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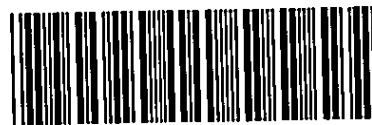
Orogen Gold plc

Annual Report and Accounts

For the year ended

31 December 2012

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Chairman's statement

The year of 2012 was a very challenging time for junior gold exploration and project development companies. Despite such headwinds Orogen secured financing for the first drilling programme at the old Deli Jovan gold mining district in Serbia and reached the 55% equity milestone on time and on budget. Highlight of the 2012 exploration programme was the announcement in December 2012 of a new discovery west of the old Gindusa gold mine where a trench cut a three-metre wide zone assaying 29.55 grammes (almost ounce of gold) per tonne gold within a wider eight metre interval averaging 12.28 g/t. Financing for the next phase of drilling at the Gindusa Mine which will include trenching and drill testing of a newly discovered high-grade lode is secure and will commence in the coming months after the Spring thaw in Serbia.

We have now entered the second phase of the earn-in agreement on Deli Jovan where we can earn an additional 20% of the project by committing to a further CAD2 million exploration spend on the project by end December 2013.

As an exciting start to 2013 management were delighted to conclude negotiations in January on an earn-in agreement on the Mutsk gold project in Armenia as part of Orogen's strategy to seize prospective early-stage growth opportunities at a low entry-cost. The Mutsk gold project is within an emerging gold district only 30 kilometres from Lydian International's multi-million-ounce gold and silver Amulsar deposit.

The Group has sufficient cash resources to complete the currently planned 2013 exploration expenditures on Deli Jovan and Mutsk including the completion of the 75% earn-in to the Deli Jovan project.

At Deli Jovan we are proud of our achievements in 2012 and our excellent health and safety and environmental record. We continue to move forward on schedule and on budget in a measured and prudent way to manage investor risk as we probe for the best zones of gold mineralisation within this historic mining district.

We thank you all for your patience and support as we look forward to a stream of news flow in 2013 from Serbia and Armenia.


John Barry
Chairman

Date 8 March 2013

2012 has been a very active year for Orogen Gold plc. We completed the underground refurbishment at the historic Gindusa and Rusman underground mines at our Deli Jovan gold exploration project in Serbia and carried out a detailed structural mapping and sampling programme there. We then undertook the initial drilling and trenching campaign on the property where we have made very encouraging progress. We are now poised to confirm the potential of the Deli Jovan project in the coming exploration season. Towards the end of the year we raised a total of £1,435,000 (before costs) in new equity financing that strengthened our balance sheet and secures our planned exploration work programmes for 2013.

During the year we put considerable effort into examining a number of potential additional projects as part of our stated plan to develop the Company. We were delighted to conclude negotiations on an earn-in agreement in the Mutsk gold project in Armenia just after the year end.

Deli Jovan earn-in with Reservoir Minerals Inc.

We achieved the 55% earn-in milestone on the Deli Jovan gold exploration project in Serbia in June 2012 following our completion of CAD1.5 million exploration financing of the project.

The 55% earn-in was completed on schedule and the expenditures incurred to date were in line with our original budget for the work programme that we set out when initiating the project. The payments made under the terms of the earn-in agreement with Reservoir Minerals Inc. were applied to acquire a 55% interest in Deli Jovan Exploration d.o.o., the Serbian company operating the Deli Jovan project. Deli Jovan Exploration d.o.o. has been included as a subsidiary in the Group's consolidated results from the acquisition date.

We have now entered the second phase of the earn-in agreement where we can earn an additional 20% of the project by committing to a further CAD2 million exploration spend on the project by end December 2013. At the date of this report we have a cumulative spend of CAD 2,510,000 on Deli Jovan and we anticipate completing the 75% earn in during 2013.

Deli Jovan work programme

During the first half of 2012 we completed the opening of the former mine shafts at Gindusa and Rusman. These were de-watered and made safe and we carried out a mapping and sampling programme of the old mine workings extending down to 60 metres on two levels at Gindusa and 80m on three levels at Rusman during May 2012.

The results of this work were encouraging, particularly in relation to Gindusa. They confirmed historic reports and identified the presence of four mineralised quartz vein structures in the Gindusa underground workings. These are sub-parallel, trending NW-SE, dip from near vertical to steeply to the southwest and they occur within a shear corridor at least 80m wide. High grade gold-mineralised quartz-pyrite veins and lenses occur as pinches and swells along the fault structures, with individual lenses up to 30m in horizontal extent with greater apparent continuity in vertical extent. Typically these mineralised veins are 30-70 centimetres in width, up to in excess of 1m locally.

Assay results confirmed the presence of very high grade values in the Gindusa vein system, ranging from trace gold up to 63 4g/t Au over 1m width in channel sampling and up to 133 0g/t Au in more selective chip sampling. Sampling at Rusman also yielded anomalous gold results, albeit within more restricted mineral lenses.

Ginduša Mine drilling

Based on results of the underground work, the 2012 surface exploration drilling programme focussed on the Ginduša mine area. Outside the immediate areas of the old mines a combination of

Chief Executive's report

geological mapping, soil geochemistry and trenching was undertaken to define further drill targets and to make new discoveries within the property

Eight profiles were drilled 25-50 metres apart covering a strike length of 250 metres. This represents the first drilling campaign undertaken at the prospect. Most of the drilling was focussed on testing the continuity at depth of the gold-bearing quartz-pyrite lodes and fault structures exploited in the old mine workings. Limited drilling also tested the potential for continuity of the lodes along strike. Drilling totalled 4,426.5 metres in the 18 holes completed. Assay values (down hole depths, uncorrected for intersection angle) include 16.25 g/t Au over 0.5m within a wider interval of 8.3 g/t Au over 1.0m (DE-1), 14.55 g/t Au over 0.5m within a wider interval of 4.97 g/t Au over 2.5m (DE-3), 9.73 g/t Au over 1.0m within a wider interval of 2.98 g/t Au over 4.7m (DE-4), 13.3 g/t over 1.0m within a wider interval of 4.05 g/t Au over 3.9m (DE-14), 22.2 g/t Au over 0.5m within a wider zone of 8.15 g/t Au over 1.7m (DE-15).

The drilling and subsequent modelling of the veins confirmed that the shear/vein system continues to at least the full 280m vertical depth drilled and is open to depth, with low-grade gold haloes occurring marginal to the main lodes.

A detailed overview of the Ginduša mineralised zones was carried out by a structural geological specialist. He commented that "the mineralised shear zone at the Ginduša Mine area comprises multiple quartz lenses and is likely to be steep plunging, with overall depth continuity, possibly to considerable depth". It was further concluded that "while it is possible to develop extensive shear zones laterally and vertically, gold grade will vary considerably when intersected in core."

Ginduša West drilling and trenching

At Ginduša West, 1.5km northwest of the Ginduša Mine, four surface diamond drill holes were completed to test the extension of a strongly mineralised gold vein, dipping at 50 degrees to the north, previously mapped and sampled by our JV partners, Reservoir Minerals, in an old shallow exploration adit. Soil anomalies in the area suggested that the vein system might be more extensive than apparent underground. Three holes (DE-GEA1, 2 & 4) were drilled on a single profile to establish the depth continuity of the vein. The drilling demonstrated that the mineralised vein zone continues down dip for approximately 100m, maintaining a width of about one metre, and remains open to depth. Historic gold grades from underground channel sampling ranged from 0.5 to 48.9 g/t Au, while drill grades of up to 3.28 g/t Au over 0.5m width from 64.0-64.5m depth were encountered in Orogen hole DE-GEA1. Of particular interest was the discovery of two parallel 'blind' quartz-pyrite veins beneath the previously known vein. One of these veins intersected in DE-GEA1 yielded 6.75 g/t Au over a 0.95m intercept from 90.65-91.6m. These new veins are open to depth and along strike, and additional 'blind' veins may remain to be discovered in the area.

Further evidence of previously unrecorded gold-bearing quartz veining at Ginduša West was obtained from trench TAG2, which was sited about 250m to the west of the drill profile to test a gold anomaly located by soil sampling. This encountered a wide zone of alteration and shearing of the host gabbro which contained partially oxidised pyrite mineralisation and quartz veining. Assays of continuous chip/channel samples through this zone returned strong gold values, including a 3.0m zone assaying 29.55 g/t Au within a wider 8.0m interval averaging 12.28 g/t Au. Follow-up of this zone will be a priority for Orogen and several other soil geochemical anomalies also remain to be tested in this area.

Preliminary drilling at the old Rusman mine has confirmed the conclusions from earlier underground mapping and sampling and has down-graded this prospect. Given the strong encouragement obtained on the northern segment of the shear belt at the Ginduša Mine zone and Ginduša West, including the new trench discovery, Orogen plans to focus its activities on this sector of the belt.

Mutsk exploration project in Armenia

In January 2013 the Group signed a Memorandum of Understanding with Georaid CJSC ("Georaid"), an Armenian registered company, granting exclusive rights to undertake a confirmatory due diligence exploration programme over the exploration licence held by Georaid covering the Mutsk gold prospect in southern Armenia. Mutsk is an early-stage gold exploration project and represents an opportunity to acquire a property with indications of significant gold mineralisation within an emerging epithermal gold district which includes Lydian International's major Amulsar deposit, located just 30km to the northwest. The Mutsk discovery is open-ended, untested to depth and potentially open-pittable. Initial shallow drilling by Georaid has intersected mineralisation assaying up to 20.4m @ 0.79g/t Au from 15.0 to 35.4m depth, within which a 5.0m zone assayed 2.75g/t Au from 21.0-26.0m (Hole B-5).

Minimum Phase I exploration expenditures of US\$150,000 are planned for 2013 after which the Group has the option through continuing investment in the property of US\$2.5million by end August 2016 to earn into 80% of the project.

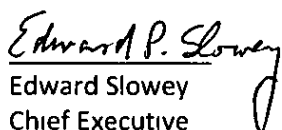
Corporate

The loss for the year amounted to £651,000 (2011 £1,214,000). At 31 December 2012 the Group held cash resources of £1,621,000 (2011 £2,004,000).

The Group has sufficient cash resources to complete the currently planned 2013 exploration expenditures on Deli Jovan and Mutsk including the completion of the 75% earn-in to the Deli Jovan project.

Our Deli Jovan project is entering a very exciting phase in 2013. This is planned to include infill and extension drilling at the Gindusa Mine zone to establish the potential for a compliant mineral resource there, as well as follow-up trenching and drilling on the exciting new targets identified at Gindusa West. At the same time we will be investigating the potential of the Mutsk project which is currently unconstrained in size and presents the possibility of very attractive project going forward.

We look forward with excitement to the developments during 2013.


Edward Slowey
Chief Executive

Date 8 March 2013

Directors' report

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

The Group acquired 55% of Deli Jovan Exploration d o o, a Serbian registered company, in June 2012 following the Group's investment of CAD 1.5 million in exploration expenditures on the Deli Jovan gold project. The Group is encouraged by the results of the work carried out and is continuing the exploration project at Deli Jovan. A planned exploration programme during 2013 is scheduled to complete a further earn in of 20% in Deli Jovan Exploration d o o, during 2013 that will bring the Group's interest in that company to 75%.

In January 2013 the Group completed agreement with Armenian partners to an earn-in to the Mutsik project in Armenia. Mutsik is a promising early stage epithermal gold exploration project. Minimum Phase I exploration expenditures of US\$150,000 are planned to end August 2013 after which the Group has the option through continuing investment in the property of US\$2.5 million by end August 2016 to earn into 80% of the project.

Principal activity, review of business and future development

The Company's principal activity is development of mineral exploration and production projects in Europe, with an emphasis on Gold exploration and production. Prior to the acquisition of Orogen Gold Limited in March 2011 the principal activity of the Company was investing in health and wellness based businesses. The health and wellness activities were wound down and discontinued during the year to 31 March 2011. The Company changed its name to Orogen Gold plc (previously Medavinci plc) in March 2011.

Results and dividends

The Group loss after tax for the year ended 31 December 2012 amounts to £651,000 (2011 £1,214,000).

The Directors are not recommending payment of a final dividend for the year (2011 £nil).

Directors

The Directors of the Company are

Adam Reynolds
Alan Mooney
Edward Slowey
John Barry
Michael Nolan

All of the Directors are subject to retirement by rotation under the Company's articles of association. Michael Nolan retires from the board by rotation and offers himself for re-election at the next Annual General Meeting of the Company.

Directors' report

Directors and their interests

The Directors of the Company held the following beneficial interests in the shares and share options of Orogen Gold plc at 31 December 2012 and at the date of this report

	Ordinary shares of £0 001 each	Share Options	
		Ordinary shares of £0 001 each	Option exercise price
Adam Reynolds	40,700,000	40,000,000	0 60p
Alan Mooney	83,270,327	40,000,000	0 60p
Edward Slowey	119,555,491	40,000,000	0 60p
John Barry	120,555,491	40,000,000	0 60p
Michael Nolan	83,270,327	40,000,000	0 60p

The share options held by the Directors of Orogen Gold plc were granted on 16 February 2011 and are exercisable at £0 006 at any time up to 15 February 2021. The exercise price of these share options was re-priced in December 2012 to £0 006 from their original exercisable price of £0 0095 per share.

Substantial shareholdings

As at 18 February 2013 notification has been received of the following interests in 3% or more of the share capital of the Company apart from the above Directors

Rank	Shareholder	No of shares 18 February 2013	% Issued capital
1	Anton Bilton	140,080,000	6 43
2	Michael Hough	107,500,000	4 93

Biographical details of the Directors

John Barry – Non Executive Chairman

John Barry has worked in the exploration and mining industry since 1988 and has consulted to the industry as a Qualified Person on a range of gold and base metal deposits in Europe, Africa, Australia and South-East Asia. He has degrees in Geology from The State University of New York and The Pennsylvania State University and an MBA from the Edinburgh Business School at the Heriot-Watt University in Scotland. He has worked for over 20 years on a range of gold and base metal deposits in Europe, Africa, Australia and Asia and has discovered, sourced and supervised feasibility studies on multi-million ounce gold deposits in Ghana (Ahafo), Tanzania (Nyanzaga) and Mali (Yanfolila). He is currently Chief Executive of Vancouver-based Rathdowney Resources Limited who are involved in base metal exploration in Europe and he is Exploration Director of Sovereign Mines of Africa, exploring for gold in Guinea.

He has extensive experience in the specialist areas of mineral exploration, project management and the technical and financial appraisal of mineral exploration and mining projects. He is a professional member in good standing of the European Federation of Geologists and the Institute of Geologists of Ireland, and therefore qualifies as a competent person under the terms of the VALMIN Code and by reciprocity, Canadian National Instrument NI43-101.

Edward Slowey – Chief Executive Officer

Edward (Ed) Slowey has worked throughout his career as an economic geologist in the minerals sector. Apart from his work with Orogen Gold, he also acts as a technical consultant to Stratex International plc on its Dalafin gold project in Senegal and is a non-executive director of a Greenland-based exploration company, NunaMinerals A/S. He was attached for several years to the CSA Consultancy Group working out of London and Dublin as Project Manager responsible for independent review, valuation and due diligence in mining and exploration, covering base metals, bulk commodities, precious metals and diamonds in Europe, Africa, Asia and America. Work included completion of Competent Person's Reports and 43-101 independent reports for the AIM, ISDX and TSX markets. Other roles undertaken in a consultancy capacity include Exploration Manager, Russia for AIM-listed Eurasia Mining plc, as well as minerals project management through feasibility studies, including at the giant Sukhoi Log gold deposit in Siberia (>12Moz). He has also worked in the Balkans on a range of base metal projects, primarily in Macedonia and Kosovo.

Previously, he managed the Irish exploration arm of Rio Tinto over a 12-year period, focussing on base and precious metals in carbonate, volcanic and metamorphic terrain. This work led to the discovery of the small, high-grade Cavanacaw gold deposit in Northern Ireland. Prior to that, he worked as an exploration geologist in Ireland for a Canadian junior company and as an underground mine geologist at the world-class Navan zinc-lead deposit. Ed holds a geology degree from University College, Dublin and is a professional member of the Institute of Geologists of Ireland and the European Federation of Geologists.

Alan Mooney – Finance Director and Company Secretary

Alan Mooney has worked in the natural resource sector since 2001. He has worked with Fastnet Oil and Gas plc, Cove Energy plc, Tiger Resource Finance plc, GoldQuest Mining Corp, Rathdowney Resources Limited and Aventine Resources plc.

He was previously divisional CFO at Sonae SA, Portugal's largest commercial group. Prior to that he worked with Continental AG the German tyre manufacturer, and was Finance Director of their operations in the UK and in Portugal. He also worked in Mergers and Acquisitions at Continental's headquarters in Hanover, Germany and formally as Chief Accountant at their Irish tyre manufacturing plant. He trained with PWC in Dublin and is a Chartered Accountant and MBA. He speaks Portuguese, German and French.

Michael Nolan – Non-Executive Director

A Director since 2010, Michael Nolan is a Chartered Accountant having worked in practice with Deloitte in Dublin. He is currently a non-executive director of Cove Energy Limited, formerly an AIM quoted oil and gas exploration company focussed on East Africa which was sold to PTTEP of Thailand in August 2012. He acts as a non-executive director of Vancouver based, Rathdowney Resources Limited, a private natural resource company operating in Europe and supported by the Hunter Dickinson group and listed on TSX-V. He is also a director of AIM quoted companies, Tiger Resource Finance plc and Fastnet Oil and Gas plc. He acted as chief executive officer of AIM listed, mining company, Minmet plc from 1999 to 2007. He also serves on the Board of several resource exploration and investment companies.

Adam Reynolds – Non-Executive Director

Adam began his career as a stockbroker before moving into investor relations. In 2000, he established Hansard Group plc, a financial PR firm, admitting its shares to trading on AIM in November 2000, before jointly leading a management buy-out of the business in 2004. Adam is also a non-executive director of EKF Diagnostics plc and HubCo Investments plc and a director of Wilton International Marketing Limited and Autoclenz Holdings Limited.

Directors' report

Political and charitable contributions

The Group made no political or charitable donations during the year (2011 nil)

Payment to suppliers

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of the transaction so as to ensure that suppliers and the Group are aware of those terms and abide by them. The number of day's purchases outstanding for payment by the Group at the year-end was 10 days (2011 34 days)

Key performance indicators

The key indicators of performance for the Group is its success in identifying, acquiring and developing and divesting of investment in exploration projects so as to create shareholder value. The Group carries out its operations by way of execution of operational plans that are approved and budgeted in advance by the Board. Operational progress is reviewed by the Board on a regular basis and actual costs are compared to budgets.

Control of bank and cash balances is a priority for the Group and these are budgeted and monitored closely to ensure that the Group maintains adequate liquidity to meet financial commitments as they arise.

During the year 2012 operational expenditure and operational results achieved on the Deli Jovan project in Serbia were in line with the Board approved budgets and timing plans.

The Group completed the planned 55% earn-in on Deli Jovan on schedule in June 2012 and progress towards completing the additional 20% earn-in, to bring the Group's interest in Deli Jovan to 75%, is on schedule to complete by end 2013.

Management reviewed several potential new projects during the year and the Group has signed a memorandum of understanding to earn-in to a possible 80% of the Mutsk Gold project in Armenia. Due diligence on this project including a preliminary exploration programme has commenced and is planned to run through the summer months 2013.

The Board continues to assess interesting projects suitable for investment by Orogen and introduction of interesting prospective projects to the Group remains a key target for the Company.

Shares and listing

The Company's ordinary shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange, ticker "ORE L". Details of the nominated advisor and brokers are presented on the Company information at the end of this annual report. The closing mid-price of the Company's shares at 31 December 2012 was 0.47 pence (2011 0.44 pence).

Principal risks and uncertainties

The Group considers that the principal risks to the achievement of its business plans are as follows:

Operational

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

Directors' report

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

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

Climate

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

Political, economic, legal, regulatory and social

The Group operates in different countries where political, economic, legal, regulatory and social uncertainties are potential risk factors. The Group has restricted its activities to Europe where such risks could be considered to be less than in many developing countries in other parts of the world.

Organisational

The Group is dependent on the experience and skills of the executive Directors and senior management to successfully execute its strategy, the loss of such key contributors would present a risk to the business. Staffing levels and development of business processes and policies are kept under regular review to ensure that they are appropriate and adequate for the scale and growth of the Group's business.

Financial

The financial risks to which the Group is exposed and financial risk management are dealt with in note 20 to the financial statements.

Insurance

The Group has in place insurance protection, including a directors and officers liability policy, for risk of loss where management deems appropriate and cost effective, however in some cases risks cannot be effectively covered by insurance and the cover in place may not be sufficient to cover the extent of potential liabilities.

Health and safety

Health and safety of all those working in and visiting the Group's installations is a priority. The Group's operations can take place in dangerous environments particularly where underground mining and exploration activities are being pursued. The Group has in place a comprehensive health and safety policy alerting all concerned to the risks involved and to the required precautions that staff and visitors to the Group's operations must take. Staff and authorised visitors are only permitted access to underground facilities when safety inspection has been completed and certificates issued by the appropriate and competent authority.

Environment and community

The Company recognises its social responsibilities and seeks to adopt the best contemporary practice applicable to each country and region of operation.

Directors' report

To ensure this standard is met the Company aims to

- plan and conduct exploration activities in a manner that complies with legislation pertaining to the protection of the environment and employees,
- in the absence of legislation, apply best contemporary practice relating to the protection of the environment,
- undertake internal environmental reviews associated with operational fieldwork,
- train staff to apply best contemporary practices,
- engage in research to study the impact of mining activities on the locality and implement technologies that are environmentally friendly,
- participate in the development of environmental legislation to ensure a balance is attained between protecting the environment and developing practical laws,
- inform government, employees, local communities and other stakeholders of our activities, and encourage joint venture partners and suppliers to adopt the principles of this statement

Future outlook

The review of the Group's operations and prospects for the business are dealt with in the Chairman's statement and Chief Executive's report

Remuneration policy

The Board has established a remuneration committee. The Remuneration Committee comprises of Adam Reynolds as Chairman and Michael Nolan who review the performance of the executive Directors and determine their terms and conditions of service, including their remuneration and the granting of options, having due regard to the interests of Shareholders.

The Remuneration Committee meets no less than once every year.

The Group has one employee in Serbia and other than the Directors the Group has no other employees. Operational services are provided by competent suppliers on a contract basis the terms of which are negotiated in advance and approved by the executive Directors.

Directors' remuneration

Details of emoluments received by Directors of the Company for the year ended 31 December 2012 in pounds sterling ("£") are as follows:

	Base emoluments £	Annual bonus £	Total £
Adam Reynolds	15,417	22,000	37,417
Alan Mooney	45,833	22,000	67,833
Edward Slowey	62,500	22,000	84,500
John Barry	25,417	22,000	47,417
Michael Nolan	15,417	22,000	37,417
Total	164,584	110,000	274,584

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and financial statements in accordance with applicable law and International Financial Reporting Standards.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union that give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss of the Group for that period.

Directors' report

In preparing these financial statements the Directors are required to

- Select suitable accounting policies and apply them consistently, and
- make judgements and estimates that are reasonable and prudent, and
- state whether the Company financial statements have been prepared in accordance with IFRS as adopted by the European Union, 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 Company will continue in business

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Post balance sheet events

Events since the balance sheet date are set out in note 19 to the financial statements.

Going concern

After making appropriate enquires, the Directors consider that the Company has adequate resources to continue in operational existence for foreseeable future.

Corporate governance

The Directors are committed to maintaining a high standard of corporate governance. The Board aims to comply, as far as practicable given the Company's size, with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ("Combined Code"). As an AIM listed Company, Orogen is not required to comply with the Combined Code but it is applied as far as it is appropriate.

The Board of Directors ("the Board")

The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership to the Group and to develop and approve the Group's strategic objectives. While operational and financial management are delegated to Executive Directors, key financial and compliance issues and significant operational and management matters are subject to Board approval. The Board is responsible for the determination of capital structure, communication with shareholders, Board and executive management appointments and major contracts and for ensuring that necessary financial and other resources are made available to the Group to meet its objectives.

Matters for which the Board is specifically responsible include setting and monitoring business strategy, evaluating exploration opportunities and risks, approving capital expenditure on exploration projects, approving investments and disposals, approving budgets and monitoring performance against budgets, reviewing the Group's health and safety policy and considering and appointing new Directors and the Company Secretary.

The Board comprises a non-executive Chairman, two executive Directors and two other non-executive Directors. All Directors participate in the Company's share option scheme and full details of Directors' shareholdings in the Company are presented earlier in this Directors' report.

The Board meets on average once every 6 weeks and all Directors are expected to attend the Board meetings. All Directors participate in preparing the agenda for Board meetings and they receive relevant reports and documentation on matters to be discussed on a timely basis so as to ensure

Directors' report

that they can fully participate in the discussion on the agenda items. The Directors have access to the Company Secretary and may obtain independent professional advice at the Group's expense.

Under the terms of the articles of association all Directors must retire by rotation every three years and may seek re-election to the Board at the Annual General Meeting of the Company. All new Directors appointed since the previous Annual General Meeting must seek re-election at the next Annual General Meeting in order to ratify their appointment to the Board by the members.

The Directors have access to comprehensive financial, operational and strategic information to assist them in the discharge of their duties.

Board committees

The Board has established an Audit Committee and a Remuneration Committee, each of which has formal terms of reference approved by the Board, details are available on the Company's website.

Communications with shareholders

The Company communicates regularly with shareholders through announcements of interim and annual results and of significant developments as they arise. The annual general meeting is normally attended by all of the Directors. Shareholders are invited to ask questions on matters including the Group's operations and performance and to meet with the Directors after the formal proceedings have concluded.

The Group maintains a website (www.oringold.com) on which all announcements and published reports are posted and comprehensive information relating to the Company and its operations is available.

The Group also runs a Facebook page on which shareholders and friends of the Company can interact.

Internal controls

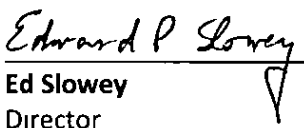
The Directors are responsible for the Group's system of internal controls, the setting of appropriate policies on these controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk.

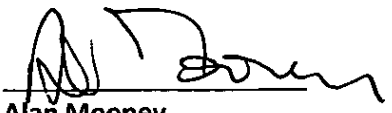
The Audit Committee monitors the Group's internal control procedures, reviews the internal control process and risk management procedures and reports its conclusions and recommendations to the Board.

Directors' report

The Group's system of internal control is designed to manage risks so as to achieve the Group's business objectives and provides reasonable but not absolute safeguards against loss or material misstatement

The Board considers that the Company's internal control systems operated appropriately during the year and up to the date of signing this Annual Report


Ed Slowey
Director


Alan Mooney
Director

Date 8 March 2013

Auditors' report

Independent Auditors' report to the members of Orogen Gold plc

We have audited the financial statements of Orogen Gold plc for the year ended 31 December 2012, which comprise the Group statement of comprehensive income, Group statement of changes in equity, Company statement of changes in equity, Group statement of financial position, Company statement of financial position, Group statement of cash flows, Company statement of cash flows and the related notes on pages 24 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view, of the state of the Group's and Parent Company's affairs as at 31 December 2012 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended, and
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and
- the parent Company financial statements have been properly prepared in accordance with IFRS's 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 properly prepared in accordance with the Companies Act 2006

Auditors' report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for 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



Sanjay Parmar

SENIOR STATUTORY AUDITOR

For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

Date 8 March 2013

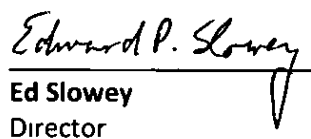
Group statement of comprehensive income
For the year ended 31 December 2012

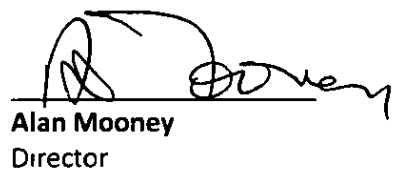
	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue		7	—
Operational costs		—	—
Gross profit		7	—
General and administrative		(499)	(372)
Share based payments	15	(196)	(511)
AIM re-admission costs		—	(136)
Impairment of investments in subsidiaries and associates	10	—	(200)
Group operating loss	4	(688)	(1,219)
Interest received	5	37	5
Loss on ordinary activities before taxation		(651)	(1,214)
Tax on loss on ordinary activities	7	—	—
Loss for the year from continuing operations		(651)	(1,214)
Attributable to:			
Equity holders of the parent		(651)	(1,214)
Non-controlling interests		—	—
		(651)	(1,214)
Loss per share:			
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent	8	(0.03)	(0.07)
Other comprehensive income			
Group loss for the period		(651)	(1,214)
Exchange translation differences		17	—
Total comprehensive loss for the year		(634)	(1,214)
Attributable to:			
Owners of the parent		(634)	(1,214)
Non-controlling interests		—	—
		(634)	(1,214)

• **Group statement of financial position**
As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Exploration and evaluation assets	9	4,986	—
Investments	10	—	549
Goodwill	11	—	3,173
Property, plant and equipment		23	—
Total non-current assets		5,009	3,722
Current assets			
Trade and other receivables	12	368	33
Cash and cash equivalents	13	1,621	2,004
Total current assets		1,989	2,037
Total assets		6,998	5,759
Equity and liabilities			
Equity			
Share capital	14	2,841	2,567
Share premium	14	11,325	10,239
Other reserves		729	516
Retained earnings	16	(8,377)	(7,726)
Equity attributable to owners of the parent		6,518	5,596
Non-controlling interests		403	—
Total equity		6,921	5,596
Current liabilities			
Trade and other payables	17	77	163
Total current liabilities		77	163
Total liabilities		77	163
Total equity and liabilities		6,998	5,759

The financial statements were approved and authorised for issue by the Board of Directors on 8 March 2013 and were signed on its behalf by


Ed Slowey
 Director


Alan Mooney
 Director

Company Number 5379931

Group cash flow statement
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Group operating loss	4	(688)	(1,219)
(Increase)/decrease in trade and other receivables		(272)	213
(Decrease)/increase in trade and other payables		(156)	24
Impairment loss on investments		—	200
Share based payments		196	511
Net cash flow from operating activities		(920)	(271)
Cash flow from investing activities			
Payments advanced as part of project earn-in	10	(335)	(549)
Expenditure on exploration and evaluation assets		(681)	—
Net cash inflow on acquisition of subsidiary		130	166
Interest received		37	5
Net cash flow from investing activities		(849)	(378)
Cash flow from financing activities			
Net proceeds from issue of equity instruments		1,360	1,107
Net cash flow from financing activities		1,360	1,107
Net change in cash and cash equivalents		(409)	458
Net foreign exchange difference		26	—
Cash and cash equivalents at beginning of period	13	2,004	1,546
Cash and cash equivalents at end of period		1,621	2,004

**Group statement of changes in equity
For the year ended 31 December 2012**

	Notes	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Total £'000	Non- controlling interests £'000	Total equity £'000
Balance at 1 January 2011		2,016	6,714	5	(6,512)	—	2,223	—	2,223
Loss for the period		—	—	—	(1,214)	—	(1,214)	—	(1,214)
Issue of share capital	14	551	3,624	—	—	—	4,175	—	4,175
Share issue costs	14	—	(99)	—	—	—	(99)	—	(99)
Share based payments	15	—	—	511	—	—	511	—	511
Balance at 31 December 2011		2,567	10,239	516	(7,726)	—	5,596	—	5,596
Balance at 1 January 2012		2,567	10,239	516	(7,726)	—	5,596	—	5,596
Loss for the period		—	—	—	(651)	—	(651)	—	(651)
Share based payments	15	—	—	196	—	—	196	—	196
Foreign exchange translation reserve		—	—	—	—	17	17	—	17
Acquisition of subsidiary	11	—	—	—	—	—	—	403	403
Issue of share capital	14	274	1,161	—	—	—	1,435	—	1,435
Share issue costs	14	—	(75)	—	—	—	(75)	—	(75)
Balance at 31 December 2012		2,841	11,325	712	(8,377)	17	6,518	403	6,921

Share capital is the amount subscribed for shares at nominal value

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses. Share issue expenses comprise a proportion of the costs incurred in respect of new shares issued in the year

Share based payments relate to the charge for share based payments in accordance with International Financial Reporting Standard 2

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders

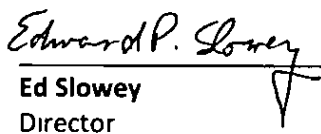
Foreign currency translation reserve represents the retranslation of foreign subsidiaries

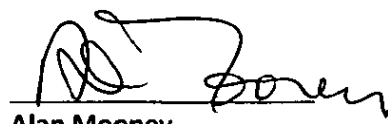
Non-controlling interests represent the share of ownership of subsidiary companies outside the Group

Company statement of financial position
As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Investments	10	3,370	3,370
Total non-current assets		3,370	3,370
Current assets			
Trade and other receivables	12	3,593	1,272
Cash and cash equivalents	13	40	1,275
Total current assets		3,633	2,547
Total assets		7,003	5,917
Equity and liabilities			
Equity			
Share capital	14	2,841	2,567
Share premium	14	11,325	10,239
Other reserves	15	712	516
Retained earnings	16	(7,911)	(7,532)
Total equity		6,967	5,790
Current liabilities			
Trade and other payables	17	36	127
Total current liabilities		36	127
Total liabilities		36	127
Total equity and liabilities		7,003	5,917

The financial statements were approved and authorised for issue by the Board of Directors on 8 March 2013 and were signed on its behalf by


Ed Slowey
 Director


Alan Mooney
 Director

Company Number 5379931

Company cash flow statement
For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Group operating loss	4	(388)	(1,023)
Decrease in trade and other receivables		(198)	(1,026)
Increase in trade and other payables		(91)	(12)
Impairment loss on investments		—	200
Share based payments		196	511
Net cash flow from operating activities		(481)	(1,350)
Cash flow from investing activities			
Interest received		9	3
Net cash flow from investing activities		9	3
Cash flow from financing activities			
Net proceeds from issue of equity instruments		1,360	1,076
Funds advanced to subsidiary companies		(2,123)	—
Net cash flow from financing activities		(763)	1,076
Net change in cash and cash equivalents		(1,235)	(271)
Cash and cash equivalents at beginning of period		1,275	1,546
Cash and cash equivalents at end of period	13	40	1,275

**Company statement of changes in equity
For the year ended 31 December 2012**

	Notes	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2011		2,016	6,714	5	(6,512)	2,223
Loss for the period		—	—	—	(1,020)	(1,020)
Issue of share capital	14	551	3,624	—	—	4,175
Share issue costs	14	—	(99)	—	—	(99)
Share based payments	15	—	—	511	—	511
Balance at 31 December 2011		2,567	10,239	516	(7,532)	5,790
Balance at 1 January 2012		2,567	10,239	516	(7,532)	5,790
Loss for the period		—	—	—	(379)	(379)
Issue of share capital	14	274	1,161	—	—	1,435
Share issue costs	14	—	(75)	—	—	(75)
Share based payments	15	—	—	196	—	196
Balance at 31 December 2012		2,841	11,325	712	(7,911)	6,967

Share capital is the amount subscribed for shares at nominal value

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses. Share issue expenses comprise a proportion of the costs incurred in respect of new shares issued in the year.

Share based payments reserve relate to the charge for share based payments in accordance with International Financial Reporting Standard 2.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

Notes to the accounts

1 General Information

Orogen Gold plc (the "Company") is a company incorporated and domiciled in England and Wales. Details of the registered office, the officers and advisers to the Company are presented on the Company information page at the end of this report. The Company's offices are in London and Dublin. The Company is listed on the AIM market of the London Stock Exchange (ticker ORE L).

Since March 2011, the principal activity of the Company is gold and mineral exploration and production in Europe. In prior years the Company was focused on investment in health and wellness based companies.

2 Significant accounting policies

Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together the "Group" or "Orogen"). The financial statements for the year ended 31 December 2012 have been prepared using the same accounting policies as were applied in the Group's audited financial statements to 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations issued by the International Accounting Standard Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and associated undertakings. All consolidated subsidiaries have a reporting date of 31 December.

Subsidiaries are all entities over which Orogen Gold plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase 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 and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which are mainly in Pounds Sterling (£), Euro (EUR) Serbian Dinar (RSD) The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012

- IFRS7 (amendment) "Financial Instruments Disclosures" – additional disclosures re transfers of financial assets, effective for reporting periods beginning after 1 July 2011, and
- IAS12 (amendment) "Income Taxes" – recovery of deferred tax on investment properties, effective 1 January 2012

The impact of adopting the above amendments had no material impact on the financial statements of the Group

Standards issued but not yet effective

The following standards, amendments and interpretations applicable to the Group are in issue but are not yet effective and have not been early adopted in these financial statements They may result in consequential changes to the accounting policies and other note disclosures We do not expect the impact of such changes on the financial statements to be material These are outlined in the table below

Notes to the accounts

Reference	Title	Summary	Application date of standard	Application date of Group
Amendments to IAS 34, IAS 32, IAS 16, IAS 1, IFRS 1	Amendments resulting from Annual Improvements 2009-2011 Cycle	Amendments resulting from Annual Improvements 2009-2011 Cycle	Annual periods beginning on or after 1 January 2013	1 January 2013
Amendments to IFRS 7	Amendments related to the offsetting of assets and liabilities	Guidance on offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013	1 January 2013
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2015	1 January 2015
IFRS 10	Consolidated Financial Statements	Replaces IAS 27 section that addressed accounting for consolidated financial statements Establishes a single control model applicable to all entities	Periods commencing on or after 1 January 2013	1 January 2013
IFRS 11	Joint Arrangements	Replaces IAS 31 Interests in Joint Ventures	Periods commencing on or after 1 January 2013	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Increases disclosure requirements in relation to an entity's interests in subsidiaries, joint arrangements, associates and structured entities	Periods commencing on or after 1 January 2013	1 January 2013
IFRS 13	Fair Value Measurement	Guidance on how to measure fair value when fair value is required or permitted	Periods commencing on or after 1 January 2013	1 January 2013
Amendments to IAS 1	Presentation of Financial Statements	Presentation of items within other comprehensive income	Periods commencing on or after 1 July 2012	1 January 2013
Amendments to IAS 19	Employee Benefits	Revised standard for accounting for employee benefits	Periods commencing on or after 1 January 2013	1 January 2013
IAS 27 (revised)	Separate Financial Statements	Revised standard following issuance of IFRS 10 and IFRS 12	Periods commencing on or after 1 January 2013	1 January 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures	Revised standard following issuance of IFRS 11 and IFRS 12	Periods commencing on or after 1 January 2013	1 January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Guidance on when and how production stripping should lead to the recognition of an asset	Periods commencing on or after 1 January 2013	1 January 2013

The Directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Group

Accounting policies

Business combinations

The Group has chosen to adopt IFRS 3 prospectively from the date of transition and not restate historic business combinations from before this date. Business combinations from the date of transition are accounted for under IFRS 3 using the purchase method.

Exploration and evaluation assets

Exploration and evaluation assets are measured using the cost method of recognition. Exploration and evaluation expenditure is capitalised and recognised as an exploration and evaluation asset when the rights to an area of interest are current, the expenditures are expected to be recouped through successful development and exploitation activities and the operations are current and have not reached such a stage that a reasonable assessment of recoverable reserves can be made.

Exploration and evaluation expenditure includes

- acquisition of rights to explore
- researching, analysing and collating of historical data
- exploratory drilling, sampling and trenching
- evaluation of technical feasibility and commercial viability
- administrative and general overheads related to an area of interest

Equity

Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Notes to the accounts

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts 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 statement of financial position liability method. Deferred tax liabilities are generally 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Company at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments.

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

• Notes to the accounts

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Impairment of goodwill and investments (Note 10, 11)

Goodwill arising on acquisitions and investments held are subject to impairment review. The Group's management undertakes an impairment review of goodwill and investments annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The Directors have carried out a detailed impairment review in respect of goodwill and investments. The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted. The cash flow projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the year end, based on these assumptions there was no indication of impairment of the value of goodwill.

Exploration and evaluation assets (Note 9)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of comprehensive income in the period when the new information becomes available.

Share based payments (Note 15)

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Notes to the accounts

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

3 Segmental information

In the opinion of the Directors the Group has one class of business, being the exploration for, and development and production of, Gold, and other related activities.

The Group's primary reporting format is determined by the geographical segment according to the location of the exploration asset. There are currently two geographic reporting segments: Europe excluding the United Kingdom involved in Gold exploration and development and the United Kingdom being the head office.

Segment information of the business is presented below:

	2012			2011		
	United Kingdom £'000	Rest of Europe £'000	Total £'000	United Kingdom £'000	Rest of Europe £'000	Total £'000
Income Statement						
Revenue	—	7	7	—	—	—
General and administrative	(192)	(307)	(499)	(176)	(196)	(372)
Share based payments	(196)	—	(196)	(511)	—	(511)
AIM re-admission costs	—	—	—	(136)	—	(136)
Impairment of investments in subsidiaries and associates	—	—	—	(200)	—	(200)
Group operating loss	(388)	(300)	(688)	(1,023)	(196)	(1,219)
Finance revenue	9	28	37	3	2	5
Group loss before tax	(379)	(272)	(584)	(1,020)	(194)	(1,214)
Assets and Liabilities						
Segment Assets	255	6,743	6,998	1,292	4,467	5,759
Segment Liabilities	(36)	(41)	(77)	(127)	(36)	(163)
	219	6,702	6,921	1,165	4,431	5,596

4 Operating loss

	2012 £'000	2011 £'000
Operating loss is stated after charging/(crediting):		
AIM re-admission costs	—	136
Directors' emoluments	275	227
Directors' share based payments expense	196	511
Services provided by the Company's auditors		
– Audit fees and expenses	19	12
– Tax compliance	2	2
– Other services pursuant to legislations	1	—
Impairment of investment	—	200

Notes to the accounts

5 Finance income

	2012 £'000	2011 £'000
Bank interest received	37	5

6 Employees

	2012 £'000	2011 £'000
Aggregate Directors' emoluments including consulting fees	275	227
Share based payments	196	511
Total	471	738

The Group has one employee in Serbia and other than the Directors the Group has no other employees

7 Income tax benefit / (expense)

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loss before tax on continuing operations	(651)	(1,214)	(379)	(1,020)
Tax at the UK corporation tax rate of 24% (28%)	(156)	(340)	(91)	(286)
Tax effect of expenses not deductible for tax	47	143	47	143
Tax effect of utilisation tax losses not previously recognised	109	145	44	87
Tax effect of impairment provision	—	56	—	56
Other tax effects	—	(4)	—	—
	156	340	91	286

The Group has tax losses of £1,435,000 (2011 £1,115,000) to carry forward against future profits. The deferred tax asset on these tax losses at 24% of £345,000 (2011 £312,000) has not been recognised due to the uncertainty of the recovery.

8 Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

	2012	2011
Loss after tax attributable to equity holders of the parent (£'000)	(651)	(1,214)
Weighted average number of ordinary shares in issue (share in millions)	1,955	1,641
Fully diluted average number of ordinary shares in issue (share in millions)	1,955	1,614
Basic and diluted loss per share (pence)	(0.03)	(0.07)

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The share options outstanding as at 31 December 2012 totalled 265,000,000 (2011 245,000,000) and are potentially dilutive.

Notes to the accounts

9 Exploration and evaluation assets

	2012 £'000	2011 £'000
Cost as at 1 January	—	—
Acquisition of Deli Jovan Exploration d o o	1,132	—
Transfers (see note 11)	3,173	—
Additions	681	—
Cost at 31 December	4,986	—
Carrying value as at 31 December	4,986	—

All exploration and evaluation assets at 31 December 2012 relate to the Deli Jovan gold exploration project in Serbia

10 Investments

Investments in subsidiaries and associates:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cost as at 1 January	4,913	4,734	7,734	4,734
Additions	—	549	—	3,000
Transfer and disposals	(549)	(370)	—	—
Cost at 31 December	4,364	4,913	7,734	7,734
Impairment as at 1 January	4,364	4,164	4,364	4,164
Additions	—	200	—	200
Impairment at 31 December	4,364	4,364	4,364	4,364
Carrying value as at 31 December	—	549	3,370	3,370

Break down of carrying value of investment:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Reservoir Exploration (BVI) Ltd – Loan	—	549	—	—
Emotion Fitness Mag Kft – cost to Group	339	339	339	339
Emotion Fitness Mag Kft -impairment	(339)	(339)	(339)	(339)
Medavinci Gold Limited - investment	—	—	3,370	3,370
Total investments	—	549	3,370	3,370

Reservoir Exploration (BVI) Ltd - Loan

The loan to Reservoir Exploration (BVI) Ltd relates to payments made to fund exploration expenditures on the Deli Jovan gold project in Serbia. The payments were made under the terms of a joint venture earn-in agreement with Reservoir Minerals Inc. In June 2012 the loan advanced was applied to acquire a 55% interest in Deli Jovan Exploration d o o, the Serbian company operating the Deli Jovan project. The loan was applied following the completion of the CAD1 5 million Phase 1 earn-in.

Emotion Fitness Mag Kft

The Group's investment in Emotion Fitness Mag Kft (a Hungarian registered company) represents a 47% interest in that company. Emotion Fitness Mag Kft discontinued the operation of a fitness centre from its Budapest premises in 2011. The company is now the landlord to an independent tenant operating a fitness centre from the premises.

Notes to the accounts

The Directors consider it is unlikely that the Company will recover any value from this investment and accordingly have fully impaired the value of the investment

Medavinci Gold Limited

The investment in Medavinci Gold Limited represents the cost of the investment held in that company by Orogen old plc – Medavinci Gold Limited is the holding company of the Orogen Gold Limited. The cost of this investment has been eliminated on consolidation in the Group's financial statements

Subsidiary companies	Activities	Incorporation	% holding 2012	% holding 2011
Deli Jovan Exploration d o o	Gold exploration	Serbia	55	—
Orogen Gold Limited	Holding company	Ireland	100	100
Medavinci Gold Limited	Holding company	UK	100	100
Orogen Gold (Serbia) Limited	Holding company	Ireland	100	100
Emotion Fitness Limited	Holding company	UK	100	100

11 Business combinations, goodwill and non-controlling interests

Acquisition of Deli Jovan Exploration d o o

On 13 June 2012, the Group acquired 55% of the Serbian company Deli Jovan Exploration d o o following the completion of CAD1.5 million Phase 1 exploration financing of the Deli Jovan gold project. The remaining 45% of Deli Jovan Exploration d o o is held by Reservoir Minerals Inc. At the date of acquisition non-controlling interests have been measured at their proportionate interest in the book values of the subsidiary net assets as adjusted for the accounting policies of the Group (the total subsidiary net assets after accounting policy adjustments was £895,000 – the adjustments to the subsidiary net assets included the capitalisation of exploration and evaluation assets of £749,000).

Assets acquired and liabilities assumed

	At date of acquisition £'000
Assets	
Exploration and evaluation assets (see note below)	1,132
Cash and cash equivalents	130
Property, plant and equipment	25
Trade and other receivables	39
Inventories	22
Total assets	1,348
Liabilities	
Trade and other payables	70
Total liabilities	70
Total net assets	1,278
Non-controlling interest	403
Purchase consideration	875

A fair value adjustment of £383,000 was made to the exploration and evaluation assets to reflect the value of the Group's investment in the Deli Jovan gold project.

Notes to the accounts

Movement on goodwill

	2012 £'000	2011 £'000
Cost as at 1 January	3,173	—
Additions	—	3,173
Transfer to exploration and evaluation assets	(3,173)	—
Cost at 31 December	—	3,173
Carrying value as at 31 December	—	3,173

100% of the goodwill balance at 31 December 2011 relates to the acquisition of Orogen Gold Limited – the main asset of that company on the date of acquisition was the earn-in agreement on the Deli Jovan gold project. On completion of the first phase of the earn-in and the application of the 55% earn-in to the transfer of ownership of 55% of Deli Jovan Exploration d.o.o. (the holding company of the Deli Jovan Exploration permit) to the Group, the balance of the goodwill figure has been transferred to exploration and evaluation assets.

12 Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
VAT recoverable	159	28	10	15
Amounts owed by subsidiary and associate undertakings	—	—	3,378	1,255
Other receivables and prepayments	17	5	13	2
Unpaid share capital	192	—	192	—
Trade and other receivables	368	33	3,593	1,272

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

13 Cash and cash equivalents

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash at bank	1,621	2,004	40	1,275
Cash and cash equivalents	1,621	2,004	40	1,275

14 Share capital

	Ordinary shares of £0.001 each		Deferred shares of £0.009 each		Share premium £,000	Total consideration £,000
	Number	Nominal value £'000	Number	Nominal value £'000		
Authorised	5,000,000,000	5,000	73,599,817	662		
Allotted, called up and fully paid						
Balance at 1 January 2011	1,353,660,817	1,354	73,599,817	662	6,714	8,730
Issue of new shares	551,511,636	551	—	—	3,525	4,076
Balance at 31 December 2011	1,905,172,453	1,905	73,599,817	662	10,239	12,806
Issue of new shares	274,000,000	274	—	—	1,086	1,360
Balance at 31 December 2012	2,179,172,453	2,179	73,599,817	662	11,325	14,166

Notes to the accounts

On 27 December 2012, 34,000,000 new ordinary shares of £0.001 each were issued at £0.006 per share by way of share placing. The cash consideration received by the Company was £192,000.

On 17 October 2012, 240,000,000 new ordinary shares of £0.001 each were issued at £0.005 per share by way of share placing. The cash consideration received by the Company was £1,137,000.

On 28 November 2011, 231,160,000 new ordinary shares of £0.001 each were issued at £0.005 per share by way of share placing. The cash consideration received by the Company was £1,088,000.

On 23 March 2011, 5,000,000 share options over ordinary shares of £0.001 each were exercised at the subscription price of £0.004 per share.

On 4 March 2011, 315,351,636 new ordinary shares of £0.001 each were issued as consideration to acquire the remaining 51% of Orogen Gold Limited that the Group did not already own.

15 Share-based payments

The Group has a share-ownership compensation scheme for senior executives of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous general meeting, senior executives may be granted options to purchase ordinary shares in the Company.

The Group has on occasion issued warrants, or share options to third parties by way of settlement of liabilities to strategic suppliers. Each share option converts into one ordinary share of Orogen Gold plc upon exercise. No amounts are paid or payable by the recipient of the option for the option. The options carry neither rights to dividends nor voting rights at shareholders meetings.

On 29 November 2012 warrants of 20,000,000 ordinary shares in the Company were issued to Darwin Strategic Limited. These warrants are exercisable at 0.95p per ordinary share at any time within 3 years of the grant date.

On 4 March 2011 share options of 240,000,000 ordinary shares in the Company were issued to members of the board under the Company's Share Option Plan. These share options fully vested on 15 February 2012 and are exercisable at 0.95p per share during the period 16 February 2012 to 15 February 2021. During December 2012, 200,000,000 of these share options were re-priced to 0.60p per share from their original exercisable price.

During the last quarter of 2010 share options of 10,000,000 ordinary shares in the Company were granted to strategic suppliers at an average strike price of 0.30p. During 2011, 5,000,000 of these share options were exercised at a price of 0.40p per share.

These equity instruments were valued using the Black-Scholes option pricing model.

	2012		2011	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Balance at 1 January	245,000,000	0.85p	10,000,000	0.30p
Granted during the year	20,000,000	0.95p	240,000,000	0.95p
Exercised during the year	—	—	(5,000,000)	0.40p
Re-priced during the year (old price)	(200,000,000)	(0.95p)	—	—
Re-priced during the year (new price)	200,000,000	0.60p	—	—
Balance at 31 December	265,000,000	0.67p	245,000,000	0.85p
Exercisable at 31 December	265,000,000	0.67p	245,000,000	0.85p

Notes to the accounts

The fair value of equity based share options granted is estimated at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options have been granted. The following are the inputs to the model for the options granted

	Share Options 2012	Warrants 2012	Share Options 2011
Strike price	0.60p	0.95p	0.95p
Total units	200,000,000	20,000,000	200,000,000
Underlying asset price	0.49p	0.59p	0.95p
Time (days)	2,972	1,095	3,600
Volatility	20%	20%	20%
Interest rate p a	1.75%	0.75%	3.5%

200,000,000 share options held by the Directors of Orogen Gold plc were re-priced in December 2012 to 0.60p per share from their original exercisable price of 0.95p per share. A fair value calculation of the equity instruments granted versus the old equity instruments was performed on the date of modification. The incremental fair value has been recognised immediately on the modification date.

The calculated fair value of share options and warrants charged to the Group and Company financial statements in the year is as follows

	2012 £'000	2011 £'000
Share options	196	511
Warrants	—	—
Total	196	511

16 Retained earnings

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Opening balance	(7,726)	(6,512)	(7,532)	(6,512)
Loss for the period	(651)	(1,214)	(379)	(1,020)
Closing balance	(8,377)	(7,726)	(7,911)	(7,532)

In accordance with the provisions of the Companies Act 2006, the Company has not presented a statement of comprehensive income. The Company's loss for the year was £379,000 (2011: loss £1,020,000).

17 Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	16	42	—	39
Accruals and deferred income	43	94	34	72
Amounts due to Directors	18	27	2	16
Trade and other payables	77	163	36	127

Amounts due to Directors are unsecured, interest free and are current liabilities.

18 Related party transactions

See the Directors report for details of remuneration of Directors. Subsidiary information is presented in note 11, transactions between Group entities have been eliminated on consolidation and are not disclosed.

At 31 December 2012, £261 was due to the Group from Edward Slowey as part of a travel expense advance.

Shares purchased by Directors

Shares in Orogen Gold plc were acquired by the Directors of the Company as part of the October 2012 share placing (total placing 240,000,000 at 0.50p per share) as follows:

	Subscription shares
Adam Reynolds	4,000,000
Alan Mooney	4,000,000
Edward Slowey	4,000,000
John Barry	4,000,000
Michael Nolan	4,000,000
Total	20,000,000

Other transactions

£5,268 (2011: £6,473) was paid to JS Consult Limited, in which Michael Nolan was a director, for the provision of office facilities.

£14,290 (2011: £19,000) was paid to Diablo Consulting Limited, a company in which Adam Reynolds was a director, for the provision of office facilities, administration services, company secretarial and corporate finance.

£2,241 (2011: £24,581) was paid to Hansard Communications Limited, a company in which Adam Reynolds was a director, for public relations services.

As part of the November 2012 fundraising of £1,200,000, X-Cap Securities plc paid £12,000 out of their commission received from Orogen Gold plc to Hub Capital Partners, a company in which Adam Reynolds was a partner.

Parent transactions with Group companies

During the year the Company advanced £2,123,000 (2011: £1,255,000) to Orogen Gold Limited by way of intercompany loans for exploration activities. The balance outstanding from Orogen Gold Limited at 31 December 2012 is £3,378,000 (2011: £1,255,000).

19 Subsequent events

On 22 January 2013 the Company announced it had signed a Memorandum of Understanding with Georaid CJSC ("Gearoid"), an Armenian registered company, granting exclusive rights to undertake a confirmatory due diligence exploration programme over the exploration licence held by Georaid covering the Mutsk gold prospect in southern Armenia.

20 Financial Instruments – Risk Management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Company's operations expose it to some financial risks arising from its use of financial instruments, the most significant ones being cash flow interest rate risk, foreign exchange risk, liquidity risk and capital risk. Further details regarding these policies are set out below.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that attractive rates of interest are received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no significant debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Interest rates on financial assets

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at 31 December 2012 of these assets was as follows:

	Total £'000	Financial assets on which interest is earned £'000	Financial assets on which interest is not earned £'000
31 December 2012			
UK Sterling	1,807	1,534	273
Euro	35	6	29
Canadian Dollar	3	—	3
Serbian Dinar	144	—	144
	1,989	1,540	449
31 December 2011			
UK Sterling	1,975	1,201	791
Euro	29	19	26
	2,004	1,220	817

The Group earned interest on its interest bearing financial assets at rates between 1% and 3% (2011 1% and 3%) during the year.

A change in interest rates on the statement of financial position date would increase/ (decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2011 was prepared under the same assumptions.

	2012		2011	
	Increase in 1% £'000	Decrease of 1% £'000	Increase in 1% £'000	Decrease in 1% £'000
Instruments bearing interest	19	(19)	12	(12)

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous year end and that therefore this risk has had no material impact on earnings or shareholders' equity.

Foreign exchange risk

Foreign exchange risk may arise because the Group has operations located in various parts of the world where the local currency is not the same as the functional currency in which the Company operates.

Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that surplus funds over and above immediate working capital requirements are held in Sterling deposits.

The Group considers this policy minimises any unnecessary foreign exchange exposure. In order to monitor the continuing effectiveness of this policy, the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an on-going basis.

The following table discloses the major exchange rates of those currencies utilised by the Group.

Foreign currency units to £1 UK Sterling (rounded)	EUR	CAD	RSD
Average 2012	1 230	1 587	143 29
At 31 December 2012	1 223	1 610	138 53
Average 2011	1 143	1 608	87 962
At 31 December 2011	1 193	1 557	91 127

(EUR = Euro, CAD = Canadian Dollar and RSD = Serbian Dinar)

Liquidity risk

Liquidity risk arises from the Group's management of working capital, it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The principal obligations of the Group arise in respect of committed expenditure in respect of its on-going exploration work. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements and to raise new equity finance to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its on-going exploration work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes. For cash and cash equivalents, the Company only uses recognised banks with high credit ratings.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Company Information

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Registered number	5379931, England and Wales
Dublin office	18 Fitzwilliam Place Dublin 2
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Directors	John Barry – Non-executive Chairman Edward Slowey – Chief Executive Alan Mooney – Finance Director Adam Reynolds – Non-executive Director Michael Nolan – Non-executive Director
Secretary	Alan Mooney
Auditors	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Banker	Coutts & Co 440 Strand London EC3V 3ND
Nominated advisor and broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
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