Registered number: 07353748

# KERAS RESOURCES PLC

# ANNUAL REPORT 2015

**KERAS RESOURCES PLC**

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

## COMPANY INFORMATION

| | | |
|---|---|---|
| **Directors:** | B Moritz | Non-Executive Chairman |
| | D Reeves | Managing Director |
| | J Carter | Finance Director |
| | R Lamming | Non-Executive Director |
| | R Pitchford | Non-Executive Director |
| | P Hepburn-Brown | Non-Executive Director |
| **Company secretary:** | Cargil Management Services Limited | |
| **Company number:** | 07353748 | |
| **Registered office:** | 27/28 Eastcastle Street<br>London W1W 8DH | |
| **Nominated advisor:** | Northland Capital Partners Limited<br>131 Finsbury Pavement<br>London EC2A 1NT | |
| **Broker:** | Beaufort Securities Ltd<br>131 Finsbury Pavement<br>London EC2A 1NT | |
| **Solicitors:** | Memery Crystal LLP<br>44 Southampton Buildings<br>London WC2A 1AP | |
| **Auditor:** | Moore Stephens LLP<br>150 Aldersgate Street<br>London EC1A 4AB | |

## HIGHLIGHTS

- Focused on gaining near-term cash flow – gold production expected in Q2 2016 following the acquisition of Chaffers, which holds the Grants Patch Gold tribute agreement in Australia
- Name change to Keras Resources PLC to reflect re-focused strategy on Australian gold and cash flow opportunities
- Completed equity fund raising of £835,000 in February 2015 and raised £564,000 in February 2016 by way of the issue of an unsecured loan note to include the limited working capital required to commence gold production
- Finalised the Definitive Feasibility Study for the Nayega manganese project in Togo which indicates that the capital and operating costs will be substantially reduced from previous estimates.

**CHAIRMAN'S STATEMENT**

The year since our last Annual Report has been a time of positive transition which has seen us implement significant strategic initiatives; a portfolio assessment and diversification; and most importantly, an acquisition of a near-term gold production company in Australia which has seen us successfully transform ourselves in more than name alone and enter 2016 a stronger company.

Over the past year, the continued downward pressure on commodity prices, in particular iron-ore, has led us to reflect on our African operations and reassess our development strategy to ensure that we can continue to deliver maximum value for our shareholders. This in turn led to the decision to refine our core assets and re-focus our portfolio to identify high value development projects with a direct route to production and cash generation and targeting opportunities where good margins can be made despite price cycle lows.

With this in mind, we identified an ideal opportunity to deliver cash flow at very low cost within six months and therefore proceeded to acquire private Australian gold mining company Chaffers Mining (Pty) Limited ('Chaffers'). Chaffers has a five year tribute agreement to mine defined gold deposits at leases owned by Norton Gold Fields ('Norton'), located 30km north of Kalgoorlie in the heart of the Western Australian goldfields, product from which will be treated at Norton's nearby Paddington processing plant, 25km away. This opportunity was acquired in an all share deal and represents a very exciting new project in our portfolio. Most importantly, limited working capital of approximately £300,000 is required to commence production at the Grants Patch lease and we have secured a loan to fulfil this requirement.

The agreement covers historic resources of more than 350,000 ounces of gold and mining leases have been granted for deposits which comprise remnant resources below historic pits and previously unmined near-surface deposits. The shallow laterite and oxide deposits provide an excellent opportunity to deliver first production in Q2 2016. We are initially targeting production of 20,000 to 30,000 ounces of gold per annum at AISC C3 costs of c.AUD 900/oz. Keras will pay mining and processing costs, plus a 22% royalty to Norton.

This acquisition was especially timely in light of the recent upturn in gold prices, especially when comparing against the lowering Australian dollar which currently prices gold at more than AUD 1,600/oz therefore offering lower operating costs and higher earnings potential for projects based in Australia.

This acquisition also bolstered our Board and management team. In November 2015, Chaffers' Peter Hepburn-Brown was appointed as a Non-Executive Director of Keras and Peter George has taken up the role of Chief Operating Officer. They bring with them valuable knowledge of the deposits, as well as extensive experience of gold development and production, which will be very useful as we achieve our strategic goals.

**CHAIRMAN'S STATEMENT**

Although it is fair to say that delivering value through Australian gold production is our primary strategy, our Nayega Manganese Project in Togo, West Africa is still important to Keras. This is due to its low capex, open pit, near-term production and low cost 250,000 tonne per annum manganese export potential. Nayega is an attractive deposit which we believe will deliver significant value for shareholders once in production. However its timeline for mine development and production is dependent on the final receipt of the mining licence. We would like to reassure shareholders that we have been highly active on the ground at Nayega and have ensured that all the relevant documents, government assurances and local support are in place so that we are well positioned to deliver first production within circa nine months from when we decide to commence development, subject to the availability of mining finance.

In May 2015, we completed the Definitive Feasibility Study ('DFS'), which marked a significant milestone at Nayega with a maiden ore reserve of 8.48Mt at 14% Mn and plans for an accelerated start-up option. The accelerated start-up entails the simplification and modularisation of the process circuit which we are confident will substantially reduce the capital and operating costs and should have a positive impact on the project's profitability. Other elements of the original model remain largely unchanged, with 750,000tpa ore initially being mined and processed by scrubbing/screening and DMS, albeit using a modified process flow route. In addition to this we remain in discussions with various third-party financiers for funding Nayega at project level. Full details are intended to be announced upon receipt of the mining licence.

We envisage that revenues generated through production from Grants Patch will position the Group to take on larger projects in the future and with this in mind, we continually assess new acquisition opportunities. , Considering the current price levels and general appetite for this commodity our iron-ore portfolio in Gabon and South Africa no longer meets our investment criteria and has been de-prioritised with no exploration expenditure currently being attributed to it. We are currently evaluating joint venture and trade sale opportunities to realise the value of, and where possible, monetise our non-core assets.

**Financial review**

With regard to funding, we successfully completed fundraising in February 2015 for £835,000 with support from new and existing shareholders and Board participation by way of subscription, further aligning the Directors with Keras shareholders. Post year end, we have announced the closing of a £565,000 debt facility that will see us enter positive cash flow at Grants Patch, thereby minimising dilution to shareholders.

## CHAIRMAN'S STATEMENT

Our company name change to Keras Resources marks the beginning of our transformation into a gold production company, with a firm focus on generating cash flow. The commencement of gold production in Q2 2016 will be transformational and will enable us to look at adding further gold production in Australia and continue evaluating prospective opportunities in the natural resource market. We are at an important stage of our development and with a new strategic vision, a strong team at the helm and our Australian acquisition, the coming months are set to be particularly exciting for us.

Under these circumstances, the Board decided to fully impair the value of all African iron assets and the Leinster Manganese Project. Notwithstanding this, we continue to seek ways of realising value for shareholders from those assets. This decision has reduced net assets to less than half of the paid up share capital. In accordance with S.656, Companies Act 2006 this will be considered at the forthcoming Annual General Meeting but it should be stressed that the decisions already made by the Board are intended to rectify the situation.

I would like to thank investors for their support during the year and look forward to the coming months.

Brian Moritz
Chairman
4 March 2016

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2015.

### Operating review

**Principal activities**
The principal activity of the Group has been the identification, acquisition, exploration and development of iron and manganese projects. The main areas of activity during the reporting period were Togo, Gabon and South Africa.

Post year end, the Company announced that it would be focusing on near term cash flow project in the Australian gold industry through the acquisition of Chaffers Mining Pty Ltd.

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

**Strategy and Business Plan**

The Group's ***strategy*** is to target low capital expenditure projects, near infrastructure, which offer significant value uplift potential via resource delineation, early production and therefore near term cash flow. The acquisition of Chaffers Mining in Australia offers the opportunity to start production in 2016. The Nayega manganese project in Togo is a low cost and low capital expenditure project.

The Group's ***business model*** has established it as an efficient and low cost explorer. Keras identifies mineral project opportunities through internal research and to date, its preference has been to secure project interests through application to local authorities wherever possible. This allows Keras to acquire projects at a minimal upfront cost. The Company is now particularly focussed on projects that offer more immediate cash flow opportunities in the Australian gold industry.

During the reporting period the Group was focussed on finalising the definitive feasibility study for the Nayega manganese project and assessing opportunities in Australia that offered short timeframes to production and cash flow. Given the poor state and outlook in the iron ore market, the Group carried out minimal work on the iron projects during the reporting period. The Board has a proven track record in Africa of building value for shareholders through developing assets into production and successfully completing trade sales. Examples of this are members of the Board being involved in the development and subsequent trade sales of Zimplats, Afplats and Chromex for an aggregate consideration of approximately US$1 billion. Subsequent to the year end, the Company expanded its activities by the acquisition of Chaffers.

In exploring and developing mineral deposits, the Group accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long term view of management's good track record in mineral discovery and development. Board and management currently hold 25% of the issued shares in Keras and we believe this significant stake provides further evidence of the Board's belief in and commitment to its strategy.

## STRATEGIC REPORT

To date, the Group has financed its activities through equity and debt raisings. As the Group's projects become more advanced, the Board will seek mining finance, as well as investigating strategic opportunities to obtain funding for projects from future customers via production sharing, royalty and other marketing arrangements. At the Nayega manganese project, the Group finalised the Definitive Feasibility Study and this includes discussion with development banks, offtakers and strategic investors for alternative forms of finance. Manganese prices fell significantly during the course of 2015 and along with delays in obtaining a licence to mine from the Togolese government meant that these discussions have been slower to progress than anticipated in last year's annual report.

### Financial and Performance Review

The Group is not yet in production and so has no income other than a small amount of bank interest. Consequently the Group is not expected to report profits until it disposes of or is able to profitably develop projects, which is expected to be in the current year.

The results of the Group are set out in detail in the financial statements. The Group reports a loss of £5.7m for the year (2014: £2.0m) after administration and exploration expenses of £1.2m (2014: £1.5m) and an impairment charge of £4.5m (2014:nil).

The financial statements show that, at 30 September 2015, the Group had total assets of £1.3m (2014: £5.8m). Total assets include £1.2m (2014: £5.5m) of intangible assets. This comprises exploration, evaluation and development expenditure on the Group's projects.

Expenditure such as pre-licence and reconnaissance costs is expensed. The loss reported in any year includes expenditure for specific projects that was carried forward in previous reporting periods as intangible assets but which the Board determines is impaired in the reporting period.

In the reporting period, the Directors have assessed the carrying value of the Group's projects and given the extremely poor conditions and outlook, the decision was made to fully impair the carrying values of the Malelane iron and Leinster manganese project, both located in South Africa and the Mebaga iron project in Gabon. No impairment has been made to the carrying value of the Nayega manganese project in Togo.

### Key Performance Indicators

The financial statements of a mineral exploration company may not provide a reliable guide to the performance of the Company or its Board.

The usual financial key performance indicators ("KPIs") cannot be applied to a company with no turnover and so the Directors consider that the detailed information in this report is the best guide to the Group's progress and performance during the year. The Board reviews this position at least annually in the context of the Group's activities.

During this reporting period, Keras had a multi-project portfolio of manganese development assets and iron exploration projects in Africa, the majority of which have now been fully impaired. Subsequent to the year end the Company announced entry into the Australian gold sector through the acquisition of Chaffers.

## STRATEGIC REPORT

### Australia – Grants Patch Gold Tribute Project (100% owned)

With Chaffers, Keras has acquired a five year tribute agreement with Norton Gold Fields which will see it mine in the near-term certain defined gold deposits located on Norton's leases, located 30km north of Kalgoorlie in the heart of the Western Australian goldfields.

The deposits have historic resources of 5,741,155t @ 1.97g/t for 363,599 ounces of gold and the Group plans to commence production in Q2 2016, which will generate near-term cash flow to be channelled into advancing development at the Nayega manganese project. Keras anticipates initial production rates of 20,000 to 30,000 oz Au per annum, which will be treated at Norton's nearby Paddington processing plant with AISC C3 costs anticipated to total AUD900/oz. Keras will pay a 22% royalty to Norton.

Initially, Keras will target shallow laterite and oxide gold deposits to generate revenue rapidly. Deposits comprise previously mined pits with remainder economic material below the pit floor or unmined new areas. At the first two laterite gold pits, Accord and Anomaly 22, new estimates totalling 164,000t at an average grade of 1.4g/t, containing 7,200oz Au have been produced, mine designs finalised and environmental studies completed. 94,350t at 1.39g/t Au have been assigned to Anomaly 22 and 69,496t at 1.32g/t Au to Accord and this is expected to provide the first four to five months of mining for the Company. A small programme of confirmatory reverse circulation drilling will be conducted ahead of production. These initial pits have been chosen due to the fact that there is no pre-strip required. Modelling of Bent Tree, a further remnant open pit, is on-going and will be announced when completed. Once open-pit operations are performing at plan, high-grade underground opportunities will be investigated, for example, at Prince of Wales, which hosts historic resource of 154,000 @ 8g/t gold. All equipment required for mining and haulage will be hired from local contractors and confirmatory drilling and assaying will be conducted prior to the commencement of production.

The project offers significant cost advantages, with the 100% interest in Chaffers purchased at £465,000 in shares plus an additional £465,000 in shares on production of 10,000oz Au, at 30 day VWAP to announcement of successfully completing this milestone. Keras is poised to take advantage of a very profitable gold sector as an AIM listed Australian gold producer.

### Togo - Nayega Manganese – 85%

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

During the period under review, we made significant progress on the ground proving up the economic potential and developing the 250,000 tonne low-capex, open-pit manganese mine towards production of a 38% manganese product with the potential to provide cash flow for the Group and its shareholders.

**STRATEGIC REPORT**

The Definitive Feasibility Study ('DFS') to develop Nayega as a manganese export operation completed in 2015 and the results indicate a notable reduction in capital and operating costs. Additional testwork conducted during the course of 2015 has led to improved understanding of how the mineralised material responds to beneficiation. As a result, Keras assessed an 'accelerated start-up' option which employs a modified process flow-route for manganese product. Nayega also offers low cost processing credentials offering an average mining depth of 4m, no waste stripping and no drill and blast needed. This and the size of the operation will allow for a small scale mining operation that can be managed by a local contractor which again should minimise costs.

Further to the DFS work completed, additional pitting at exploration targets T27 and T48 at Nayega allowed the estimation of resources for these two prospects. Inferred resources of 220,000t @ 15.6% Mn and 2.75Mt @ 9.2% Mn were defined at T48 and T27, respectively. Both areas are within easy trucking distance (T48 is <1km northwest, T27 is 6.5km east) of the Nayega deposit and are likely to have a substantial positive impact on its future development. Nayega's total JORC Code compliant resource in all categories is now 14Mt @ 12.4% Mn. This includes the 8.48mt @ 14% reserve.

Full details of the DFS, including economics, will be released once the mining licence is granted. With regard to the mining licence, negotiations with Togolese Government representatives over the Mining Convention have concluded. The Mining Convention is a comprehensive document outlining Keras' and the Government's commitments to each other on fiscal, environmental and social issues. This is a significant step for Keras and in conjunction with grant of the Environmental Permit last period, clears the way for the mining licence to be granted.

**Gabon - Mebaga Iron Ore – 78%**

Mebaga is a DSO iron ore project located in the north of Gabon within an extensive iron ore province, which extends from Gabon into the Republic of Congo ("ROC") and Cameroon. Major deposits in the region include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). The project has significant benefits as the closest DSO project to the Libreville port in the Belinga Super Group area.

The 305 sq km project which spans over a 19km Banded Iron Formation ('BIF') strike has an Exploration Target of 630 - 1,050Mt @ 25 – 65% Fe, including 90 to 150Mt @ 35 – 65% Fe oxide (weathered), estimated over 11km of 19km BIF strike where mineralisation is open both along strike and at depth. The DSO potential has been authenticated by the 2013 drilling.

In August 2014, we completed a desktop study for operations and associated costs at Mebaga which highlighted that significant potential exists for low operating costs. Subsequent to this study, the iron ore price has dropped to approximately $40/t and the project is considered un-economic at these prices. As a result of this, the Group has been investigating other initiatives to realise value from this asset but in the meantime, its carrying value has been fully impaired.

**STRATEGIC REPORT**

**South Africa - Malelane Iron Ore – 74%**

Malelane is located in the mineral rich Mpumalanga region of South Africa. Keras holds a 74% interest in the project, which incorporates prospecting rights over a 4,192 Hectare area.

Malelane hosts a JORC Code compliant Inferred Resource of 139Mt at 37% Fe, which is only defined over 1.5km of the 14km BIF strike identified within the project area. A Scoping Study completed by Keras utilising this maiden resource in 2012 illustrated a potential method of developing Malelane as an initial 1.8Mtpa open-pit, low strip ratio operation with a 57% Fe product over a 16.6 year Life of Mine ('LOM').

With the reduction in iron ore pricing, this asset is not considered economic and its carrying value has been fully impaired.

**South Africa – Leinster Manganese – 74%**

The 47,004 hectare Leinster project is our second manganese project, located in the Northern Cape and North West Provinces of South Africa. The project covers the entire Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest manganese metallogenic province in the world.

The Leinster deposit lies at an average depth of 80m below surface and is envisaged as an underground operation with ore trucked or railed to port for the export market. Anglo American, who drilled 51 holes on the Leinster property between 1977 and 1988, previously held the property. Using this information, Coffey Mining calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mn for Leinster on behalf of Keras Resources. The target is open in all directions.

With the reduction in manganese pricing, this asset is not considered economic and its carrying value has been fully impaired.

## Risk management

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

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

### Exploration risk

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

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

### Resource risk

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

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

### Development risk

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

### Mining and processing technical risk

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

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

### Environmental risk

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

The Group is currently in the exploration stage. Any disturbance to the environment during this phase is minimal and is rehabilitated in accordance with the prevailing regulations of the countries in which we operate. As part of our ongoing feasibility studies being conducted at the Malelane and Nayega projects, environmental baseline studies are being undertaken or planned to be undertaken as part of this process.

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

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

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

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

**Financial instruments**
Details of risks associated with the Group's financial instruments are given in Note 24 to the financial statements. Given the early stage nature of the Group's activities, Keras does not utilise any complex financial instruments.

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

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

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

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.
The Board takes account of the significance of social, environmental and ethical matters affecting the business of the Group. At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of Keras' stakeholders through individual policies and through ethical and transparent actions.

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

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

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

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

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

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

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

**Health and safety**

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

This Strategic Report was approved by the Board of Directors on 4 March 2016.

David Reeves
Managing Director
4 March 2016

**DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2015.

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

The Group's projects are set out in the strategic report.

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

**Results**
The Group reports an after-tax loss of £5,697,000 (2014: £2,005,000).

**Major events after the balance sheet date**

On 17 November 2015, the Company announced that it had entered an agreement to acquire 100% of Australian private company, Chaffers Mining Pty Ltd ("Chaffers"). Chaffers has negotiated a five year tribute agreement with Paddington Goldfields, a subsidiary of Norton Goldfields ('Norton') to mine certain defined gold deposits located on the Norton leases, located 30km north of Kalgoorlie in the heart of the Western Australian goldfields, for treatment at Norton's nearby Paddington processing plant. This was part of the Company's focus on targeting near term cash flow potential projects in stable jurisdictions.

On 1 February 2016, Keras announced that it had secured £563,889 loan note to commence gold production in Australia during 2016. These funds will, inter alia, provide the working capital need to commence production at the Grants Patch tribute project.

Further details on both of these subsequent events can be found in the respective announcements which are available from the Company's website www.kerasplc.com.

**Dividends**
The Directors do not recommend payment of a dividend for the year ended 30 September 2015 (2014: £nil).

**Political donations**
There were no political donations during the year (2014: £nil).

**Going concern**
The Directors continue to adopt the going concern basis in preparing the financial statements. With the commencement of gold production expected in Q2 of 2016, the Group's forecasts indicate that it will be cash flow positive from that time. External funding arrangements for the development of the Nayega project will be obtained prior to any commitment for such development.

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

**DIRECTORS' REPORT**

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

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

**Remuneration Committee**

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

**Directors**
The following Directors held office during the period:

| | |
|---|---|
| B Moritz | (Non-Executive Chairman) |
| D Reeves | (Managing Director) |
| J Carter | (Finance Director) |
| R Lamming | (Non-Executive Director) |
| R Pitchford | (Non-Executive Director) |

P Hepburn-Brown was appointed as a Director on 17 November 2015.

**Directors' interests**

The beneficial interests of the Directors holding office on 30 September 2015 in the issued share capital of the Company were as follows:

| | 30 September 2015 | | 30 September 2014 | |
|---|---|---|---|---|
| | **Number of ordinary shares of 0.01p each** | **Percentage of issued ordinary share capital** | **Number of ordinary shares of 0.05p each** | **Percentage of issued ordinary share capital** |
| B Moritz | 25,833,333 | 2.30% | 14,583,333 | 1.56% |
| J Carter[1] | 2,777,778 | 0.25% | 2,777,778 | 0.30% |
| D Reeves[3] | 128,577,867 | 11.68% | 117,327,876 | 12.56% |
| R Lamming[2] | 42,881,944 | 3.90% | 42,881,944 | 4.59% |
| R Pitchford[4] | 78,993,055 | 7.18% | 78,993,055 | 8.46% |

[1]These ordinary shares are held by the Carter Super Fund whose beneficiaries are J Carter and his spouse.

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

[3]These ordinary shares are held by the Elwani Trust whose beneficiaries are the spouse and children of D Reeves.

[4]These ordinary shares are held by Blue Sky Mining Limited, a company owned by the Sarnia Trust whose beneficiaries are members of R Pitchford's family.

There have been no changes to these holdings since 30 September 2015.

On his appointment as a director, Mr Hepburn-Brown held an aggregate 25,833,400 ordinary shares in Keras, representing 2.4 per cent. of the issued ordinary share capital, and resulting from the acquisition of Chaffers. There has been no change in that holding. Mr Hepburn-Brown is entitled to be allotted further ordinary shares up to a value of £77,500, through earn out arrangements relating to the acquisition of Chaffers.

**Directors' remuneration and service contracts**

Details of remuneration payable to Directors including share based payments are disclosed in note 10 to these financial statements:

| | **Remuneration £'000** | **Share-based payments £'000** | **2015 Total £'000** | **2014 Total £ '000** |
|---|---|---|---|---|
| B Moritz | 30 | 2 | 32 | 36 |
| D Reeves | 125 | 6 | 131 | 141 |
| J Carter | 90 | 2 | 92 | 81 |
| R Lamming | 33 | 2 | 35 | 56 |
| R Pitchford | 20 | 1 | 21 | 23 |
| | 298 | 13 | 311 | 337 |

The share-based payments represent the charge to the profit and loss account in respect of options granted to the Directors, these options were cancelled on 25 February 2015 as detailed in note 21 to these financial statements.

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

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

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

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

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

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

**Statement of disclosure to auditor**
Each Director at the date of approval of this report confirms that;

So far as that are aware,

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

**Auditor**
Chantrey Vellacott DFK LLP merged its practice with Moore Stephens LLP with effect from 1 May 2015 and now practises under the name of Moore Stephens LLP. A resolution to re-appoint Moore Stephens LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board
Brian Moritz
Director
4 March 2016

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

We have audited the financial statements of Keras Resources PLC for the year ended 30 September 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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

**Opinion on financial statements**

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the Provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

IAN STAUNTON FCA (Senior Statutory Auditor)
for and on behalf of MOORE STEPHENS LLP
Chartered Accountants and Statutory Auditor
London
4 March 2016

KERAS RESOURCES PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Revenue** | | - | - |
| Cost of sales | | - | - |
| **Gross profit** | | - | - |
| Administrative and exploration expenses | | (1,180) | (1,488) |
| **Loss from operating activities** | | (1,180) | (1,488) |
| Finance income | **11** | - | - |
| Finance costs | **11** | (78) | (426) |
| **Net finance costs** | | (78) | (426) |
| **Results from operating activities after finance costs** | | (1,258) | (1,914) |
| Impairment of assets | **14** | (4,458) | - |
| **Loss before tax** | | (5,716) | (1,914) |
| Tax | **12** | - | 126 |
| **Loss for the year** | | (5,716) | (1,788) |
| **Other comprehensive income** | | | |
| Exchange translation on foreign operations | | 19 | (217) |
| **Total comprehensive loss for the year** | | (5,697) | (2,005) |
| **Loss attributable to:** | | | |
| Owners of the Company | | (5,450) | (1,692) |
| Non-controlling interests | | (266) | (96) |
| **Loss for the year** | | (5,716) | (1,788) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | (5,373) | (1,909) |
| Non-controlling interests | | (324) | (96) |
| **Total comprehensive loss for the year** | | (5,697) | (2,005) |
| **Loss per share** | | | |
| Basic and diluted loss per share (pence) | **20** | (0.528) | (0.192) |

All activities are classed as continuing

The notes on pages 29 to 55 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | **13** | 35 | 65 |
| Intangible assets | **14** | 1,171 | 5,526 |
| **Non-current assets** | | 1,206 | 5,591 |
| | | | |
| Loans | **16** | - | - |
| Trade and other receivables | **17** | 52 | 73 |
| Cash and cash equivalents | **18** | 64 | 107 |
| **Current assets** | | 116 | 180 |
| **Total assets** | | 1,322 | 5,771 |
| | | | |
| **Equity** | | | |
| Share capital | **19** | 5,504 | 4,669 |
| Share premium | | 6,371 | 6,439 |
| Other reserves | | 523 | 425 |
| Retained deficit | | (11,275) | (5,825) |
| **Equity attributable to owners of the Company** | | 1,123 | 5,708 |
| Non-controlling interests | | (661) | (337) |
| **Total equity** | | 462 | 5,371 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | **22** | 375 | - |
| Trade and other payables | **23** | 485 | 400 |
| **Current liabilities** | | 860 | 400 |
| **Total liabilities** | | 860 | 400 |
| **Total equity and liabilities** | | 1,322 | 5,771 |

The financial statements were approved by the Board of Directors and authorised for issue on 4 March 2016. They were signed on its behalf by:

Brian Moritz, Director

**KERAS RESOURCES PLC**

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

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

The notes on pages 29 to 55 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Share option reserve** | **Exchange reserve** | **Retained deficit** | **Total** | **Non-controlling interests** | **Total equity** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£ '000** | **£'000** | **£'000** |
| Balance at 1 October 2013 | 4,026 | 4,912 | 175 | 87 | (3,807) | 5,393 | (241) | 5,152 |
| Loss for the year | - | - | - | - | (1,692) | (1,692) | (96) | (1,788) |
| Other comprehensive income | - | - | - | 109 | (326) | (217) | - | (217) |
| **Total comprehensive loss for the year** | - | - | - | 109 | (2,018) | (1,909) | (96) | (2,005) |
| Issue of ordinary shares | 643 | 1,726 | - | - | - | 2,369 | - | 2,369 |
| Costs of share issue | - | (199) | - | - | - | (199) | - | (199) |
| Share-based payments | - | - | 54 | - | - | 54 | - | 54 |
| | 643 | 1,527 | 54 | - | - | 2,224 | - | 2,224 |
| **Balance at 30 September 2014** | 4,669 | 6,439 | 229 | 196 | (5,825) | 5,708 | (337) | 5,371 |

The notes on pages 29 to 55 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2015

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss from operating activities | (1,180) | (1,488) |
| Adjustments for: | | |
| Depreciation | 15 | 25 |
| Profit on disposal of property, plant and equipment | (1) | - |
| Foreign exchange differences | 139 | (81) |
| Equity-settled share-based payments | 21 | 54 |
| | (1,006) | (1,490) |
| Changes in: | | |
| - trade and other receivables | 12 | 19 |
| - trade and other payables | 177 | 129 |
| **Cash used in operating activities** | (817) | (1,342) |
| Finance costs | (15) | (8) |
| Taxes paid | - | 126 |
| **Net cash used in operating activities** | (832) | (1,224) |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | 13 | - |
| Acquisition of property, plant and equipment | - | (7) |
| Exploration expenditure | (224) | (631) |
| **Net cash used in investing activities** | (211) | (638) |
| **Cash flows from financing activities** | | |
| Net proceeds from issue of share capital | 655 | 1,743 |
| Proceeds from short term borrowings | 345 | - |
| **Net cash flows from financing activities** | 1,000 | 1,743 |
| **Net decrease in cash and cash equivalents** | (43) | (119) |
| Cash and cash equivalents at beginning of year | 107 | 226 |
| **Cash and cash equivalents at 30 September** | 64 | 107 |

The notes on pages 29 to 55 are an integral part of these consolidated financial statements.

## COMPANY STATEMENT OF FINANCIAL POSITION
## AS AT 30 SEPTEMBER 2015

| | Notes | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | **13** | 1 | 1 |
| Investments | **15** | - | 1,778 |
| **Non-current assets** | | 1 | 1,779 |
| | | | |
| Loans | **16** | 1,770 | 6,322 |
| Trade and other receivables | **17** | 29 | 52 |
| Cash and cash equivalents | **18** | 57 | 72 |
| **Current assets** | | 1,856 | 6,446 |
| | | | |
| **Total assets** | | 1,857 | 8,225 |
| | | | |
| **Equity** | | | |
| | | | |
| Share capital | **19** | 5,504 | 4,669 |
| Share premium | | 6,371 | 6,439 |
| Reserves | | 250 | 229 |
| Retained deficit | | (11,055) | (3,465) |
| **Total equity attributable to owners of the Company** | | 1,070 | 7,872 |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | **22** | 375 | - |
| Trade and other payables | **23** | 412 | 353 |
| **Current liabilities** | | 787 | 353 |
| | | | |
| **Total liabilities** | | 787 | 353 |
| | | | |
| **Total equity and liabilities** | | 1,857 | 8,225 |

The financial statements of Keras Resources PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 3 March 2016  They were signed on its behalf by:

Brian Moritz, Director

**KERAS RESOURCES PLC**

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

| | Share capital £'000 | Share premium £'000 | Share option reserve £'000 | Retained deficit £'000 | Total equity £ '000 |
|---|---|---|---|---|---|
| Balance at 1 October 2013 | 4,026 | 4,912 | 175 | (2,303) | 6,810 |
| Loss for the year | - | - | - | (1,162) | (1,162) |
| **Total comprehensive loss for the period** | - | - | - | (1,162) | (1,162) |
| Issue of ordinary shares | 643 | 1,726 | - | - | 2,369 |
| Costs of share issue | - | (199) | - | - | (199) |
| Share-based payments | - | - | 54 | - | 54 |
| | 643 | 1,527 | 54 | - | 2,224 |
| **Balance at 30 September 2014** | 4,669 | 6,439 | 229 | (3,465) | 7,872 |
| Balance at 1 October 2014 | 4,669 | 6,439 | 229 | (3,465) | 7,872 |
| Loss for the year | - | - | - | (7,590) | (7,590) |
| **Total comprehensive loss for the year** | - | - | - | (7,590) | (7,590) |
| Issue of ordinary shares | 835 | - | - | - | 835 |
| Costs of share issue | - | (68) | - | - | (68) |
| Share-based payments | - | - | 21 | - | 21 |
| | 835 | (68) | 21 | - | 788 |
| **Balance at 30 September 2015** | 5,504 | 6,371 | 250 | (11,055) | 1,070 |

## COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2015

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss from operating activities | (723) | (1,162) |
| Adjustments for: | | |
| Fair value adjustment on financial instrument | - | 404 |
| Depreciation | - | - |
| Equity-settled share-based payments | 21 | 54 |
| | (702) | (704) |
| Changes in: | | |
| - trade and other receivables | 14 | (30) |
| - trade and other payables | 159 | 155 |
| **Cash used in operating activities** | (529) | (579) |
| | | |
| Finance costs | (23) | 23 |
| **Net cash used in operating activities** | (552) | (556) |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | - | (1) |
| **Net cash flows used in investing activities** | - | (1) |
| | | |
| **Cash flows from financing activities** | | |
| Net proceeds from issue of share capital | 655 | 1,743 |
| Proceeds from short term borrowing | 345 | - |
| Loans to subsidiaries | (463) | (1,287) |
| **Net cash flows from financing activities** | 537 | 456 |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | (15) | (101) |
| | | |
| Cash and cash equivalents at beginning of period | 72 | 173 |
| **Cash and cash equivalents at 30 September** | 57 | 72 |

The notes on pages 29 to 55 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2015**

**1. Reporting entity**

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

**2. Going concern**

After making enquiries and as more fully explained in the Directors Report on page 15, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts.

**3. Basis of preparation**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and as adopted by the European Union.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements having taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive loss for the period ended 30 September 2015 was £7,590,000 (2014: £1,162,000).

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

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

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

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

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

- Carrying value of intangible assets – Notes 4(e)(i) and 14
- Share-based payments - Notes 4(g) and 21

**4. Significant accounting policies**

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

**(a) Basis of consolidation**

**(i) Business combinations**

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

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

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

**(ii) Subsidiaries**

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

**(iii) Non-controlling interests**

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

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

**(iv) Loss of control**

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

**(v) Transactions eliminated on consolidation**

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

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

**(b) Foreign currency**

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

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

**(i) Foreign operations**

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

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

**(c) Financial instruments**

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

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

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

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

**Loans and receivables**

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

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

**(c) Financial instruments (continued)**

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

**Loans and receivables (continued)**
Loans and receivables comprise trade and other receivables.

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

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

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

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

Other financial liabilities comprise trade and other payables.

**(iii) Share capital**

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

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

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

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

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

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

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

**(d) Property, plant and equipment (continued)**

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

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

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

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

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

**(e) Intangible assets**

**(i) Prospecting and exploration rights**
Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and evaluation expenditure are recognised at cost.

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

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

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

**(e) Intangible assets (continued)**

**(iv) Amortisation**

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

The estimated useful lives are as follows:

- Prospecting and exploration rights  Life of mine based on units of production

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

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

**(f) Impairment**

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

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

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

**Financial assets measured at amortised cost**

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

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

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

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

**(f) Impairment (continued).**

**(ii) Non-financial assets**

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

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

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

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

**(g) Employee benefits**

**Share-based payments**

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

**(h) Revenue**

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

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

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

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

Finance costs comprise interest expense on borrowings.

**(j) Taxation**

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

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

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

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

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

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

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

**(k) Segment reporting**

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

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 October 2014 or later periods, but which the Group has not early adopted.

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

Amendments to IAS 1 Presentation of financial statements
Amendments to IAS 16 Property Plant and Equipment
Amendments to IAS 24 Related Party Disclosures
Amendments to IFRS 7 Financial Instruments : Disclosures
Amendments to IFRS 8 Operating Segments
Amendments to IAS 27 Separate Financial Statements
Amendments to IAS 38 Intangible Assets
Investment Entities (Amendments to IFRS 10 and IFRS 12 )

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

**6. Determination of fair values**

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

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

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

**(ii) Intangible assets**

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

**(iii) Trade and other receivables**

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

**(iv) Share-based payments**

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

**7. Operating segments**

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

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

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

## 7. Operating segments (continued)

### Information about reportable segments

| | Iron ore | | Manganese | | Other operations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| External revenue | - | - | - | - | - | - | - | - |
| Interest expense | - | - | - | - | (78) | (426) | (78) | (426) |
| Depreciation, amortisation and impairment | (3,947) | (16) | (525) | (9) | (1) | - | (4,473) | (25) |
| Loss before tax | (4,100) | (305) | (782) | (277) | (834) | (1,206) | (5,716) | (1,788) |
| Assets | 36 | 1,382 | 806 | 934 | 480 | 3,455 | 1,322 | 5,771 |
| Exploration & capital expenditure | 38 | 220 | 186 | 359 | - | 1 | 224 | 580 |
| Liabilities | 7 | 10 | 31 | 10 | 822 | 380 | 860 | 400 |

**7. Operating segments (continued)**

**Information about geographical segments**

| | South Africa | | West Africa | | Other operations | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2015 £'000** | **2014 £'000** | **2015 £'000** | **2014 £'000** | **2015 £'000** | **2014 £'000** | **2015 £'000** | **2014 £'000** |
| External revenue | - | - | - | - | - | - | - | - |
| Interest expense | - | - | - | - | (78) | (426) | (78) | (426) |
| Depreciation, amortisation and impairment | (2,682) | (11) | (1,790) | (14) | (1) | - | (4,473) | (25) |
| Loss before tax | (2,674) | (47) | (2,202) | (535) | (840) | (1,206) | (5,716) | (1,788) |
| Assets | 7 | 649 | 1,226 | 1,667 | 89 | 3,455 | 1,322 | 5,771 |
| Exploration & capital expenditure | 16 | - | 208 | 579 | - | 1 | 224 | 580 |
| Liabilities | - | 3 | 38 | 17 | 822 | 380 | 860 | 400 |

## 8. Expenses

| Expenses include: | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Depreciation and amortisation expense | 15 | 25 |
| Auditor's remuneration | | |
| - Audit fee | 28 | 25 |
| - Other services | 3 | 3 |
| -Tax services | - | 4 |
| Foreign exchange differences | 4 | 59 |

Auditor's remuneration in respect of the Company amounted to £10,000 (2014: £10,000).

## 9. Personnel expenses

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Wages and salaries | 284 | 285 |
| Fees | 228 | 175 |
| Equity-settled share-based payments | 21 | 54 |
| | 533 | 514 |

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

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

| | 2015 | 2014 |
|---|---|---|
| Directors | 5 | 5 |
| Key management personnel | 2 | 2 |
| Other | 5 | 5 |
| | 12 | 12 |

## 10. Directors' emoluments

**2015**

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

**2014**

| | Executive directors £'000 | Non-executive directors £'000 | Total £'000 |
|---|---|---|---|
| Wages and salaries (incl. fees) | 230 | 70 | 300 |
| Compulsory social security contributions | - | - | - |
| Equity-settled share-based payments | 26 | 11 | 37 |
| | 256 | 81 | 337 |

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

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Emoluments for qualifying services | 131 | 141 |

As detailed in note 21, on 25 February 2015 all share options and warrants issued were cancelled.

**Key management personnel**
Included in note 9 are emoluments paid to key management personnel in the year which amounted to £90,000 (2014: £100,000).

## 11. Finance income and finance costs

**Recognised in loss for period**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Interest income on cash balances held | - | - |
| **Finance income** | - | - |
| | | |
| Fair value adjustment to financial instruments | - | 403 |
| Other | 78 | 23 |
| **Finance costs** | 78 | 426 |

## 12. Taxation

**Current tax expense**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Tax recognised in profit or loss** | | |
| **Current tax expense** | | |
| Current period | - | (126) |
| | | |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | - | - |
| | | |
| **Total tax expense** | - | (126) |

**Reconciliation of effective tax rate**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Loss before tax | (5,716) | (1,788) |
| Tax using the Company's domestic tax rate of 20.5% (2014: 22.0%) | (1,172) | (393) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 974 | 116 |
| Overseas losses | 95 | 138 |
| Equity-settled share-based payments | 4 | 12 |
| Tax reclaimed on research and development expenditure | - | 126 |
| Tax losses carried forward not recognised as a deferred tax asset | 99 | 127 |
| | - | 126 |

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

**Factors that may affect future tax charges**
At the year end, the Group had unused tax losses available for offset against suitable future profits of approximately £2,992,000 (2014: £2,507,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

## 13. Property, plant and equipment

### Group

| | Plant and equipment £'000 | Office and computer equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 October 2013 | 27 | 47 | 68 | 142 |
| Additions | 3 | 4 | - | 7 |
| Effect of movements in exchange rates | (2) | (2) | (5) | (9) |
| **Balance at 30 September 2014** | 28 | 49 | 63 | 140 |
| Balance at 1 October 2014 | 28 | 49 | 63 | 140 |
| Additions | - | - | - | - |
| Disposals | - | (1) | (39) | (40) |
| Effect of movements in exchange rates | (1) | - | (3) | (4) |
| **Balance at 30 September 2015** | 27 | 48 | 21 | 96 |
| **Depreciation and impairment provisions** | | | | |
| Balance at 1 October 2013 | 3 | 24 | 23 | 50 |
| Depreciation for the year | 5 | 5 | 15 | 25 |
| **Balance at 30 September 2014** | 8 | 29 | 38 | 75 |
| Balance at 1 October 2014 | 8 | 29 | 38 | 75 |
| Depreciation for the year | 4 | 5 | 6 | 15 |
| Depreciation eliminated on disposals | - | (1) | (27) | (28) |
| Effect of movements in exchange rates | - | - | (1) | (1) |
| **Balance at 30 September 2015** | 12 | 33 | 16 | 61 |
| **Carrying amounts** | | | | |
| At 30 September 2013 | 24 | 23 | 45 | 92 |
| At 30 September 2014 | 20 | 20 | 25 | 65 |
| At 30 September 2015 | 15 | 15 | 5 | 35 |

## 13. Property, plant and equipment (continued)

**Company**

| | Computer equipment £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| Balance at 1 October 2013 | 4 | 4 |
| Additions | 1 | 1 |
| **Balance at 30 September 2014** | 5 | 5 |
| Balance at 1 October 2014 | 5 | 5 |
| Additions | - | - |
| **Balance at 30 September 2015** | 5 | 5 |
| **Depreciation and impairment provisions** | | |
| Balance at 1 October 2013 | 4 | 4 |
| Depreciation for the year | - | - |
| **Balance at 30 September 2014** | 4 | 4 |
| Balance at 1 October 2014 | 4 | 4 |
| Depreciation for the year | - | - |
| **Balance at 30 September 2015** | 4 | 4 |
| **Carrying amounts** | | |
| At 30 September 2013 | - | - |
| At 30 September 2014 | 1 | 1 |
| At 30 September 2015 | 1 | 1 |

## 14. Intangible assets

| | Prospecting and exploration rights £000 |
|---|---|
| **Cost** | |
| Balance at 1 October 2013 | 5,022 |
| Additions | 631 |
| Effect of movement in exchange rates | (127) |
| **Balance at 30 September 2014** | 5,526 |
| | |
| Balance at 1 October 2014 | 5,526 |
| Additions | 224 |
| Effect of movements in exchange rates | (160) |
| **Balance at 30 September 2015** | 5,590 |
| | |
| **Amortisation and impairment losses** | |
| Balance at 1 October 2013 | - |
| **Balance at 30 September 2014** | - |
| | |
| Balance at 1 October 2014 | - |
| Impairment | 4,458 |
| Effect of movements in exchange rates | (39) |
| **Balance at 30 September 2015** | 4,419 |
| | |
| **Carrying amounts** | |
| Balance at 30 September 2013 | 5,022 |
| Balance at 30 September 2014 | 5,526 |
| Balance at 30 September 2015 | 1,171 |

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

## 15. Investment in subsidiaries

**Company**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Equity investments** | | |
| Balance at beginning of period | 1,778 | 1,778 |
| Impairment | (1,778) | - |
| **Balance at 30 September** | - | 1,778 |

| | Activity | Country of incorporation | Ownership interest 2015 | 2014 |
|---|---|---|---|---|
| **Directly** | | | | |
| Ferrex Iron Limited | Investment | United Kingdom | 100% | 100% |
| Ferrex Manganese Limited | Investment | United Kingdom | 100% | 100% |
| Southern Iron Limited | Investment | Guernsey | 100% | 100% |
| Ferrex Australia (Pty)Limited | Research and development | Australia | 100% | 100% |
| **Indirectly** | | | | |
| Moongate 218 (Pty) Limited | Exploration | South Africa | 74% | 74% |
| Southern MN (Pty) Limited | Exploration | South Africa | 74% | 74% |
| Umbono Mineral Holdings (Pty) Ltd | Exploration | South Africa | 74% | 74% |
| Société Générale de Mine | Exploration | Togo | 85% | 85% |
| Ressources Equatoriales SARL | Exploration | Gabon | 78.3% | 78.3% |

## 16. Loans

**Group**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Balance at beginning of period | 119 | 119 |
| Provisions against loans at beginning of period | (119) | (119) |
| **Balance at 30 September** | - | - |

**Company**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Balance at beginning of period | 6,322 | 5,035 |
| Funds advanced to and ordinary shares issued on behalf of subsidiary undertakings | 463 | 1,287 |
| Provisions against loans | (5,015) | - |
| **Balance at 30 September** | 1,770 | 6,322 |

Group loans are to third parties in respect of costs relating to exploration rights. Due to the uncertainty of obtaining the necessary licences a provision has been made against these loans. All loans are currently unsecured and interest free.

## 17. Trade and other receivables

**Group**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Other receivables | 37 | 58 |
| Prepayments | 15 | 15 |
| | 52 | 73 |

**Company**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Other receivables | 15 | 38 |
| Prepayments | 14 | 14 |
| | 29 | 52 |

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

The Group and Company's exposure to credit and currency risk is disclosed in note 24.

## 18. Cash and cash equivalents

**Group**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Bank balances | 64 | 107 |
| Cash and cash equivalents | 64 | 107 |

**Company**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Bank balances | 57 | 72 |
| Cash and cash equivalents | 57 | 72 |

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

## 19. Capital and reserves

**Share capital**

| | Number of ordinary shares of £0.005 each | |
|---|---|---|
| | **2015** | **2014** |
| In issue at beginning of year | 933,794,390 | 805,179,963 |
| Issued for cash | 167,000,000 | 128,614,427 |
| Issued in connection with acquisition of subsidiary | - | - |
| In issue at 30 September – fully paid | 1,100,794,390 | 933,794,390 |

| | Ordinary share capital | |
|---|---|---|
| | **2015** | **2014** |
| | **£'000** | **£'000** |
| Balance at beginning of year | 4,669 | 4,026 |
| Share issues | 835 | 643 |
| **Balance at 30 September** | 5,504 | 4,669 |

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

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

**Issue of ordinary shares**
On 25 February 2015, 167 million ordinary shares were issued, of these, 144.5 million were issued for cash at a price of £0.005 per ordinary share and 22.5 million were issued at £0.005 per ordinary share to settle loans from D Reeves and B Moritz.

**Share option reserve**
The share option reserve comprises the cumulative entries made to the consolidated statement of comprehensive income in respect of the equity-settled share-based payments.

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

## 20. Loss per share

**Basic and diluted loss per share**
The calculation of basic loss per share at 30 September 2015 is based on the loss attributable to ordinary shareholders of £5,450,000 (2014: £1,692,000), and a weighted average number of ordinary shares in issue of 1,033,079,321 (2014: 880,614,829), calculated as follows:

**Weighted average number of ordinary shares**

| | 2015 | 2014 |
|---|---|---|
| Issued ordinary shares at beginning of year | 933,794,390 | 805,179,963 |
| Effect of shares issued | 99,284,931 | 75,434,866 |
| Weighted average number of ordinary shares | 1,033,079,321 | 880,614,829 |

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

## 21. Share-based payments

The Company operated a share option programme that entitled key management personnel to purchase shares in the Company. The terms and conditions of the share option programme were disclosed in the consolidated financial statements as at and for the year ended 30 September 2014. On 25 February 2015 all share options and warrants issued were cancelled.

## 22. Loans and borrowings

**Group and Company**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Unsecured loan notes | 375 | - |
| | 375 | - |

The loan notes carry interest at 10% per annum and are repayable on demand.

## 23. Trade and other payables

**Group**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Trade payables | 98 | 99 |
| Accrued expenses | 347 | 166 |
| Other payables | 40 | 135 |
| | 485 | 400 |

**Company**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Accrued expenses | 339 | 158 |
| Other payables | 73 | 195 |
| | 412 | 353 |

There is no material difference between the fair value of trade and other payables and accruals and their book value. The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

## 24. Financial instruments

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

**Credit risk**
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management has a credit policy in place of and the exposure to credit risk is monitored on an ongoing basis.

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

**Group**

| | Note | Carrying amount 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Trade and other receivables | **17** | 52 | 73 |
| Cash and cash equivalents | **18** | 64 | 107 |
| | | 116 | 180 |

**Company**

| | Note | Carrying amount 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| Loans | **16** | 1,770 | 6,322 |
| Trade and other receivables | **17** | 29 | 52 |
| Cash and cash equivalents | **18** | 57 | 72 |
| | | 1,856 | 6,446 |

**24. Financial instruments (continued)**

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

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

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

**Group**
**2015**

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

**2014**

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Trade payables | 400 | (400) | (400) |
| | 400 | (400) | (400) |

**Company**
**2015**

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Loans and borrowings | 375 | (375) | (375) |
| Trade payables | 412 | (412) | (412) |
| | 787 | (787) | (787) |

**2014**

| | Carrying amount £'000 | Contractual cash flows £'000 | 2 months or less £'000 |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Trade and other payables | 353 | (353) | (353) |
| | 353 | (353) | (353) |

**24. Financial instruments (continued)**

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

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

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

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

The Group considers its capital to be total shareholders' equity which at 30 September 2015 for the Group totalled £1,123,000 (2014: £5,708,000) and for the Company totalled £1,070,000 (2014: £7,872,000).

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

Except for interest on inter-company loans, transactions with related parties take place on terms no more favourable than transactions with unrelated parties. No guarantees have been given or received and all outstanding balances are usually settled in cash.

D Reeves advanced £375,000 to the Group in the period via loan notes, subject to an arrangement fee of £30,000. As detailed in note 22 these loan notes carry interest at 10% per annum and are repayable on demand.

D Reeves and B Moritz each advanced £50,000 to the Group in the previous period. As detailed in note 19, these loans plus a premium of £12,500 in total were settled by the issue of ordinary shares.

## 25. Related parties (continued)

**Other related party transactions**

**Transactions with Group companies**

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

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Southern Iron Limited** | | |
| - Loans and receivables (interest free) | 1,000 | 3,770 |
| **Ferrex Iron Limited** | | |
| - Loans and receivables (interest free) | - | 2,387 |
| **Ferrex Manganese Limited** | | |
| - Loans and receivables (interest free) | 2,032 503 | 2,387 |
| **Ferrex Australia Pty Limited** | | |
| - Loans and receivables (interest free) | 267 | 267 |

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

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Moongate 218 (Pty) Limited** | | |
| - Loans and receivables (interest free) | 1,194 | 1,176 |
| **Umbono Mineral Holdings (Pty) Limited** | | |
| - Loans and receivables (interest free) | 3 | 50 |
| **Société Générale de Mine SARL** | | |
| - Loans and receivables (interest free) | 1,357 | 1,217 |

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

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Ressources Equatoriales SARL** | | |
| - Loans and receivables (interest free) | 967 | 860 |

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

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Umbono Mineral Holdings (Pty) Limited** | | |
| - Loans and receivables (interest free) | 55 | 860 |

## 26. Contingencies

On 28 March 2014, the company issued shares of which a proportion formed part of an equity swap agreement. The fair value of this instrument at the period end has been assessed based on a share price as at 30 September 2015 and should the agreement have been settled at 30 September then the Company would have had a liability of £269,000, however, given volatility of Keras share price and resource equity markets generally, the Directors are of the opinion that recognition of the amount as a contingent liability is the most appropriate classification as at the reporting date.

## 27. Subsequent events

On 17 November 2015, the Company announced that it had entered an agreement to acquire 100% of Australian private company Chaffers Mining Pty Ltd. Chaffers has negotiated a five year tribute agreement with Paddington Goldfields, a subsidiary of Norton Goldfields ('Norton') to mine certain defined gold deposits located on the Norton leases, located 30km north of Kalgoorlie in the heart of the Western Australian goldfields, for treatment at Norton's nearby Paddington processing plant. This was part of the Company's focus on targeting near term cash flow potential projects in stable jurisdictions.

On 1 February 2016, Keras announced that it had secured £563,889 loan note to commence gold production in Australia during 2016. These funds will, inter alia, provide the working capital needed to commence production at the Grants Patch Tribute project, located 30km north of Kalgoorlie in Western Australia.

Further details on both of these subsequent events can be found in the respective announcement which are available from the Company's website www.kerasplc.com.