available for sale investments                       | (12,191,284)                     | (96,000)                 | (380,715)                 | –                              | –                           | –                                    | (12,667,999)        |
| Financial assets at fair value through profit and loss             | –                                | (150,413)                | –                         | –                              | –                           | –                                    | (150,413)           |
| Exploration expenses                                               | –                                | –                        | –                         | (800)                          | (6,074)                     | (48,188)                             | (55,062)            |
| Other expenses (excluding currency (loss)/gain)**                  | –                                | (919,471)                | –                         | (5,953)                        | –                           | (2,299,687)                          | (3,225,111)         |
| Currency (loss)/gain                                               | –                                | –                        | –                         | (1,400)                        | –                           | 53,592                               | 52,192              |
| Shares of losses in associates                                     | –                                | –                        | (326,240)                 | –                              | –                           | –                                    | (326,240)           |
| Write-off of associate investment reserves                         | –                                | –                        | (126,226)                 | –                              | –                           | –                                    | (126,226)           |
| Finance income/(cost), net                                         | –                                | 250,512                  | (7,313)                   | –                              | –                           | (434,425)                            | (191,226)           |
| <b>Net (loss)/profit before tax<br/>from continuing operations</b> | <b>(14,660,098)</b>              | <b>(915,372)</b>         | <b>(822,552)</b>          | <b>(8,153)</b>                 | <b>(6,074)</b>              | <b>(2,728,708)</b>                   | <b>(19,140,957)</b> |

\*Certain amounts shown here do not correspond to the 2013 financial statements to re-present the results of discontinued operations.

\*\*Included in other expenses is a depreciation charge of £18,512.

## 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 2014                      | UK<br>£      | Australia<br>£ | Greenland<br>£   | Africa<br>£    | Total<br>£        |
|----------------------------------------------|--------------|----------------|------------------|----------------|-------------------|
| <b>Revenue</b>                               |              |                |                  |                |                   |
| Gain on sales of investments                 | 6,994        | –              | –                | –              | 6,994             |
| <b>Total segment revenue and other gains</b> | <b>6,994</b> | <b>–</b>       | <b>–</b>         | <b>–</b>       | <b>6,994</b>      |
| <b>Non-current assets</b>                    |              |                |                  |                |                   |
| Property, plant and equipment                | 5,100        | –              | –                | –              | 5,100             |
| Investments in associates and joint ventures | –            | –              | 4,347,446        | 971,860        | 5,319,306         |
| <b>Total segment non-current assets</b>      | <b>5,100</b> | <b>–</b>       | <b>4,347,446</b> | <b>971,860</b> | <b>5,324,406</b>  |
| Available for sale financial assets          |              |                |                  |                | 1,583,984         |
| Non-current receivables                      |              |                |                  |                | 7,148,560         |
| <b>Total non-current assets</b>              |              |                |                  |                | <b>14,056,950</b> |

**2 Segmental analysis continued**  
**Information by geographical area continued**

| Year ended 30 June 2013*                     | UK<br>£            | Australia<br>£ | Colombia<br>£    | Greenland<br>£   | Other<br>£     | Total<br>£         |
|----------------------------------------------|--------------------|----------------|------------------|------------------|----------------|--------------------|
| <b>Revenue</b>                               |                    |                |                  |                  |                |                    |
| Loss on sales of investments                 | (2,468,814)        | –              | –                | –                | –              | (2,468,814)        |
| <b>Total segment revenue and other gains</b> | <b>(2,468,814)</b> | <b>–</b>       | <b>–</b>         | <b>–</b>         | <b>–</b>       | <b>(2,468,814)</b> |
| <b>Non-current assets</b>                    |                    |                |                  |                  |                |                    |
| Property, plant and equipment                | 19,466             | 246            | 8,153,813        | –                | –              | 8,173,525          |
| Investments in associates and joint ventures | –                  | –              | –                | 3,044,471        | 991,257        | 4,035,728          |
| <b>Total segment non-current assets</b>      | <b>19,466</b>      | <b>246</b>     | <b>8,153,813</b> | <b>3,044,471</b> | <b>991,257</b> | <b>12,209,253</b>  |
| Available for sale financial assets          |                    |                |                  |                  |                | 3,136,448          |
| Non-current receivables                      |                    |                |                  |                  |                | 6,484,534          |
| <b>Total non-current assets</b>              |                    |                |                  |                  |                | <b>21,830,235</b>  |

\*Certain amounts shown here do not correspond to the 2013 financial statements to re-present the results of discontinued operations.

**3 Loss for the year before taxation**

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

|                                                                                                        | Note | 2014<br>£ | 2013<br>£ |
|--------------------------------------------------------------------------------------------------------|------|-----------|-----------|
| Auditor's remuneration:                                                                                |      |           |           |
| – fees payable to the Company's auditor for the audit of consolidated and Company financial statements |      | 79,659    | 32,950    |
| Directors' emoluments                                                                                  |      | 218,566   | 354,365   |
| Share-based payments – Directors                                                                       |      | 24,000    | 29,250    |
| Share-based payments – staff                                                                           |      | 68,712    | 92,817    |
| Depreciation – continuing operations                                                                   |      | 14,409    | 18,512    |
| Depreciation – discontinued operations                                                                 |      | 508,088   | 910,341   |
| Currency losses/(gains)                                                                                |      | 183,618   | (52,192)  |

**4 Finance income/(costs), net**

|                              | 2014<br>£      | 2013<br>£        |
|------------------------------|----------------|------------------|
| Interest income              | 596,416        | 263,446          |
| Interest expense             | (141,832)      | (436,688)        |
| Other finance income/(costs) | 31,141         | (17,984)         |
|                              | <b>485,725</b> | <b>(191,226)</b> |

Interest income comes mainly from non-current receivables from an associate. Please refer to note 15.

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 5 Taxation

|                                                                                      | Note | 2014<br>£          | 2013<br>£          |
|--------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>Current period taxation on the Group</b>                                          |      |                    |                    |
| UK corporation tax at 22.50% (2013: 23.75%) on profits for the period                |      | -                  | -                  |
| Over provision in prior years                                                        |      | -                  | (108)              |
|                                                                                      |      | -                  | (108)              |
| <b>Deferred tax</b>                                                                  |      |                    |                    |
| Origination and reversal of temporary differences                                    |      | (2,279,276)        | (2,535,431)        |
| Deferred tax assets not recognised                                                   |      | 82,022             | 153,098            |
| <b>Tax credit</b>                                                                    |      | <b>(2,197,254)</b> | <b>(2,382,441)</b> |
| <b>Factors affecting the tax charge for the year</b>                                 |      |                    |                    |
| Loss on ordinary activities before taxation                                          |      | (6,310,714)        | (24,488,003)       |
| Loss on ordinary activities at the average UK standard rate of 22.50% (2013: 23.75%) |      | (1,419,911)        | (5,815,901)        |
| Impact of subsidiaries and associates                                                |      | (1,304,135)        | 487,470            |
| Underprovision of deferred tax in prior years                                        |      | -                  | 152,990            |
| Effect of expenditure not deductible/(income not taxable)                            |      | 41,298             | 2,070,938          |
| Effect of non-taxable income                                                         |      | (84,799)           | -                  |
| Effect of losses carried forward not recognised                                      |      | 570,293            | 722,062            |
| <b>Tax credit</b>                                                                    |      | <b>(2,197,254)</b> | <b>(2,382,441)</b> |
| Tax credit arising from continuing operations                                        |      | -                  | (2,170,333)        |
| Tax credit arising from discontinued operations                                      | 8    | (2,197,254)        | (212,108)          |
| <b>Total tax credit</b>                                                              |      | <b>(2,197,254)</b> | <b>(2,382,441)</b> |

Deferred tax amounting to £nil (2013: £2,323,323 credit) relating to the Group's investments was recognised in the statement of comprehensive income. The deferred tax credit of £2,075,802 relates to discontinued operations and is included in the loss after tax for the year from discontinued operations in the income statement.

Finance Act 2013 set the main rate of corporation tax at 21% from 1 April 2014 and at 20% from 1 April 2015. Therefore deferred tax assets/(liabilities) are calculated at 21% (2013: 23%).

## 6 Staff costs

The aggregate employment costs of staff (including Directors) for the year in respect of the Group was:

|                                     | 2014<br>£      | 2013<br>£        |
|-------------------------------------|----------------|------------------|
| Wages and salaries                  | 750,628        | 882,387          |
| Pension                             | 28,588         | 63,962           |
| Social security costs               | 76,654         | 102,810          |
| Employee share-based payment charge | 92,712         | 122,067          |
| <b>Total staff costs</b>            | <b>948,582</b> | <b>1,171,226</b> |

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

|                | 2014<br>Number | 2013<br>Number |
|----------------|----------------|----------------|
| Executives     | 4              | 5              |
| Administration | 16             | 17             |
| Exploration    | 8              | 9              |
|                | <b>28</b>      | <b>31</b>      |

The Company's staff also work for Regency Mines plc and staff costs of £82,500 (2013: £67,917) were recharged during the year. Such charges are offset against administration expenses in the income statement.

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 was £174,863 (2013: £349,964).

The average number of employees includes 6 (2013: 7) administration employees of the Four Points Mining SAS, a subsidiary company, which runs its own payroll for administrative staff. The key management personnel are the Directors and their remuneration is disclosed within note 7.

## 7 Directors' emoluments

|                            | Directors' fees<br>£ | Consultancy fees<br>£ | Share Incentive Plan<br>£ | Pension contributions<br>£ | Social security costs<br>£ | Total<br>£ |
|----------------------------|----------------------|-----------------------|---------------------------|----------------------------|----------------------------|------------|
| <b>2014</b>                |                      |                       |                           |                            |                            |            |
| <b>Executive Directors</b> |                      |                       |                           |                            |                            |            |
| ARM Bell                   | 100,833              | 15,000                | 6,000                     | 7,321                      | 9,854                      | 139,008    |
| <b>Other Directors</b>     |                      |                       |                           |                            |                            |            |
| MGR Yannaghas              | 12,500               | –                     | –                         | –                          | 1,548                      | 14,048     |
| JF Ladner                  | 16,000               | 9,000                 | 6,000                     | –                          | 930                        | 31,930     |
| MC Nott                    | 16,000               | 9,000                 | 6,000                     | 808                        | 842                        | 32,650     |
| J Watkins                  | 16,000               | 2,000                 | 6,000                     | –                          | 930                        | 24,930     |
|                            | 161,333              | 35,000                | 24,000                    | 8,129                      | 14,104                     | 242,566    |
| <b>2013</b>                |                      |                       |                           |                            |                            |            |
| <b>Executive Directors</b> |                      |                       |                           |                            |                            |            |
| ARM Bell                   | 110,000              | 15,000                | 6,000                     | 12,936                     | 10,810                     | 154,746    |
| MGR Yannaghas              | 117,500              | –                     | 5,250                     | 9,342                      | 6,205                      | 138,297    |
| <b>Other Directors</b>     |                      |                       |                           |                            |                            |            |
| JF Ladner                  | 16,000               | 9,000                 | 6,000                     | –                          | 961                        | 31,961     |
| MC Nott                    | 16,000               | 9,000                 | 6,000                     | 1,528                      | 872                        | 33,400     |
| J Watkins                  | 16,000               | 2,250                 | 6,000                     | –                          | 961                        | 25,211     |
|                            | 275,500              | 35,250                | 29,250                    | 23,806                     | 19,809                     | 383,615    |

The number of Directors who exercised share options in the year was nil (2013: nil).

During the year, the Company contributed to a Share Incentive Plan more fully described in the Directors' Report on page 17. 631,578 (2013: 157,894) free shares were issued to each employee, including Directors, making a total of 2,526,312 (2013: 789,470) to Directors.

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.

## 8 Assets classified as held for sale

### Melville Bay Limited

In November 2012, the Company commenced discussions with potential farm-in partners following an indicative offer from International Media Projects Ltd. ("IMP"), a private British Virgin Island based company, on behalf of its industrial partner ("the Investor"), to acquire 51% of the outstanding share capital ("the Offer") of Melville Bay Limited ("MBL"), then known as "NAMA Greenland Limited", which holds direct ownership of the Melville Bugt Iron Ore project ("the Project") in Greenland. 51% of the cost of the Company's investment in MBL has been reclassified as an asset held for sale as at prior year end.

In April 2014, the Company announced that the probability of an eventual contract with the above investor parties must be reduced to some degree, and the probability of an early contract and completion must be considerably reduced. Although the Company have received verbal indications that the transaction will progress, there is no recent activity that shows it is being actively worked on. The Company has been engaging with possible alternative investors, and these discussions will continue. Considering there is no foreseeable timeline on the completion of the sale and discussions with alternative investors are still at an early stage, the criteria for an asset held for sale is no longer met as at 30 June 2014. Hence, the portion previously presented as an asset classified as held for sale is now re-presented as an investment in joint ventures and measured at its recoverable amount at the date of the subsequent decision not to sell.

### Four Points Mining SAS

On 12 May 2014 the Company executed a binding Letter of Intent ("LOI") with Nicaragua Milling Company Limited ("NMCL"), a private company registered in Belize. Under the LOI, the Company will sell (a) its 100% interest in American Gold Mines Limited ("AGM"), which owns a 50.002% interest in Four Points Mining SAS ("FPM"), the owner of the El Limon mine, and (b) its loans to FPM, for a total consideration of US\$ 5m payable in three tranches including a payment of US\$ 1m in the form of a 3% royalty on annual net gold sales. In November 2014, the terms of payment were re-negotiated as follows:

Payment of consideration will occur in four tranches. The first tranche of US\$ 1.050m will be payable upon the closing of the transaction which is expected in December 2014.

A second tranche of US\$ 1.075m is payable six months after closing and a third tranche of US\$ 1.125m is payable a year after closing. These tranches will be satisfied by the issuance by NMCL to the Company of a non-interest bearing promissory note (the "PN") due and payable on or before the dates specified. Security for the PN will be held in the form of a charge over 100% of the shares in AGM.

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**8 Assets classified as held for sale continued****Four Points Mining SAS continued**

The fourth tranche of up to US\$ 1.750m will be paid in the form of a 3% royalty on annual net gold sales. In the event that gold production at any stage ceases at El Limon, the total paid under the fourth tranche may fall short of this amount.

A 7% commission is payable to Ariel Partners on the transaction.

Based on this, FPM is classified as a disposal group held for sale in the Company and Group's accounts as at 30 June 2014.

The Consolidated income statement for 2013 has been re-presented for comparative purposes.

The results of FPM for the year are presented below:

|                                                      | Note | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|------------------------------------------------------|------|----------------------|----------------------|
| Revenue                                              |      | 2,424,539            | 2,564,688            |
| Cost of sales                                        |      | (1,673,479)          | (1,913,960)          |
| Gross profit                                         |      | 751,060              | 650,728              |
| Expenses                                             |      | (790,783)            | (1,809,531)          |
| Finance costs, net                                   |      | (114,275)            | (240,634)            |
| Impairment of assets held for sale                   |      | (2,388,158)          | (3,947,609)          |
| Loss before tax from a discontinued operation        |      | (2,542,156)          | (5,347,046)          |
| Tax credit                                           |      | 2,197,254            | 212,108              |
| <b>Loss after tax from a discontinued operation</b>  |      | <b>(344,902)</b>     | <b>(5,134,938)</b>   |
| Loss from a discontinued operation attributable to:  |      |                      |                      |
| Owners of the parent                                 |      | (275,226)            | (2,705,666)          |
| Non-controlling interest                             |      | (69,676)             | (2,429,272)          |
|                                                      |      | <b>(344,902)</b>     | <b>(5,134,938)</b>   |
| Loss per share attributable to owners of the parent: |      |                      |                      |
| Basic                                                | 9    | (0.02) pence         | (0.25) pence         |
| Diluted                                              | 9    | (0.02) pence         | (0.25) pence         |

The major classes of assets and liabilities classified as held for sale as at 30 June 2014 are as follows:

| Group                                                                                          | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                                  |                      |                      |
| Property, plant and equipment                                                                  | 4,916,147            | –                    |
| Investment in joint ventures                                                                   | –                    | 3,168,735            |
| Inventory                                                                                      | 77,750               | –                    |
| Other receivables                                                                              | 1,996,120            | –                    |
| Cash and cash equivalents                                                                      | 4,451                | –                    |
| <b>Assets classified as held for sale</b>                                                      | <b>6,994,468</b>     | <b>3,168,735</b>     |
| <b>Liabilities</b>                                                                             |                      |                      |
| Trade and other payables                                                                       | 1,530,130            | –                    |
| Borrowings                                                                                     | 2,266,354            | –                    |
| Deferred tax liabilities                                                                       | 947,801              | –                    |
| <b>Liabilities directly associated with assets classified as held for sale</b>                 | <b>4,744,285</b>     | <b>–</b>             |
| Net assets directly associated with disposal group                                             | 2,250,183            | 3,168,735            |
| Non-controlling interest                                                                       | (60,461)             | –                    |
| <b>Net assets directly associated with disposal group attributable to owners of the Parent</b> | <b>2,189,722</b>     | <b>3,168,735</b>     |

**8 Assets classified as held for sale continued**  
**Four Points Mining SAS continued**

| Company                                          | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|--------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                    |                      |                      |
| Investment in subsidiary                         | 947,149              | –                    |
| Investment in joint ventures                     | –                    | 3,168,735            |
| Amounts due from subsidiary                      | 1,115,248            | –                    |
| Other receivables                                | 1,521,280            | –                    |
| Impairment of assets classified as held for sale | (1,393,955)          | –                    |
| <b>Assets classified as held for sale</b>        | <b>2,189,722</b>     | <b>3,168,735</b>     |

Included in trade and other receivables for both Group and Company is a loan of £1,521,280 (2013: £1,629,198 included within Other receivables (note 16)) due from Helm Bank Panama in respect of the funding agreement as part of the acquisition of Four Points Mining SAS. The loan bears interest at 5%.

The net cash flows of discontinued operations are as follows:

|                                    | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|------------------------------------|----------------------|----------------------|
| Operating                          | 996,491              | –                    |
| Investing                          | (39,241)             | –                    |
| Financing                          | (964,644)            | –                    |
| <b>Net cash inflows/(outflows)</b> | <b>(7,394)</b>       | <b>–</b>             |

**9 Loss per share**

The basic loss per share is derived by dividing the loss for the year attributable to ordinary shareholders of the Parent by the weighted average number of shares in issue.

Diluted loss per share is derived by dividing the loss 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 and share data used in the basic and diluted earnings per share computations:

|                                                                                                          | 2014          | 2013          |
|----------------------------------------------------------------------------------------------------------|---------------|---------------|
| Loss attributable to equity holders of the parent from continuing operations                             | £(3,768,558)  | £(16,970,623) |
| Loss attributable to equity holders of the parent from discontinued operations                           | £(275,226)    | £(2,705,666)  |
| Loss attributable to equity holders of the Parent                                                        | £(4,043,784)  | £(19,676,289) |
| Weighted average number of Ordinary shares of £0.001 in issue                                            | 1,518,425,648 | 1,076,285,074 |
| Loss per share – basic                                                                                   | (0.27) pence  | (1.83) pence  |
| Weighted average number of Ordinary shares of £0.001 in issue inclusive of outstanding dilutive options* | 1,518,425,648 | 1,076,285,074 |
| Loss per share – fully diluted                                                                           | (0.27) pence  | (1.83) pence  |

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:

|                                                      | 2014                 | 2013                 |
|------------------------------------------------------|----------------------|----------------------|
| Loss per share denominator                           | 1,518,425,648        | 1,076,285,074        |
| Weighted average number of exercisable share options | –                    | –                    |
| <b>Diluted loss per share denominator*</b>           | <b>1,518,425,648</b> | <b>1,076,285,074</b> |

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 has weighted average share options of 20,590,411 (2013: 24,250,000). These were not included in the calculation of diluted earnings per share because all the options are not likely to be exercised given that even the lowest exercise price is substantially higher than the market price and are therefore non-dilutive for the period presented.

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 10 Property, plant and equipment

| Group                                      | Mines<br>£         | Field equipment<br>and machinery<br>£ | Fixtures and<br>fittings<br>£ | Assets under<br>construction<br>£ | Total<br>£         |
|--------------------------------------------|--------------------|---------------------------------------|-------------------------------|-----------------------------------|--------------------|
| <b>Cost</b>                                |                    |                                       |                               |                                   |                    |
| At 1 July 2012                             | –                  | 35,130                                | 28,649                        | –                                 | 63,779             |
| Additions                                  | –                  | 40,429                                | 15,642                        | 48,558                            | 104,629            |
| Transfers                                  | 212,387            | 186,684                               | –                             | (399,071)                         | –                  |
| Disposals                                  | –                  | (16,446)                              | (2,664)                       | –                                 | (19,110)           |
| Currency exchange                          | (132,683)          | (34,090)                              | (2,191)                       | (20,355)                          | (189,319)          |
| Reclassification from assets held for sale | 12,890,380         | 756,441                               | 48,661                        | 773,414                           | 14,468,896         |
| <b>At 30 June 2013</b>                     | <b>12,970,084</b>  | <b>968,148</b>                        | <b>88,097</b>                 | <b>402,546</b>                    | <b>14,428,875</b>  |
| Reclassification to assets held for sale   | (12,716,945)       | (832,554)                             | (51,581)                      | (368,874)                         | (13,969,954)       |
| Additions                                  | –                  | 37,487                                | 1,943                         | –                                 | 39,430             |
| Disposals                                  | –                  | (60,385)                              | (4,838)                       | –                                 | (65,223)           |
| Currency exchange                          | (253,139)          | (78,089)                              | (4,972)                       | (33,672)                          | (369,872)          |
| <b>At 30 June 2014</b>                     | <b>–</b>           | <b>34,607</b>                         | <b>28,649</b>                 | <b>–</b>                          | <b>63,256</b>      |
| <b>Depreciation and impairment</b>         |                    |                                       |                               |                                   |                    |
| At 1 July 2012                             | –                  | (13,044)                              | (12,495)                      | –                                 | (25,539)           |
| Depreciation charge                        | (687,658)          | (201,882)                             | (39,313)                      | –                                 | (928,853)          |
| Impairment charge                          | (3,947,609)        | –                                     | –                             | –                                 | (3,947,609)        |
| Disposal                                   | –                  | 16,446                                | 2,664                         | –                                 | 19,110             |
| Currency exchange                          | 1,992              | 10,719                                | 1,209                         | –                                 | 13,920             |
| Reclassification from assets held for sale | (1,293,466)        | (92,913)                              | –                             | –                                 | (1,386,379)        |
| <b>At 30 June 2013</b>                     | <b>(5,926,741)</b> | <b>(280,674)</b>                      | <b>(47,935)</b>               | <b>–</b>                          | <b>(6,255,350)</b> |
| Reclassification to assets held for sale   | 6,316,400          | 319,335                               | 29,913                        | –                                 | 6,665,648          |
| Depreciation charge                        | (394,145)          | (113,541)                             | (14,811)                      | –                                 | (522,497)          |
| Disposal                                   | –                  | 19,676                                | 4,221                         | –                                 | 23,897             |
| Currency exchange                          | 4,486              | 23,224                                | 2,436                         | –                                 | 30,146             |
| <b>At 30 June 2014</b>                     | <b>–</b>           | <b>(31,980)</b>                       | <b>(26,176)</b>               | <b>–</b>                          | <b>(58,156)</b>    |
| <b>Net book value</b>                      |                    |                                       |                               |                                   |                    |
| <b>At 30 June 2014</b>                     | <b>–</b>           | <b>2,627</b>                          | <b>2,473</b>                  | <b>–</b>                          | <b>5,100</b>       |
| <b>At 30 June 2013</b>                     | <b>7,043,343</b>   | <b>687,474</b>                        | <b>40,162</b>                 | <b>402,546</b>                    | <b>8,173,525</b>   |

Of the depreciation charge, £14,409 (2013: £18,512) is included within other expenses and £508,088 (2013: £910,341) within loss after tax from discontinued operations in the income statement.

## 10 Property, plant and equipment continued

| Company                | Field equipment<br>and machinery<br>£ | Fixtures and<br>fittings<br>£ | Total<br>£      |
|------------------------|---------------------------------------|-------------------------------|-----------------|
| <b>Cost</b>            |                                       |                               |                 |
| At 1 July 2012         | 34,607                                | 28,649                        | 63,256          |
| Additions              | –                                     | –                             | –               |
| At 30 June 2013        | 34,607                                | 28,649                        | 63,256          |
| Additions              | –                                     | –                             | –               |
| <b>At 30 June 2014</b> | <b>34,607</b>                         | <b>28,649</b>                 | <b>63,256</b>   |
| <b>Depreciation</b>    |                                       |                               |                 |
| At 1 July 2012         | (12,847)                              | (12,496)                      | (25,343)        |
| Charge                 | (10,369)                              | (8,078)                       | (18,447)        |
| At 30 June 2013        | (23,216)                              | (20,574)                      | (43,790)        |
| Charge                 | (8,764)                               | (5,602)                       | (14,366)        |
| <b>At 30 June 2014</b> | <b>(31,980)</b>                       | <b>(26,176)</b>               | <b>(58,156)</b> |
| <b>Net book value</b>  |                                       |                               |                 |
| At 30 June 2014        | 2,627                                 | 2,473                         | 5,100           |
| At 30 June 2013        | 11,391                                | 8,075                         | 19,466          |

## 11 Investments in subsidiaries

| Company                                    | 2014<br>£    | 2013<br>£          |
|--------------------------------------------|--------------|--------------------|
| <b>Cost</b>                                |              |                    |
| At 1 July 2013                             | 4,004,554    | 482                |
| Reclassification from assets held for sale | –            | 4,004,072          |
| Reclassification to assets held for sale   | (4,004,072)  | –                  |
| <b>At 30 June 2014</b>                     | <b>482</b>   | <b>4,004,554</b>   |
| <b>Impairment</b>                          |              |                    |
| At 1 July 2013                             | (3,057,405)  | (482)              |
| Charge in the year                         | –            | (3,056,923)        |
| Reclassification to assets held for sale   | 3,056,923    | –                  |
| <b>At 30 June 2014</b>                     | <b>(482)</b> | <b>(3,057,405)</b> |
| <b>Net book value</b>                      | <b>–</b>     | <b>947,149</b>     |

As at 30 June 2014, the Company held interests in the following subsidiary companies:

| Company                          | Country of<br>registration | Class    | Proportion<br>held | Nature of<br>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   |
| Red Rock Kenya Limited           | Kenya                      | Ordinary | 87%                | 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 classified as held for sale as at 30 June 2014 as detailed further in note 8.

## FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2014

## 12 Investments in associates and joint ventures

|                                         | Group              |                    | Company            |                  |
|-----------------------------------------|--------------------|--------------------|--------------------|------------------|
|                                         | 2014<br>£          | 2013<br>£          | 2014<br>£          | 2013<br>£        |
| <b>Cost</b>                             |                    |                    |                    |                  |
| At 30 June 2013                         | 5,855,672          | 5,989,757          | 5,698,828          | 5,850,855        |
| Additions during the year               | 83,897             | 3,183,502          | 83,897             | 3,183,502        |
| Gain on dilution of interest            | -                  | 17,942             | -                  | -                |
| Disposals in the year                   | -                  | (166,794)          | -                  | (166,794)        |
| Transfer from/(to) assets held for sale | 3,168,735          | (3,168,735)        | 3,168,735          | (3,168,735)      |
| <b>At 30 June 2014</b>                  | <b>9,108,304</b>   | <b>5,855,672</b>   | <b>8,951,460</b>   | <b>5,698,828</b> |
| <b>Impairment</b>                       |                    |                    |                    |                  |
| At 30 June 2013                         | (1,819,944)        | (1,493,704)        | (525,034)          | (525,034)        |
| Losses during the year                  | (105,092)          | (326,240)          | -                  | -                |
| Impairment in the year                  | (1,863,962)        | -                  | (2,732,553)        | -                |
| <b>At 30 June 2014</b>                  | <b>(3,788,998)</b> | <b>(1,819,944)</b> | <b>(3,257,587)</b> | <b>(525,034)</b> |
| <b>Net book amount</b>                  | <b>5,319,306</b>   | <b>4,035,728</b>   | <b>5,693,873</b>   | <b>5,173,794</b> |

The Company, at 30 June 2014, had holdings amounting to 20% or more of the issued share capital of the following companies which amounted to significant influence or joint control:

| Company                                                  | Country of incorporation | Class of shares held | Percentage of issued capital | Accounting year ended |
|----------------------------------------------------------|--------------------------|----------------------|------------------------------|-----------------------|
| Red Rock Zambia Limited*                                 | Zambia                   | Ordinary             | 28.40%                       | 30 June 2014          |
| Resource Star Limited                                    | Australia                | Ordinary             | 38.63%                       | 30 June 2014          |
| Melville Bay Limited (formerly "NAMA Greenland Limited") | England                  | Ordinary             | 60.00%                       | 30 November 2013      |

\*Financial information was not available for this company.

The Company, at 30 June 2014, had significant influence by virtue other than shareholding over 20% over the following company:

| Company                           | Country of incorporation | Class of shares held | Percentage of issued capital | Accounting year ended |
|-----------------------------------|--------------------------|----------------------|------------------------------|-----------------------|
| Mid Migori Mining Company Limited | Kenya                    | Ordinary             | 15%                          | 30 September 2013     |

Summarised financial information for the Company's associates and joint ventures, where available, as at 30 June 2014 is given below:

| Company                           | Revenue<br>£ | Loss<br>£ | Assets<br>£ | Liabilities<br>£ |
|-----------------------------------|--------------|-----------|-------------|------------------|
| Mid Migori Mining Company Limited | -            | (129,304) | 2,530,814   | (3,096,189)      |
| Resource Star Limited             | 12,224       | (346,676) | 276,052     | (330,008)        |
| Melville Bay Limited              | -            | (3,000)   | 5,862,512   | (163,835)        |

## 12 Investments in associates and joint ventures continued

|                                              | Mid Migori<br>Mining Company<br>Limited<br>£ | Red Rock<br>Zambia<br>Limited<br>£ | Resource<br>Star<br>Limited<br>£ | Melville<br>Bay<br>Limited<br>£ | Total<br>£         |
|----------------------------------------------|----------------------------------------------|------------------------------------|----------------------------------|---------------------------------|--------------------|
| <b>Cost</b>                                  |                                              |                                    |                                  |                                 |                    |
| At 30 June 2013                              | 1,044,766                                    | 140,596                            | 1,625,838                        | 3,044,472                       | 5,855,672          |
| Additions during the year                    | –                                            | –                                  | 83,897                           | –                               | 83,897             |
| Transferred from assets held for sale        | –                                            | –                                  | –                                | 3,168,735                       | 3,168,735          |
| <b>At 30 June 2014</b>                       | <b>1,044,766</b>                             | <b>140,596</b>                     | <b>1,709,735</b>                 | <b>6,213,207</b>                | <b>9,108,304</b>   |
| <b>Impairment and losses during the year</b> |                                              |                                    |                                  |                                 |                    |
| At 30 June 2013                              | (53,510)                                     | (140,596)                          | (1,625,838)                      | –                               | (1,819,944)        |
| Gains/(losses) during the year               | (19,395)                                     | –                                  | (83,897)                         | (1,800)                         | (105,092)          |
| Impairment in period                         | –                                            | –                                  | –                                | (1,863,962)                     | (1,863,962)        |
| <b>At 30 June 2014</b>                       | <b>(72,905)</b>                              | <b>(140,596)</b>                   | <b>(1,709,735)</b>               | <b>(1,865,762)</b>              | <b>(3,788,998)</b> |
| <b>Carrying amount</b>                       |                                              |                                    |                                  |                                 |                    |
| At 30 June 2014                              | 971,861                                      | –                                  | –                                | 4,347,445                       | 5,319,306          |
| At 30 June 2013                              | 991,256                                      | –                                  | –                                | 3,044,472                       | 4,035,728          |

### Mid Migori Mining Company Limited

The Company owns 15% of the issued share capital of Mid Migori 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 previous years.

### Resource Star Limited

54,408,554 of the Company's shareholding in Resource Star Limited are pledged against two of its borrowings (see note 17). The market value as at 30 June 2014 of the Company's investments in listed associates was as follows:

|                       | 2014<br>£ | 2013<br>£ |
|-----------------------|-----------|-----------|
| Resource Star Limited | 112,448   | 225,675   |

### Melville Bay Limited

In consideration for funding the 2012 exploration programme of North Atlantic Mining Associates Limited ("NAMA"), the Company earned 60% interest in Melville Bay Limited ("MBL"). The Company does not have control over MBL but has joint control along with North Atlantic Mining Associates Limited and International Media Projects Ltd through a contractual joint venture arrangement making MBL a jointly controlled entity.

## FINANCIAL STATEMENTS

## Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 13 Available for sale financial assets

|                                                    | Group and Company |                  |
|----------------------------------------------------|-------------------|------------------|
|                                                    | 2014<br>£         | 2013<br>£        |
| Opening balance                                    | 3,136,448         | 8,809,866        |
| Additions                                          | 232,978           | 200,000          |
| Disposals                                          | (1,705,997)       | (3,579,519)      |
| Revaluations                                       | 390,001           | (2,229,255)      |
| Impairment of available for sale financial assets* | (469,446)         | (64,644)         |
| <b>Closing balance</b>                             | <b>1,583,984</b>  | <b>3,136,448</b> |

\*Total impairment charge in 2013 is £12,667,999. Of this amount, £12,603,355 was transferred out from revaluation reserve account to the income statement.

## Market value of investments

The market value as at 30 June 2014 of the Company's available for sale listed and unlisted investments were as follows:

|                                         | 2014<br>£        | 2013<br>£        |
|-----------------------------------------|------------------|------------------|
| Quoted on London AIM                    | 94,765           | 132,795          |
| Quoted on other foreign stock exchanges | –                | 2,534,208        |
| Unquoted investments at fair value      | 1,489,219        | –                |
|                                         | <b>1,583,984</b> | <b>2,667,003</b> |
| Unquoted investments at cost**          | –                | 469,445          |
|                                         | <b>1,583,984</b> | <b>3,136,448</b> |

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

All or a portion of the Company's available for sale investments in Jupiter Mines Limited and Regency Mines plc are pledged against its borrowings (see note 17).

## 14 Cash and cash equivalents and restricted cash

| Group                    | 30 June<br>2014<br>£ | Cash flow<br>£ | 30 June<br>2013<br>£ |
|--------------------------|----------------------|----------------|----------------------|
| Cash in hand and at bank | 51,167               | 30,086         | 21,081               |
| Restricted cash          | 221,846              | 221,846        | –                    |
|                          | <b>273,013</b>       | <b>251,932</b> | <b>21,081</b>        |

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

|                                                                       | 30 June<br>2014<br>£ | 30 June<br>2013<br>£ |
|-----------------------------------------------------------------------|----------------------|----------------------|
| Cash in hand and at bank                                              | 51,167               | 21,081               |
| Cash in hand and at bank attributable to asset held for sale (note 8) | 4,451                | –                    |
|                                                                       | <b>55,618</b>        | <b>21,081</b>        |

| Company                  | 30 June<br>2014<br>£ | Cash flow<br>£ | 30 June<br>2013<br>£ |
|--------------------------|----------------------|----------------|----------------------|
| Cash in hand and at bank | 50,969               | 42,739         | 8,230                |
| Restricted cash          | 221,846              | 221,846        | –                    |
|                          | <b>272,815</b>       | <b>264,585</b> | <b>8,230</b>         |

Cash of £221,846 is held in escrow as security for the bond liability with UK Bond Network Limited and is restricted from being used by the Company and Group (note 17). The cash is released in tranches at each repayment date.

## 15 Non-current receivables

|                             | Group and Company |                  |
|-----------------------------|-------------------|------------------|
|                             | 2014<br>£         | 2013<br>£        |
| Amounts due from associates | 7,148,560         | 6,334,534        |
| Loan note                   | –                 | 150,000          |
|                             | <b>7,148,560</b>  | <b>6,484,534</b> |

Non-current related party receivables of £7,148,560 (2013: £6,334,534) is 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 26. The amount is unsecured and has no fixed repayment date. Interest is charged at 8% per annum. Management have considered this debt and do not believe that an impairment is required. More details are given in note 1.5, Significant accounting judgements, estimates and assumptions.

The loan note is receivable from North Atlantic Mining Associates Limited on 30 September 2014 and bears an interest of 5% per annum payable at maturity. This loan note was moved to current receivables and is fully provided for as at 30 June 2014.

## 16 Other receivables

|                                            | Group          |                  | Company        |                  |
|--------------------------------------------|----------------|------------------|----------------|------------------|
|                                            | 2014<br>£      | 2013<br>£        | 2014<br>£      | 2013<br>£        |
| <b>Current trade and other receivables</b> |                |                  |                |                  |
| Prepayments                                | 272,322        | 584,185          | 272,322        | 280,552          |
| Related party receivables:                 |                |                  |                |                  |
| – due from subsidiaries                    | –              | –                | –              | 1,248,653        |
| – due from associates                      | 49,251         | 49,098           | 49,251         | 49,098           |
| – due from key management                  | 5,687          | 10,022           | 5,687          | 10,022           |
| Other receivables                          | 251,885        | 2,306,110        | 250,710        | 2,103,360        |
| <b>Total</b>                               | <b>579,145</b> | <b>2,949,415</b> | <b>577,970</b> | <b>3,691,685</b> |

Included in Other receivables is an amount due from North Atlantic Mining Associates Limited of £600,000 (2013: amount due from Ascot Mining plc of £1,270,833) which has been fully provided for.

## 17 Trade and other payables

|                          | Group            |                   | Company          |                  |
|--------------------------|------------------|-------------------|------------------|------------------|
|                          | 2014<br>£        | 2013<br>£         | 2014<br>£        | 2013<br>£        |
| Trade and other payables | 1,855,719        | 3,628,074         | 1,855,426        | 2,607,629        |
| Accruals                 | 318,394          | 436,229           | 318,394          | 436,229          |
| Related party payables:  |                  |                   |                  |                  |
| – due to associates      | 289,941          | 437,839           | 289,941          | 437,839          |
| – due to key management  | 29,235           | 26,416            | 29,235           | 26,416           |
| Trade and other payables | <b>2,493,289</b> | <b>4,528,558</b>  | <b>2,492,996</b> | <b>3,508,113</b> |
| Short-term borrowings    | 755,889          | 5,602,840         | 755,889          | 2,557,013        |
|                          | <b>3,249,178</b> | <b>10,131,398</b> | <b>3,248,885</b> | <b>6,065,126</b> |
| Long-term borrowings     | 318,978          | 245,588           | 318,978          | –                |
| <b>Total</b>             | <b>3,568,156</b> | <b>10,376,986</b> | <b>3,567,863</b> | <b>6,065,126</b> |

### YA Global Master SPV Limited

A short-term loan of £321,850 (2013: £1,600,359) with YA Global Master SPV Limited ("YAGM") remains outstanding as at the end of the year. Interest is charged on this loan at a rate of 9% per annum. The Company has pledged 19,666,540 of its shares in Jupiter Mines Limited as security for this loan in addition to 17,900,000 shares in Regency Mines plc, 22,954,277 (2013: 45,908,554) shares in Resource Star Limited and the entire issued share capital of American Gold Mines Limited.

Repayments are scheduled in tranches up to November 2014 and are made either in cash or by issue of shares in the Company in line with the terms of the agreement.

In addition to the loan, the Company also has outstanding unsecured convertible loan with YAGM of £259,324 as at the end of the year. The notes yield 10% per annum, have a term of twelve months maturing on 29 April 2015 and are convertible to ordinary shares at any time until maturity.

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FOR THE YEAR ENDED 30 JUNE 2014

**17 Trade and other payables continued****UK Bond Network**

In December 2013, the Company issued a £500,000 secured bond, arranged by the UK Bond Network Limited. The bond has a term of 2 years and a coupon of 14% per annum and is to be 50% amortised with payments that started in June 2014 and continuing on a semi-annual basis. As at 30 June 2014, outstanding bond liability amounts to £443,693 of which £124,715 is payable within twelve months from balance sheet date. Cash of £221,846 is held in escrow as security for the bond. The Company has also pledged 31,454,277 shares in Resource Star Limited and 16,000,000 shares in Regency Mines plc as security. The loan may be repaid at any time following the first anniversary of the date of issuance at no additional cost to the Company.

**18 Deferred tax**

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

|                                                                         | Group       |                    | Company   |             |
|-------------------------------------------------------------------------|-------------|--------------------|-----------|-------------|
|                                                                         | 2014<br>£   | 2013<br>£          | 2014<br>£ | 2013<br>£   |
| Deferred tax assets (liabilities)/assets as at 30 June 2013             | (3,164,001) | 153,098            | –         | 1,981       |
| Deferred tax credit recognised in the statement of income               | –           | 2,382,333          | –         | 2,321,342   |
| Deferred tax charge recognised in the statement of comprehensive income | –           | (2,323,323)        | –         | (2,323,323) |
| Transferred from liabilities associated with assets held for sale       | –           | (3,376,109)        | –         | –           |
| Transferred to liabilities associated with assets held for sale         | 3,164,001   | –                  | –         | –           |
| <b>Deferred tax liabilities as at 30 June 2014</b>                      | <b>–</b>    | <b>(3,164,001)</b> | <b>–</b>  | <b>–</b>    |

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<br>£ | Investments<br>£ | Employee<br>benefits<br>£ | Total<br>£  |
|-------------------------------------------------------------------|-------------------|------------------|---------------------------|-------------|
|                                                                   | £                 | £                | £                         | £           |
| Deferred tax (liabilities)/assets as at 30 June 2012              | (9,099)           | 151,117          | 11,080                    | 153,098     |
| Credit/(charge) to the statement of income for the year           | 9,099             | 2,384,314        | (11,080)                  | 2,382,333   |
| Charge to the statement of comprehensive income for the year      | –                 | (2,323,323)      | –                         | (2,323,323) |
| Transferred from liabilities associated with assets held for sale | –                 | (3,376,109)      | –                         | (3,376,109) |
| Deferred tax liabilities as at 30 June 2013                       | –                 | (3,164,001)      | –                         | (3,164,001) |
| Transferred to liabilities associated with assets held for sale   | –                 | 3,164,001        | –                         | 3,164,001   |
| <b>Deferred tax liabilities as at 30 June 2014</b>                | <b>–</b>          | <b>–</b>         | <b>–</b>                  | <b>–</b>    |

| Company                                                 | Depreciation<br>£ | Investments<br>£ | Employee<br>benefits<br>£ | Total<br>£  |
|---------------------------------------------------------|-------------------|------------------|---------------------------|-------------|
|                                                         | £                 | £                | £                         | £           |
| Deferred tax (liabilities)/assets as at 30 June 2012    | (9,099)           | –                | 11,080                    | 1,981       |
| Credit/(charge) to the statement of income for the year | 9,099             | 2,323,323        | (11,080)                  | 2,321,342   |
| Charge to the statement of comprehensive income         | –                 | (2,323,323)      | –                         | (2,323,323) |
| Deferred tax liabilities as at 30 June 2013             | –                 | –                | –                         | –           |
| Charge to the statement of income for the year          | –                 | –                | –                         | –           |
| Charge to the statement of comprehensive income         | –                 | –                | –                         | –           |
| <b>Deferred tax liabilities as at 30 June 2014</b>      | <b>–</b>          | <b>–</b>         | <b>–</b>                  | <b>–</b>    |

## 19 Share capital of the Company

The share capital of the Company is as follows:

|                                                  | Number        | Nominal<br>£ |
|--------------------------------------------------|---------------|--------------|
| <b>Allotted and fully paid during the year</b>   |               |              |
| As at 30 June 2013                               | 1,279,769,102 | 1,279,769    |
| Issued 8 August 2013 at 0.645 pence per share    | 54,134,776    | 54,135       |
| Issued 27 August 2013 at 0.622 pence per share   | 44,212,219    | 44,212       |
| Issued 9 October 2013 at 0.952 pence per share   | 27,454,448    | 27,454       |
| Issued 3 December 2013 at 0.66 pence per share   | 45,000,000    | 45,000       |
| Issued 21 January 2014 at 0.470 pence per share  | 76,595,744    | 76,596       |
| Issued 24 January 2014 at 0.507 pence per share  | 30,312,051    | 30,312       |
| Issued 30 January 2014 at 0.470 pence per share  | 11,368,404    | 11,368       |
| Issued 24 February 2014 at 0.383 pence per share | 40,151,475    | 40,152       |
| Issued 4 March 2014 at 0.380 pence per share     | 21,052,631    | 21,053       |
| Issued 19 March 2014 at 0.375 pence per share    | 53,404,539    | 53,405       |
| Issued 21 March 2014 at 0.375 pence per share    | 6,489,212     | 6,489        |
| Issued 31 March 2014 at 0.375 pence per share    | 15,711,999    | 15,712       |
| Issued 30 May 2014 at 0.228 pence per share      | 153,544,588   | 153,545      |
| Issued 25 June 2014 at 0.265 pence per share     | 75,386,355    | 75,386       |
|                                                  | 654,818,441   | 654,819      |
| As at 30 June 2014                               | 1,934,587,543 | 1,934,588    |

## 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 22).

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.

## 20 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.

### Share-based payment reserve

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

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## Notes to the Financial Statements continued

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**21 Share-based payments****Employee share options**

In prior years, 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. All options have expired as at 30 June 2014 except for those issued for an exercise price of 3.2 pence. Under the plan, the options were granted for no consideration, vested immediately, expiring on 21 Sept 2015 and 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 previous years. There is no charge during the year.

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

|              | Options issued<br>22 September 2010<br>exercisable at<br>3.2 pence per<br>share expiring<br>21 September 2015<br>Number |
|--------------|-------------------------------------------------------------------------------------------------------------------------|
| A R M Bell   | 3,250,000                                                                                                               |
| M C Nott     | 2,000,000                                                                                                               |
| J Watkins    | 1,000,000                                                                                                               |
| Employees    | 1,750,000                                                                                                               |
| <b>Total</b> | <b>8,000,000</b>                                                                                                        |

|                                             | Company and Group    |                                                   |                      |                                                   |
|---------------------------------------------|----------------------|---------------------------------------------------|----------------------|---------------------------------------------------|
|                                             | 2014                 |                                                   | 2013                 |                                                   |
|                                             | Number of<br>options | Weighted<br>average<br>exercise<br>price<br>pence | Number of<br>options | Weighted<br>average<br>exercise<br>price<br>pence |
| Outstanding at the beginning of the period  | 24,250,000           | 2.21                                              | 24,250,000           | 2.21                                              |
| Expired                                     | (16,250,000)         | 1.72                                              | –                    | –                                                 |
| <b>Outstanding at the end of the period</b> | <b>8,000,000</b>     | <b>3.20</b>                                       | <b>24,250,000</b>    | <b>2.21</b>                                       |
| <b>Exercisable at the end of the period</b> | <b>8,000,000</b>     | <b>3.20</b>                                       | <b>24,250,000</b>    | <b>2.21</b>                                       |

The options outstanding at 30 June 2014 have an exercise price of 3.2 pence and a contractual life of 1.23 years.

During the financial year no options were exercised (2013: nil). During the financial year 16,250,000 options expired (2013: nil) due to the expiry date being reached.

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<br>per option<br>pence | Exercise<br>price<br>pence | Price of<br>shares on<br>grant<br>pence | Estimated<br>volatility<br>% | Risk free<br>interest<br>% | Dividend<br>% |
|-------------------|-----------------------------------|----------------------------|-----------------------------------------|------------------------------|----------------------------|---------------|
| 22 September 2010 | 1.60                              | 3.20                       | 3.20                                    | 50%                          | 1.84%                      | –             |

The expected volatility is based on the historic volatility of the Company and 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 and other factors indicating that expected future volatility might differ from past volatility.

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

## 21 Share-based payments continued

### Share Incentive Plan

In January 2012 the Company implemented 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 have 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 employee 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 21,843,070 free and matching shares were awarded with fair values of 0.475 pence and 0.375 pence respectively, resulting in a share-based payment charge of £92,712 in the income statement.

## 22 Financial instruments

### 22.1 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 carrying amounts for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows:

| Group<br>30 June 2014                                                      | 2014<br>£        | 2013<br>£         |
|----------------------------------------------------------------------------|------------------|-------------------|
| <b>Financial assets</b>                                                    |                  |                   |
| Available for sale financial assets at fair value through OCI              |                  |                   |
| Unquoted equity shares                                                     | 1,489,219        | –                 |
| Quoted equity shares                                                       | 94,765           | 2,667,003         |
| <b>Total available for sale financial assets at fair value through OCI</b> | <b>1,583,984</b> | <b>2,667,003</b>  |
| <b>Available for sale financial assets at cost</b>                         |                  |                   |
| Unquoted equity shares                                                     | –                | 469,445           |
| <b>Loans and receivables</b>                                               |                  |                   |
| Non-current receivables                                                    | 7,148,560        | 6,484,534         |
| Other receivables – current                                                | 306,823          | 2,365,230         |
| <b>Total loans and receivables</b>                                         | <b>7,455,383</b> | <b>8,849,764</b>  |
| <b>Total financial assets</b>                                              | <b>9,039,367</b> | <b>11,986,212</b> |
| <b>Total current</b>                                                       | <b>306,823</b>   | <b>2,365,230</b>  |
| <b>Total non-current</b>                                                   | <b>8,732,544</b> | <b>9,620,982</b>  |

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 not materially different from that of the Group (2013: higher by £1,045,903 due to the Company's receivable from the group offset by additional receivables in subsidiary companies).

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## Notes to the Financial Statements continued

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**22 Financial instruments continued****22.1 Categories of financial instruments continued****Other receivables and trade payables**

Management assessed that other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

**Non-current receivables**

Long-term fixed-rate receivables are evaluated by the Group based on parameters such as interest rates, recoverability and risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for any expected losses on these receivables.

Financial instruments held at cost can be reconciled from beginning to ending balances as follows:

| Available for sale financial assets at cost | Unlisted investments at cost |           |
|---------------------------------------------|------------------------------|-----------|
|                                             | 2014<br>£                    | 2013<br>£ |
| Group and Company                           |                              |           |
| Brought forward                             | 469,445                      | 501,480   |
| Impairment                                  | (469,445)                    | (32,035)  |
| Carried forward                             | –                            | 469,445   |
| Group<br>30 June 2014                       | 2014<br>£                    | 2013<br>£ |
| Financial liabilities                       |                              |           |
| Loans and borrowings                        |                              |           |
| Trade and other payables                    | 2,174,895                    | 4,092,329 |
| Short-term borrowings                       | 755,889                      | 5,602,840 |
| Long-term borrowings                        | 318,978                      | 245,588   |
| Total loans and borrowings                  | 3,249,762                    | 9,940,757 |
| Total financial liabilities                 | 3,249,762                    | 9,940,757 |
| Total current                               | 2,930,784                    | 9,695,169 |
| Total non-current                           | 318,978                      | 245,588   |

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 not materially different from that of the Group (2013: lower by £4,066,272 due to additional trade and other payables in subsidiary companies).

**Loans and borrowings**

The carrying value of interest-bearing loans and borrowings is determined by calculating present values at the reporting date, using the issuer's borrowing rate.

**22.2 Fair values****22.2.1 Fair values of financial assets and liabilities**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## 22 Financial instruments continued

### 22.2 Fair values continued

#### 22.2.1 Fair values of financial assets and liabilities continued

The carrying amount of the Company's financial assets and liabilities is not materially different to their fair value. The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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 uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

| Group and Company<br>30 June 2014                             | Level 1<br>£ | Level 2<br>£ | Level 3<br>£ | Total<br>£ |
|---------------------------------------------------------------|--------------|--------------|--------------|------------|
| Available for sale financial assets at fair value through OCI |              |              |              |            |
| – Unquoted equity shares                                      | –            | 1,489,219    | –            | 1,489,219  |
| – Quoted equity shares                                        | 94,765       | –            | –            | 94,765     |
| Group and Company<br>30 June 2013                             | Level 1<br>£ | Level 2<br>£ | Level 3<br>£ | Total<br>£ |
| Available for sale financial assets                           |              |              |              |            |
| – at market price                                             | 2,667,003    | –            | –            | 2,667,003  |
| Liabilities measured at fair value                            | –            | –            | 376,884      | 376,884    |

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Unquoted available for sale financial assets (Level 2)

A significant portion of the Group's available for sale financial asset is an investment in equity shares of a non-listed company. The fair value of unquoted ordinary shares has been estimated using the weighted average share price of actual sale transactions that happened between de-listing date and the year-end.

Liabilities measured at fair value (Level 3)

Liabilities measured at fair value consist of deferred consideration on a previous acquisition of a subsidiary. The payment of deferred consideration is dependent upon the achievement of certain metrics and the fulfilment of certain conditions. Fair value is measured at the present value of the potential outcomes by discounting these outcomes at a discount rate of 14%. The probability of future outcomes has been estimated taking into account historical patterns relating to the metrics. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

|                                                                    | Liabilities measured at fair value |           |
|--------------------------------------------------------------------|------------------------------------|-----------|
|                                                                    | 2014<br>£                          | 2013<br>£ |
| Balance as at 1 July 2013                                          | 376,884                            | 358,900   |
| (Gains)/losses recognised in profit or loss:                       |                                    |           |
| Change in fair value of deferred consideration under finance costs | (31,141)                           | 17,984    |
| Write-off of deferred consideration under Other income             | (345,743)                          | –         |
| Balance as at 30 June 2014                                         | –                                  | 376,884   |

#### 22.2.2 Non-recurring fair value measurement of assets and liabilities classified as held for sale

|                                                                             | Level 3     |              |
|-----------------------------------------------------------------------------|-------------|--------------|
|                                                                             | Group<br>£  | Company<br>£ |
| 30 June 2014                                                                |             |              |
| Assets classified as held for sale                                          | 6,994,468   | 2,436,308    |
| Liabilities directly associated with the assets classified as held for sale | (4,744,285) | –            |
| Non-controlling interest                                                    | (60,461)    | –            |
|                                                                             | 2,189,722   | 2,436,308    |

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# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

## 22 Financial instruments continued

### 22.2 Fair values continued

#### 22.2.2 Non-recurring fair value measurement of assets and liabilities classified as held for sale continued

As at 30 June 2014, the assets and liabilities of Four Points Mining SAS, being a disposal group held for sale (see note 8), are measured by the Group and the Company at fair value less costs to sell because the disposal group's fair value less cost to sell is lower than its carrying amount. The fair value was estimated based on the consideration offered by the potential buyer adjusted to its present value based on the timing for which the consideration is expected to be received. The most significant inputs are the offer price per tranches, discount rate, and estimated royalty stream. The estimated royalty stream takes into account current production level, estimates of future production level and gold price forecasts. The Group used a discount rate of 15% based on relevant industry comparators adjusted for additional risks relating to uncertainties over resource and production. Future monthly production is estimated at 1,035 ounces and gold price is estimated at US\$ 1,150.

### 22.3 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 are 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.

#### 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 have a material credit risk exposure with Mid Migori Mining Company Limited, an associate of the Company. Management have considered this amount to be fully receivable. See note 1.5, "Significant accounting judgements, estimates and assumptions" and note 15 for further details.

The Group has pledged 19,666,540 (2013: 50,192,997) of its shares in Jupiter Mines Limited as security for one (2013: two) of its borrowings (see note 17).

#### 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 for commercial exploration and that controls over expenditure are carefully managed.

As at 30 June 2014, the Group's non-derivative financial liabilities of £3,249,762 have contractual maturities of 0-6 months (£2,606,994), 7-12 months (£323,790) and 1-2 years (£318,978).

Management intend to meet obligations as they become due through the sale of assets, the issuance of new shares, the collection of debts owed to the Company and the drawing of additional credit facilities.

## 22 Financial instruments continued

### 22.3 Financial risk management policies continued

#### Market risk

##### Interest rate risk

The Company is not exposed to any material interest rate risk because interest rates on loans are fixed in advance.

##### 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:

| Group and Company                       | 2014<br>£ | 2013<br>£ |
|-----------------------------------------|-----------|-----------|
| Change in profit:                       |           |           |
| – increase in listed investments by 10% | –         | –         |
| – decrease in listed investments by 10% | –         | –         |
| Change in equity:                       |           |           |
| – increase in listed investments by 10% | 9,477     | 269,900   |
| – decrease in listed investments by 10% | (9,477)   | (269,900) |

##### 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<br>30 June 2014 | GBP<br>£ | AUD<br>£  | Total<br>£ |
|-----------------------------------|----------|-----------|------------|
| Available for sale investments    | 94,765   | 1,489,219 | 1,583,984  |
| Group and Company<br>30 June 2013 | GBP<br>£ | AUD<br>£  | Total<br>£ |
| Available for sale investments    | 602,240  | 2,534,208 | 3,136,448  |

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

It assumes a +/-8% (2013: +/-7%) change in the AUD/GBP exchange rate for the year ended 30 June 2014. 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

|                                                   | 2014<br>£ | 2013<br>£ |
|---------------------------------------------------|-----------|-----------|
| 8% (2013: 7%) increase in AUD fx rate against GBP | 119,138   | 177,395   |
| 8% (2013: 7%) decrease in AUD fx rate against GBP | (119,138) | (177,395) |

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.

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# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

### 23 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 20 November 2014. For the sake of completeness and of clarity, some events after the reporting period are included here and in note 25 on page 64.

#### Board change

- On 2 July 2013, Manoli Yannaghas, who previously served as an Executive Director, assumed the position of a Non-executive Director. He then resigned as a director effective 1 January 2014.

#### Jupiter Mines Limited

- On 10 January 2014, Jupiter Mines Limited delisted from the Australian Stock Exchange. The principal reasons for delisting are the limited marketability and trading in Jupiter stock, and the lack of any price response to the transformation of Jupiter from an explorer into a significant manganese producer with a production history, and transport and marketing contracts in place. Jupiter has successfully brought a major asset into production and as it now moves to maximise the perceived and perhaps the acquisition value of its underlying assets, the fact that the public market so significantly undervalues that and the other assets of Jupiter is a significant limiting factor. The Company's holding in Jupiter is 27,324,375 shares, representing 1.20% interest. The Company retains a 0.75% gross revenue royalty over Jupiter's Mt Ida project and non-manganese mineral rights over a further Jupiter tenement.

#### FPM

- On 12 May 2014 the Company executed a binding Letter of Intent ("LOI") with Nicaragua Milling Company Limited ("NMCL"), a private company registered in Belize. Under the LOI, the Company will sell (a) its 100% interest in American Gold Mines Limited ("AGM"), which owns a 50.002% interest in Four Points Mining SAS ("FPM"), the owner of the El Limon mine, and (b) its loans to FPM, for a total consideration of US\$ 5m payable in three tranches including a payment of US\$ 1m in the form of a 3% royalty on annual net gold sales. In November 2014, the terms of payment were re-negotiated as follows:

Payment of consideration will occur in four tranches. The first tranche of US\$ 1.050m will be payable upon the closing of the transaction which is expected in December 2014.

A second tranche of US\$ 1.075m is payable six months after closing and a third tranche of US\$ 1.125m is payable a year after closing. These tranches will be satisfied by the issuance by NMCL to the Company of a non-interest bearing promissory note (the "PN") due and payable on or before the dates specified. Security for the PN will be held in the form of a charge over 100% of the shares in AGM.

The fourth tranche of up to US\$ 1.750m will be paid in the form of a 3% royalty on annual net gold sales. In the event that gold production at any stage ceases at El Limon, the total paid under the fourth tranche may fall short of this amount.

A 7% commission is payable to Ariel Partners on the transaction.

NMCL have paid a total of US\$ 0.1m non-refundable deposit to conduct due diligence with exclusivity.

In addition, NMCL has separately arranged to purchase additional holdings in FPM beyond the 50.002% held by the Company through AGM. The Company has received a copy of a signed contract whereby NMCL has agreed to purchase an 11.2% shareholding held by a local shareholder and NMCL has informed the Company that it has made an initial payment on this contract. Further, NMCL has announced that it has entered into a binding letter of intent with Prize Mining Corporation ("Prize"), listed on the TSX, to acquire a 61% stake in the El Limon mine, the principal asset of FPM, following completion of the transaction between the Company and NMCL.

#### Convertible loan note

- On 8 August 2013 the Company issued an unsecured convertible loan note of £275,000 to YA Global Masters SPV Limited ("YAGM"). The notes yield 10% per annum and are convertible into Ordinary shares at the option of YAGM until 8 August 2014, after which the loan notes become repayable. The price of conversion was determined by a formula equal to 97% of the six lowest daily volume weighted average prices during 12 consecutive trading days beginning on the first trading day immediately following the delivery of a notice of conversion by a bondholder. On 27 August 2013, this loan note was converted into 44,212,219 Ordinary shares of 0.1 pence each in the Company under the terms of the above Convertible Bond Instrument, at a price of £0.006220 per share.
- On 18 September 2013 the Company issued an unsecured convertible loan note of £300,000 to YAGM. The notes yield 10% per annum, and are convertible into Ordinary shares for up to one year. The price of conversion will be determined by a formula equal to 97% of the six lowest daily volume weighted average prices during 12 consecutive trading days beginning on the first trading day immediately following the delivery of a notice of conversion by the bondholder. On 9 October 2013 it was agreed by and between the parties to amend the conversion amount to £261,311. On 9 October 2013 YAGM converted the loan note of £261,311 into 27,454,448 Ordinary shares of 0.1 pence each, at a price of £0.009518 per share.

## **23 Significant agreements and transactions continued**

### **Convertible loan note continued**

- On 19 November 2013 the Company issued an unsecured convertible loan note of £500,000 to YAGM. The notes yield 10% per annum, and are convertible into ordinary shares for up to one year. The price of conversion will be determined by a formula equal to 97% of the six lowest daily volume weighted average prices during 12 consecutive trading days beginning on the first trading day immediately following the delivery of a notice of conversion by the bondholder with a price cap of 1 pence. On 24 January YAGM converted £150,000 in unsecured Convertible Bonds 2014 into 29,568,886 ordinary shares of 0.1 pence each at a price of £0.0050729 per share. On 24 February they converted £150,000 into 39,174,719 ordinary shares at a price of £0.003829 per share and on 21 March converted the remaining £200,000 into 53,404,539 ordinary shares at a price of £0.003745 per share. Simultaneously, a total of £31,812.10, representing interest and fees accrued on the Convertible and outstanding term loan, were converted into 8,209,133 shares at various prices stated in the above conversion dates.
- On 29 April 2014 the Company issued an unsecured convertible loan note of £550,000 to YAGM. The notes yield 10% per annum, have a maturity of 12 months, and are able to be converted into ordinary shares at any time, up until maturity. The conversion price will be determined by a formula equal to 94% of the three lowest daily volume weighted average prices during 15 consecutive trading days beginning on the first trading day immediately following the delivery of a notice of conversion by the bondholder with a price cap of 1 pence. The notes fall for repayment on 29 April 2015 if not previously converted. Of the total proceeds, £90,000 was withheld by YA Global and was released to the Company in tranches of £45,000 in May and June respectively after all shares due to be delivered to YA Global have been delivered. On 30 May 2014 YAGM converted £90,676 in unsecured Convertible Bonds into 39,787,592 ordinary shares of 0.1 pence each at a price of £ 0.002279 per share. On 25 June 2014 they converted £200,000 in unsecured Convertible Bonds into 75,386,355 ordinary shares of 0.1 pence each at a price of £0.002653 per share.

### **UK Bond Network**

- On 20 December 2013 the Company announced the issuance of £500,000 secured bond, arranged by the UK Bond Network Limited. The bond has a term of 2 years and a coupon of 14% per annum and is to be 50% amortised with payments that started in June 2014 and continuing on a semi-annual basis. The bond is secured by way of a debenture and a cash escrow arrangement, and there may be a further return to participating investors linked to the performance and any future sale of the Company's Jupiter Mines Limited shareholding above an agreed fixed price over the period of the loan. The loan may be repaid at any time following the first anniversary of the date of issuance at no additional cost to the Company.

### **Share options**

- On 27 August 2013 the Company announced that it will not issue 17,000,000 in options that were to be granted at the Board's discretion to key staff and personnel as announced on 29 January 2013. Additionally, 22,000,000 options that were granted to Company's Executive and Non-executive Directors have also been waived by the grantees. No charge was recognised in prior year accounts on the share options granted in January 2013 and cancelled during the year due to immateriality.

### **Share Incentive Plan**

On 29 January 2014, the Board of Directors approved the issue of 11,368,404 ordinary shares of 0.1p each in the Company under the Company's Share Incentive Plan ("SIP") Free Shares for the 2013/14 tax year with reference to the closing mid-market price of 0.475p on 22 January 2014. On 7 April 2014, the Board of Directors approved the issue of 15,711,999 ordinary shares in the Company ordinary shares under the Company's SIP for the 2013/14 tax year. 5,237,333 Partnership Shares and 10,474,666 Matching Shares have been awarded with reference to the mid-market closing price of 0.375p on 31 March 2014.

### **Ivory Coast exploration funding arrangement**

- On 4 March 2014, the Company has agreed to funding terms with a private investor, Daniel Sklan, in which £100,000 will be made available to the Company (the "Investment Amount") specifically for gold exploration activities in the Ivory Coast Gold Project (the "ICGP"). The Company can draw down funds in tranches by serving notice to the investor, with no individual tranche to exceed £20,000. The investor will receive a gross revenue royalty of 0.6% on any production that occurs on the ICGP and will receive from the net proceeds of a sale of ICGP assets an amount equal to a return of the Investment Amount plus 15% of any realisations in excess of the Investment Amount. The ICGP is a new project for the Company and will consist primarily of licenses in Ivory Coast, located in the centre of the Birimian Greenstone Belt, currently being applied for by the Company's locally incorporated affiliates.
- On 4 April 2014 the Company announced that it had recently applied, through a locally incorporated affiliate, for three exploration licences in Ivory Coast proximal to the Ghanaian border, in the same prospective greenstone units and along trend from Newmont's 17Moz Ahafo Gold Mine. The licences are located near the town of Bettié, whose name has been adopted for the new project. In addition, the Company has taken a technical advisory role for Basse Terre sarl, a local affiliate which has in turn applied for four exploration licences in central Ivory Coast near the towns of Ourme, Tiénigboué and Niofoin. All licences are underlain by prospective Birimian greenstone rocks and three of the four are located along trend or proximal to major gold deposits.

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# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2014

### 24 Related party transactions

- On 5 April 2013, Regency Mines plc, Red Rock Resources plc and Greatland Gold plc, companies of which Andrew Bell and John Watkins are also directors, entered into a joint lease at Ivybridge House, 1 Adam Street, London WC2N 6LE. The total cost to the Company for these costs during the year was £178,327 (2013: £154,436), of which £55,784 represented the Company's share of the office rent and the balance services provided (2013: £40,955).
- 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 £174,863 (2013: £349,964).
- 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 £82,500 (2013: £67,917) 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 £11,602 (2013: £9,115).
- The Company provided technical support to FPM until 30 June 2013 in order to increase production at the El Limon mine facility for a fee payable quarterly in arrears. The Company recorded £754,114 revenue in the prior year from technical fees. This revenue is eliminated in the consolidated income statement. As at 30 June 2014, FPM owes the Company technical fees of £1,115,248 (2013: £1,248,653).
- Resource Star Limited, an associate, provided professional services to the Company in the previous years. There is no fee charged in 2014 (2013: £87,448). The Company has outstanding payable to Resource Star of £18,472 as at 30 June 2014 and is included in trade and other payables (2013: £87,448).
- Related party receivables and payables are disclosed in notes 15 to 17.
- The Company held 33,900,000 shares (2.30%) in Regency Mines plc as at 30 June 2014 and 33,900,000 (2.00%) as at 20 November 2014.
- On 30 May 2014, Regency Mines plc subscribed for 21,939,447 shares of the Company at £0.002279 in settlement of shared costs and obligations. Following the issuance, Regency Mines plc held 189,619,006 shares representing 10.20% of the Company's total voting rights.
- Also on 30 May 2014, the Company's directors and persons connected to directors subscribed to a total of 30,342,563 shares at a price of £0.002279. The direct and beneficial interests of the Board in the shares of the Company as at 30 June 2014 are shown in the Director's Report on page 16.
- The key management personnel are the Directors and their remuneration is disclosed within note 7.

### 25 Events after the reporting period

#### Convertible loan note

- On 11 August 2014, YA Global Master SPV, Ltd. has converted £149,324 of its £550,000 unsecured Convertible Bonds, which are due for repayment in April 2015, into 66,160,425 ordinary shares of 0.1 pence each in the Company under the terms of the Convertible Bond Instrument as announced on 30 April 2014, at a price of £0.002257 per share. Simultaneously, £11,126, representing fees accrued on the Company's outstanding term loan, were converted into 4,929,663 shares of 0.1 pence each at a price of £0.002257 per share.

#### Issue of new shares

- On 29 August 2014, the Company raised £200,000 by way of a placing of 100,000,000 new ordinary shares of 0.1 pence each in the Company with institutional and private investors, at a price of £0.002 per share. 37,500,000 of the Shares were taken up by Regency Mines in settlement of shared costs and obligations. Following the Issuance Regency Mines plc will hold 227,119,006 Shares representing 10.65% of the Company's total voting rights.
- On 18 September 2014, the Company raised £167,325 by way of an issue of 76,056,779 new ordinary shares of 0.1 pence each in the Company with institutional and private investors, at a price of £0.0022 per share.

#### Annual General Meeting

The Company intends to issue a notice of Annual General Meeting of shareholders to be held on 23 December 2014 for the purpose of dealing with the usual business applicable at such a meeting.

## **26 Commitments**

As at 30 June 2014, the Company had entered into the following commitments:

- Exploration commitments: Ongoing exploration expenditure is required to maintain title to the Group mineral exploration permits in Kenya and Greenland. 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 5 April 2013, Red Rock Resources plc entered into a joint lease agreement with Regency Mines plc and Greatland Gold plc at Ivybridge House, 1 Adam Street, London WC2N 6LE. The lease is non-cancellable until 1 December 2017. Future minimum annual rental and service charges payable by the Company is £54,390.

## **27 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 9.80% as at 30 June 2014 but had increased to 10.29% as at 20 November 2014.

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# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Red Rock Resources plc (the "Company") will be held at Ivybridge House, 1 Adam Street, London WC2N 6LE on 23 December 2014 at 11am for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions in the cases of resolutions 1–5 and as special resolutions in the case of resolutions 6 and 7.

### Ordinary Resolutions

#### Ordinary Business

1. To receive the report of the Directors and the audited financial statements of the Company for the year ended 30 June 2014.
2. To re-elect John Watkins as a Director of the Company, who retires by rotation under the Articles of Association of the Company and, being eligible, offers himself for re-election.
3. To appoint Chapman Davis LLP as auditors of the Company to act until the conclusion of the next Annual General Meeting and to authorise the Directors to determine the remuneration of the auditors.
4. That in substitution for all existing and unexercised authorities, the directors of the company be and they are hereby generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ('the Act') to exercise all or any of the powers of the company to allot equity securities (within the meaning of Section 560 of the Act) up to a maximum nominal amount of £750,000 provided that this authority shall, unless previously revoked or varied by the company in general meeting, expire on the earlier of the conclusion of the next Annual General Meeting of the company or 15 months after the passing of this Resolution, unless renewed or extended prior to such time except that the directors of the company may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

#### Special Business

5. That, subject to the passing of resolution 7, with effect from 23.59 hours on the date of the passing of this resolution:
  - 5.1 each of the existing issued ordinary shares of 0.1p each in the capital of the Company ("Existing Ordinary Shares") be subdivided into one deferred share of 0.09p each ("Deferred Shares") and one new Ordinary Share of 0.01p each ("New Ordinary Shares"); and
  - 5.2 the New Ordinary Shares will have the same rights and be subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares in the Company's Articles of Association and the Deferred Shares will have the rights and be subject to the restrictions attached to Deferred Shares as set out in the Articles of Association.

### Special Resolutions

#### Ordinary Business

6. That in substitution for all existing and unexercised authorities and subject to the passing of the immediately preceding Resolution, the directors of the company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) pursuant to the authority conferred upon them by the preceding Resolution as if section 561(1) of the Act did not apply to any such allotment provided that the power conferred by the Resolution, unless previously revoked or varied by special resolution of the company in general meeting, shall be limited:
  - (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory;
  - (b) the grant of a right to subscribe for, or to convert any equity securities into Ordinary Shares otherwise than under sub-paragraph (a) above, up to a maximum aggregate nominal amount of £100,000; and
  - (c) to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £600,000 in respect of any other issues for cash consideration;and shall expire on the earlier of the date of the next Annual General Meeting of the company or 15 months from the date of the passing of this Resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

#### Special Business

7. That the articles of association of the Company be amended as follows:
  - (a) by inserting the following definition at article 1:  
"Deferred Shares: the deferred shares in the capital of the Company with the rights set out in Article 12"

## Special Resolutions continued

### Special Business continued

(b) by inserting the following as article 12:

"12. The rights and restrictions attached to the Deferred Shares shall be as follows:

- 12.1 As regards income the holders of the Deferred Shares shall not be entitled to receive any dividend out of the profits of the Company available for distribution and resolved to be distributed in respect of any financial year or any other income or right to participate therein.
- 12.2 As regards capital on a distribution of assets on a winding-up or other return of capital (otherwise than on conversion or redemption on purchase by the Company of any of its shares) the holders of the Deferred Shares shall be entitled to receive the amount paid up on their shares after there shall have been distributed (in cash or in specie) to the holders of the Ordinary Shares the amount of £100,000,000 in respect of each Ordinary Share held by them respectively. For this purpose distributions in currency other than sterling shall be treated as converted into sterling, and the value for any distribution in specie shall be ascertained in sterling, in each case in such manner as the Directors of the Company in general meeting may approve. The Deferred Shares shall not entitle the holders thereof to any further or other right of participation in the assets of the Company.
- 12.3 As regards voting the holders of Deferred Shares shall not be entitled to receive notice of or to attend (either personally or by proxy) any general meeting of the Company or to vote (either personally or by proxy) on any resolution to be proposed thereat.
- 12.4 The rights attached to the Deferred Shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to such shares. In addition neither the passing by the Company of any resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the Court nor the obtaining by the Company nor the making by the Court of any order confirming any such reduction of capital nor the becoming effective of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares and accordingly the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with applicable legislation without sanction on the part of the holders of the Deferred Shares.
- 12.5 Notwithstanding any other provision of these Articles, the Company shall have the power and authority at any time to purchase all or any of the Deferred Shares for an aggregate consideration of £1.
- 12.6 The Company shall have irrevocable authority to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer/cancellation of the Deferred Shares and/or an agreement to transfer/cancel the same, without making any payment to the holders of the Deferred Shares to such person or persons as the Company may determine as custodian thereof and, pending such transfer and/or cancellation and/or purchase, to retain the certificate(s) if any, for such shares.
- 12.7 The Company may, at its option and subject to compliance with the provisions of applicable legislation, at any time after the adoption of this Article, cancel such shares by way of reduction of capital for no consideration.
- 12.8 Notwithstanding any other provision of these Articles, and unless specifically required by the provisions of applicable legislation, the Company shall not be required to issue any certificates or other documents of title in respect of the Deferred Shares."

(c) subsequent numbering of the articles of association to be sequentially amended.

If you are a registered holder of Ordinary Shares in the Company, whether or not you are able to attend the meeting, you may use the enclosed form of proxy to appoint one or more persons to attend and vote on a poll on your behalf. A proxy need not be a member of the Company.

A form of proxy is provided.

This may be sent by facsimile transfer to 01252 719 232 or by mail using the reply paid card to:

The Company Secretary  
Red Rock Resources Plc  
c/o Share Registrars Limited  
Suite E, First Floor  
9 Lion and Lamb Yard  
Farnham, Surrey GU9 7LL

In either case, the signed proxy must be received no later than 48 hours (excluding non-business days) before the time of the meeting, or any adjournment thereof.

Registered Office:  
Third Floor  
55 Gower Street  
London WC1E 6HQ

By order of the Board  
Stephen Ronaldson  
Company Secretary  
20 November 2014

Registered in England and Wales Number: 5225394

## FINANCIAL STATEMENTS

# Notes to the Notice of Annual General Meeting

### Entitlement to attend and vote

1. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001 and paragraph 18(c) of The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting. In calculating the period of 48 hours mentioned above no account shall be taken of any part of a day that is not a working day.

### Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- » completed and signed;
- » sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232; and
- » received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### **Issued shares and total voting rights**

10. As at 20 November 2014, the Company's issued share capital comprised 2,208,008,225 ordinary shares of £0.001 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 20 November 2014 is 2,208,008,225.

#### **Communications with the Company**

11. Except as provided above, members who have general queries about the Meeting should telephone Miss Rasa Vaitkute on 020 7747 9990 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

#### **CREST**

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [euroclear.com/CREST](http://euroclear.com/CREST)).

The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: 7RA36) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of CREST by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

FINANCIAL STATEMENTS

## Notes to the Notice of Annual General Meeting continued

The sub-division of shares being proposed at resolution 5 will create two classes of shares: ordinary shares with a nominal value of 0.01p and deferred shares with a nominal value of 0.09p. Subject to the provisions of the Companies Act 2006 the deferred shares may then be cancelled by the Company; or may be bought back by the Company for £1 and then cancelled as permitted under the amended articles, leaving the number of ordinary shares in issue the same as at the date of sending out this notice (except for ordinary shares subsequently issued). If the Company determines to cancel or buy back the deferred shares, it will advise shareholders accordingly at the relevant time. The deferred shares shall not be quoted and no share certificates will be issued in respect of the same. The deferred shares are effectively valueless. (The deferred shares are required to be issued in order for the aggregate par value of the shares once sub-divided to remain at 0.1p).

The deferred shares constitute a new class of share the creation of which necessitates an amendment to the Company's articles of association. Hence resolution 5 being conditional on shareholders approving the amendments to the Company's articles of association at resolution 7.

# Company Information

## **Directors**

**Andrew Bell**  
Executive Chairman

**James Ladner**  
Independent Non-executive Director

**Michael Nott**  
Non-executive Director

**John Watkins**  
Non-executive Director

**All of**  
Ivybridge House  
1 Adam Street  
London WC2N 6LE  
020 7747 9990

**Secretary and Registered Office**  
**Stephen Ronaldson**  
55 Gower Street  
London WC1E 6HQ

**Website**  
[www.rrrplc.com](http://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**  
**Beaumont Cornish Limited**  
29 Wilson St  
London EC2M 2SJ

**Accountants and tax advisers**  
**Baker Tilly Tax and Accounting Limited**  
One London Square, Cross Lanes  
Guildford  
Surrey GU1 1UN

## **Broker**

**Dowgate Capital Stockbrokers Limited**  
Talisman House  
Jubilee Walk  
Three Bridges, Crawley  
West Sussex RH10 1LQ

## **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

**Design & Production**  
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