Registered number: 07353748

KERAS RESOURCES PLC
ANNUAL REPORT 2018

Contents

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*) R Lamming (*Chief executive officer*) D Reeves (*Non-executive director*)
Company secretary:	Cargil Management Services Limited
Company number:	07353748
Registered office:	27/28 Eastcastle Street London W1W 8DH
Nominated advisor and joint broker:	SP Angel Corporate Finance LLP 35 – 39 Maddox Street London W1S 2PP
Joint brokers:	SVS Securities Plc 20 Ropemaker Street London EC2Y 9AR
Solicitor:	Memery Crystal LLP 165 Fleet Street London EC2A 2DY
Auditor:	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD

Chairman's Statement

It gives me great pleasure to report on the substantial progress made in the last year to transform the Company from an exploration company which, by its nature, requires regular injections of cash, to a cash generative mining company.

Manganese production/Togo

The primary focus of Keras during the year, in particular since the appointment of Russell Lamming as CEO, has been to make progress on the Nayega manganese project in Togo, in which we have an 85% interest.

In July 2018 Keras announced that, as a critical step in the Exploitation Permit approval process, it had been granted permission to undertake a bulk sampling metallurgical testwork programme at Nayega. This included the production of 10,000 tonnes of beneficiated manganese ore ('Mn'), for processing by a major producer of manganese-based alloys, for large scale metallurgical testwork, to assess the suitability of the ore in their Mn smelting facilities. The work programme, which is estimated to cost US$1.5 million, is being fully funded by the end-user. Cost includes the capital equipment, as well as operating and logistics costs and management fees to Keras. The bespoke plant has been designed and constructed in South Africa and subsequently shipped to Togo, where it has been erected and is operating at its design capacity. Mining is being undertaken through a Togolese contractor, with whom Keras has established an excellent working relationship. It follows that the Company is in a position to continue producing beneficiated manganese ore at a rate of up to some 75,000 tonnes per annum without requiring further capital expenditure, subject to receiving appropriate approvals from the Togolese authorities.

The bulk sample has been delivered to the port of Lome for shipment by the end user. Of the end user funding, $750,000 was received on signature of the contract, and a further $750,000 is now due. To cover the mismatch between the date of payments and receipts, Dave Reeves and I advanced a total of £300,000 to Keras as a short term, interest free, unsecured loan, repayable by the end of March 2019.

As part of our commitment to mining in Togo, we also obtained five exploration licences, covering 854.3 square kilometres of ground in Togo that cover previously discovered cobalt and nickel mineralisation. Initial exploration on the licences has been undertaken.

Calidus Resources Limited

The previous year saw the successful capitalisation of the Company's Australian gold interests as Calidus Resources Limited ("Calidus"), and the listing of Calidus on the Australian Stock Exchange ('ASX'). Under the rules of the ASX the Company's ordinary shares in Calidus ('Calidus Shares') are held in escrow for a two year period which ends in June 2019, and it remains the intention of the Directors is to distribute those Calidus Shares' to Keras shareholders when they are out of escrow, subject to any Calidus Shares which may be realised to provide working capital. The Company's legal advisers, Memery Crystal, have been retained to prepare the required documentation on a tax efficient basis.

Keras currently holds 475,000,000 Calidus Shares, and, in addition, 275,000,000 Performance Shares to be converted into the same number of Calidus Shares upon the announcement, by June 2020, of a positive pre-feasibility study ('PFS'), which demonstrates the Klondyke Project is commercially viable. Calidus has stated that it is targeting the release of the PFS in Q3 of 2019. The Directors consider that the best interests of shareholders will be served by making the distribution when the Performance Shares have been converted, rather than immediately at the end of the escrow period.

3.5% of these shares will be transferred to Keras' financial advisers in respect of fees relating to the transaction, leaving 96.5% owned by Keras. After conversion of the Performance Shares, therefore, Keras expects that it will own 723,750,000 Calidus Shares.

The Calidus Shares are included in the financial statements at fair value, as further set out in Note 18. While the Calidus share price has suffered a reduction during the year, in common with many ASX listed junior gold mining companies, the shares are included in the Consolidated Statement of Financial Position at a value of £11.5 million, which represents approximately 0.5p per Keras ordinary share. As the escrow period ends in June 2019, the investment is now included within current assets.

Board changes

While there have been no changes in the membership of the board during the year, there have been significant changes in the roles of the directors. In March 2018 Russell Lamming was appointed as CEO, and tasked with developing the Group's assets in Togo, as well as seeking other potential ventures for Keras. Progress in Togo is set out above. At the same time Dave Reeves relinquished executive responsibilities and remains a non-executive director.

Financial review

The Income Statement for the year shows a loss of £584,000 (2017 – profit £3,895,000). However, the two periods are not comparable as the prior year profit results from the transfer of Keras' Australian gold assets to Calidus, and not from trading. There was no revenue from trading in either year, but income from the production of manganese in Togo is expected to commence in the current year.

The Group structure has been further simplified in the year under review. The remaining subsidiaries in Australia and South Africa have been disposed of for nominal consideration, having been fully impaired in prior periods. As well as removing cost, this simplification allows Keras to concentrate on realising the potential of our manganese assets.

Cash conservation remains a priority until commercial mining can commence, and the non-executive directors are continuing to be remunerated at some 50% of their entitlements.

Outlook

Keras is now in a position to operate Nayega as a producing mine as soon as the exploitation licence is issued, and is well placed to pursue other manganese related projects elsewhere in Africa. The 10,000 tonne bulk sample has been funded by the purchaser, and the plant installed for this purpose will allow commercial production to go ahead without delay or further capital expenditure. As announced on 16 January 2019, sample tests on the product indicated average manganese grades of more than 40%, exceeding our expectations and increasing potential profits at Nayega. The cobalt/nickel exploration licences are being evaluated as part of the general strategy in Togo.

The directors have been actively negotiating other manganese related opportunities and look forward to providing shareholders with further updates as appropriate.

Finally, I would like to take this opportunity to thank the rest of the board and our management team for their hard work, and shareholders for their continuing support.

Brian Moritz
Chairman

11 March 2019

Strategic Report

Strategy and Business Plan

The Group's strategy is to target projects that increase shareholder value by taking projects through the life cycle from feasibility to development.

The Group's business model has established the Company as an efficient and low cost explorer/developer.

During the reporting period the Group was focussed primarily on progressing the Nayega manganese project in Togo, and preparing for the extraction of the contracted 10,000 tonne sample of manganese ore. As and when an exploitation licence is obtained the Group intends to mine commercially at Nayega with the minimum of delay, initially using the facilities built for the bulk sample. A definitive feasibility study previously completed for Nayega indicates that the project represents significant value potential for the Group.

Further opportunities in the sphere of manganese are under negotiation elsewhere in Africa.

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. The Directors have increased their holdings in the Company by 112,210,952 shares and currently hold approximately 23% of the issued shares in Keras. We believe this stake provides further evidence of the Board's belief in and commitment to its strategy.

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.

Financial and Performance Review

There was no turnover in the year under review.

The results of the Group are set out in detail in the financial statements. The Group reports a loss for the year of £584,000 (2017: profit £3.9 million), the prior year profit arising from the gain on sale of the Australian gold assets.

The financial statements show that, at 30 September 2018, the Group had total assets of £13.1 million (2017: £21.6 million), and net assets of £12.4 million (2017: £21.3 million). The reduction is primarily due to the reduction in the quoted price of Calidus shares. The basis of valuation is set out in note 18 to the financial statements. Intangible assets total £1.2 million (2017: £1.2 million) which now comprises exploration, evaluation and development expenditure on the Group's projects in Togo. In addition, the Group has made payments of £0.2 million in respect of plant under construction for Nayega.

Expenditure such as pre-licence and reconnaissance costs is expensed in profit or loss as incurred.

The Directors have assessed the carrying value of the Nayega manganese project and other exploration projects in Togo, and no impairment has been deemed necessary. Other African assets have been disposed of.

Key Performance Indicators (KPIs)

During the year the Board monitored the following KPIs:

- Cash flow and working capital:
    - o Short (<3 months) and long term cashflow models are prepared to monitor and forecast the Group's funding needs;
    - o Management accounts prepared on a monthly basis for the Group's key subsidiaries and quarterly on a consolidated basis; and
    - o Weekly reporting of the Group's working capital position.

Should the Group receive a mining permit for the Nayega Manganese project, activities at this project could increase substantially from the current reporting period, to include production forecasts and mine plans.

African Assets

Togo – Nayega Manganese Project (85% owned)

Keras holds an 85% interest in the Nayega manganese project, which covers 92,390 hectares 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 deep-water port of Lome 600km away that has >800,000t per annum back loading capabilities.

Having defined a JORC (2012) Code compliant Indicated and Measured Resource of 11.0Mt @ 13.1% manganese, the Group has completed the majority of the Phase 1 Definitive Feasibility Study ("DFS") to develop an initial open-pit, 250,000tpa manganese operation. To support commercial mining at Nayega, we have applied for an Exploitation Licence. The Group continues to await the award of this, and consequently we have been unable to undertake commercial mining activities during the year. However, we would like to assure shareholders that we have all the relevant documents, government assurances and local support in place. We have received permission from the Togolese authorities to extract and process a 10,000 tonne bulk sample, which is being fully funded by the end user. Progress on this is described above and in the Chairman's Statement. Test sampling of the material produced as part of the bulk sample has indicated a manganese content in excess of 40% rather than the 35% envisaged in the DFS referred to above. As soon as the Exploitation Permit is granted, therefore, the directors intend to commence commercial production at the rate of approximately 75,000tpa without the requirement for further capital expenditure.

With the manganese price performing well this year and the higher grade of manganese identified in product samples, our view that Nayega offers significant value for Keras has been reinforced.

Initial reconnaissance work at the cobalt licences has been undertaken and results are being assessed. Until movement in the granting of the manganese licence is observed, operations are being kept to a minimum.

South Africa – Leinster Manganese

The Group had previously discontinued this project and the cost has been fully impaired in previous years. It has now been disposed of.

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 primarily 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.

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.

Bribery Risk

The Group has adopted an anti corruption policy and whistle blowing policy under the Bribery Act 2010. Notwithstanding this, the Group may be held liable for offences under that Act committed by its employees or subcontractors whether or not the Group or the Directors have knowledge of the commission of such offences.

Financial Instruments

Details of risks associated with the Group's financial instruments are given in Note 26 to the financial statements. Given the nature of the Group's activities, Keras does not utilise any complex or derivative financial instruments.

Insurance Coverage

The Group maintains a suite of insurance coverage that is appropriate for the Group and Company. This is arranged via a specialist mining 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 mining and 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 activities 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 previously operated projects in South Africa, Gabon and Togo, and Australia. We have recruited 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. 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.

Brexit

Although Article 50 of the European Treaty to leave the EU has been invoked and the impact of foreign exchange fluctuations has been evident, the threats and opportunities of 'Brexit' are still largely unknown. Despite no immediately foreseeable impact on the Group, the Directors are monitoring developments.

This Strategic Report was approved by the Board of Directors on 11 March 2019.

Russell Lamming
Director

The Board

BRIAN MORITZ

Non-executive Chairman

Brian is a Chartered Accountant and former Senior Partner of Grant Thornton, London. He formed Grant Thornton's Capital Markets Team which floated over 100 companies on AIM under his chairmanship. In 2004 he retired from Grant Thornton to concentrate on bringing new companies to the market as a director. He concentrates on mining companies, primarily in Africa, and was formerly chairman of African Platinum PLC (Afplats) and Metal Bulletin PLC as well as currently being chairman of several junior mining companies.

RUSSELL LAMMING

Chief Executive Officer

Russell Lamming is a qualified geologist with an honours degree in geology from the University of the Witwatersrand and a Bachelor of Commerce in Economics from the University of Natal. Russell has a broad range of experience including directorship of a South African mining consultancy and precious metals analyst for a leading international broker and was the CEO of AIM listed Chromex Mining and Goldplat Plc. He has strong relationships in London and internationally and has raised considerable funds for resource companies over the years.

DAVE REEVES

Non-Executive Director

Dave holds a first class honours degree in mining engineering from the University of New South Wales, a graduate diploma in applied finance and investment from the Securities Institute of Australia, and a Western Australian first class mine managers certificate of competency. He has over 25 years' experience and has operated in Australia, Africa and Europe in gold, precious metals, mineral sands, bulks and copper. He is non-executive Chairman of ASX and AIM listed European Metals Holdings.

Corporate Governance Statement

To the extent applicable, and to the extent able (given the current size and structure of the Company and the Board), the Company has adopted the Quoted Companies Alliance Corporate Governance Code. Details of how the Company complies with the Code, and the reasons for any non-compliance, are set out in the table below, together with the principles contained in the Code.

Prior to the formal adoption of the Code, the Company has, for a number of years, operated in compliance with recommendations of the QCA, in so far as the size of the Company and its Board permitted. For that reason no significant changes in governance related matters have been needed. No key governance matters have arisen since the publication of the last Annual Report.

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed. Further disclosures under the Code are included on the Company's website.

Principle 1: Establish a strategy and business model which promote long term value for shareholders.

The Company's strategy is to identify mineral deposits which can be developed into mines to create value and income for shareholders. In June 2017 this strategy was successfully demonstrated when the Company's Australian gold exploration assets were floated on the Australian Securities Exchange (ASX) with the name Calidus Resources Limited.

The Company's primary remaining project, the Nayega manganese project in Togo, has also made progress. An agreement has been concluded for the production of a 10,000 tonne bulk sample, fully funded by the end user, and production is under way. Completion of this bulk sample is expected to lead to the grant of an exploitation licence by the Togolese Government, and a joint venture agreement with the funder of the bulk sample for Nayega and other manganese projects.

The Company continues to seek other natural resource projects, primarily, but not exclusively, in Africa.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The risks facing the Company are detailed in the Strategic Report. The Board seeks to mitigate such risks so far as it is able to do, but certain important risks cannot be controlled by the Board.

In particular, the products the Company is seeking to identify and ultimately mine are traded globally at prices reflecting supply and demand rather than the cost of production. So far as the Company is concerned, the substantial decline in the price of iron ore rendered two of its projects non-viable, both of which previously appeared to have substantial value on a discounted cash flow basis, and they were abandoned.

While the Company will only invest in projects where there is a legal right to convert an initial exploration licence to a mining licence, in practice it may be difficult to obtain such conversion for political reasons. There is no legal way that the Company can protect itself against this possibility.

Principle 5: Maintain the Board as well-functioning, balanced team led by the chair.

The Company is not earning material income at this stage of its development. For cost reasons the Board has been reduced to three directors. All of the directors have demonstrated their commitment to the Company by supporting fund raisings, with the result that they own, in aggregate, more that 20% of the ordinary issued share capital, and each director owns more than 3% of the share capital. It follows that none of the directors is considered to be independent.

Russell Lamming, the CEO, works full time for the Company. The other directors, Brian Moritz (the Chairman) and Dave Reeves, are non-executive directors. As Dave Reeves is resident in Australia, physical Board meetings are held when he is in the United Kingdom and on an ad hoc basis. Where required at other times, Board meetings are normally conducted with Dave Reeves present by telephone.

The CEO holds frequent informal discussions with the non-executive directors. Throughout the year such discussions average approximately two per week. Discussions with Brian Moritz are normally held in the Company's offices in Cobham, Surrey, while those with Dave Reeves are normally held by telephone.

Non-executive directors are committed to devote 30 days per annum to the Company, but in fact exceed that required time commitment. Notwithstanding that, each of the non-executive directors has reduced his fees to half of the contracted amount, to £15,000 per annum for Brian Moritz and £12,000 per annum for Dave Reeves, until such time as the Company is cash flow positive.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

CVs of the directors are disclosed elsewhere in this Annual Report.

Each of the directors maintains up to date skills by a combination of technical journals and courses.

As an exploration and mining Company the main skills required by the Board are in the area of geology. Both Russell Lamming and Dave Reeves are qualified geologists with a long history of achievement in this area. Importantly, each of them has also been in charge of the construction and operation of mines.

Brian Moritz is a Chartered Accountant. In addition to his financial skills he has been registered as a Nominated Adviser and has wide experience of corporate transactions.

The advice of Wilkins Kennedy, a top 20 accounting firm, is sought on technical accounting matters, in particular in relation to compliance with IFRS.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

The Board has successfully achieved major objectives by:

- Capitalising the value of its Australian exploration assets by floating them on the ASX; and
- Commencing production of a 10,000 tonne bulk sample at the Nayega manganese mine in Togo.

The Board continues to seek conversion of its exploration licence in Togo to an exploitation licence and to seek other projects.

Given the current state of the Company's development the directors believe that the Board operates efficiently and cost effectively and that the cost of an external review process is not justified. Nevertheless, it is intended that the Board will be strengthened in due course when new projects are brought in to the Company.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours.

So far as possible the Company will recruit locally for staff and subcontractors on its mining operations.

The Board is conscious of the fact that francophone Africa may be viewed as a corrupt area in which to operate. Nevertheless, the Company has adopted a proper anti-corruption and whistle blowing policy which is strictly applied.

The Board intends to utilise an ethical policy which respects local cultural and tribal sensitivities when full mining commences in Togo. Such a policy has been applied to the bulk sample, also taking account of religious beliefs of the local people.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board communicates with its stakeholders through social media and webcasts, as well as at general meetings and by announcements on RNS.

The audit committee meets twice per annum, on its own to consider and approve the interim results, and with the auditors to consider the annual report and matters raised by the auditors based on their audit. So far as possible recommendations by the auditors are immediately implemented. As the CEO is also present as an observer at such meetings, no further report is submitted to the Board.

The only matter requiring consideration by the remuneration committee during the year was the appointment of Russell Lamming as CEO, and the terms of his employment. As all Board members were involved, no further report was submitted to the Board.

Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2018.

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 a loss for the year of £584,000 (2017: profit £3,895,000).

Major events after the balance sheet date

Since the end of the year D Reeves has advanced £200,000 and B Moritz has advanced £100,000 to the Company by way of unsecured interest free loans, repayable from income by the end of March 2019. The loan from D Reeves of £25,900 set out in Note 27 has been fully repaid.

Dividends

The Directors do not recommend payment of a dividend for the year ended 30 September 2018 (2017: £nil).

Political donations

There were no political donations during the year (2017: £nil).

Going concern

The Directors continue to adopt the going concern basis in preparing the financial statements as further explained in Note 2 to the financial statements.

Directors' indemnities

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

Audit Committee

The Audit Committee, which comprises R Lamming and B Moritz, 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 comprises R Lamming and B Moritz 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
D Reeves
R Lamming

Directors' interests

The beneficial interests of the Directors holding office on 30 September 2018 in the issued share capital of the Company were as follows:

	30 September 2018		30 September 2017	
	Number of ordinary shares of 0.01p each	**Percentage of issued ordinary share capital**	**Number of ordinary shares of 0.01p each**	**Percentage of issued ordinary share capital**
B Moritz	76,960,512	3.36%	25,833,333	1.18%
D Reeves[1,2]	381,675,491	16.67%	332,591,718	15.15%
R Lamming[3]	68,219,961	2.98%	56,219,961	2.56%

1 370,078,268 ordinary shares are held by the Elwani Trust whose beneficiaries are the spouse and children of David Reeves. David Reeves is a trustee of the Elwani Trust.

2 11,597,223 ordinary shares are held in the Bodmin Super Fund whose trustees and beneficiaries are David and Eleanor Reeves.

3 These ordinary shares are held by Clearwater Trust whose beneficiaries are members of Russell Lamming's family.

Since 30 September 2018:

There have been no changes in these interests.

Directors' remuneration and service contracts

Details of remuneration payable to Directors are disclosed in note 12 to these financial statements:

	Remuneration £'000	**2017 Total £'000**	**2016 Total £'000**
B Moritz	15	15	28
D Reeves	12	12	98
R Lamming	82	82	26
P Hepburn-Brown	–	–	9
	109	109	161

The Company has established a share appreciation rights scheme to incentivise Directors and senior management. Further details of this scheme can be found in note 24.

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 Group and Parent Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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.

The Company is compliant with AIM Rule 26 regarding the Company's website.

Statement of disclosure to auditor

Each Director at the date of approval of this report confirms that;

So far as they are aware,

- there is no relevant audit information of which the Company'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

A resolution to re-appoint PKF Littlejohn LLP as auditor will be proposed at the Annual General Meeting. PKF Littlejohn LLP has indicated its willingness to continue in office.

By order of the Board

Brian Moritz
Director

11 March 2019

Independent Auditor's Report to the Members of Keras Resources Plc

Opinion

We have audited the financial statements of Keras Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group materiality was £35,000 based upon gross assets (excluding investments) and the result before tax and discontinued operations. The parent company has no trading activity and materiality was £33,000 based upon gross assets (excluding investments) and the result before tax. For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality.

Independent Auditor's Report to the Members of Keras Resources Plc

continued

An overview of the scope of our audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Of the reporting components of the Group, we selected 2 components covering entities which represented the principal business activities within the Group, and which accounted for the majority of intangible assets. Of the 2 components selected, which did not require an individual entity audit, we performed audit procedures on significant areas based on size or risk profile, or in response to potential risks of material misstatement to the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How the scope of our audit responded to the key audit matter**
Recoverability of intangible assets	
The Group has reported intangible assets of £1.193 million in its Statement of Financial Position as at 30 September 2018, comprising prospecting and exploration rights. The carrying value of these intangible assets is tested annually for impairment. Refer to note 3(d) and 16. Where value in use is appropriate, the estimated recoverable amount is subjective due to inherent uncertainty involved in forecasting and discounting future cash flows.	We confirmed the Group held good title to the underlying exploration licenses, and assessed whether any indicators of impairment existed which required an impairment charge to be recognised in profit or loss. Where appropriate, we reviewed management's value in use calculations to include the key assumptions therein. We performed sensitivity analysis on the headroom to probable changes in key assumptions. The remaining early stage exploration and evaluation assets were assessed with reference to the criteria listed within IFRS 6, to include whether: • The licence is not expected to be renewed upon expiry; • Substantive expenditure on further exploration and evaluation is not budgeted or planned; and • Exploration and evaluation work to date indicates that the carrying amount is unlikely to be recovered from further development or sale.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Keras Resources Plc

continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

11 March 2019

Consolidated statement of comprehensive income

for the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Continuing operations			
Revenue	9	–	–
Cost of sales		–	–
Gross loss		–	–
Administrative and exploration expenses		(411)	(938)
Loss from operating activities		(411)	(938)
Finance costs	13	–	(309)
Net finance costs		–	(309)
Results from operating activities after finance costs		(411)	(1,247)
Tax	14	–	–
Loss for the year from continuing operations		(411)	(1,247)
Discontinued operations			
(Loss)/profit from discontinued operation, net of tax	8	(173)	5,142
(Loss)/profit for the year		(584)	3,895
Other comprehensive income – items that may be subsequently reclassified to profit or loss			
Exchange translation on foreign operations		10	(160)
Change in fair value of available-for–sale financial assets		(8,852)	13,915
Total comprehensive (loss)/income for the year		(9,426)	17,650
(Loss)/profit attributable to:			
Owners of the Company		(576)	3,300
Non-controlling interests		(8)	595
(Loss)/profit for the year		(584)	3,895
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(9,419)	17,055
Non-controlling interests		(7)	595
Total comprehensive (loss)/income for the year		(9,426)	17,650
Earnings per share from continuing and discontinued operations			
Basic and diluted (loss)/earnings per share (pence)	23	(0.025)	0.183
From continuing operations			
Basic and diluted loss per share (pence)	23	(0.018)	(0.103)
From discontinued operations			
Basic and diluted earnings/(loss) per share (pence)	23	(0.007)	0.286)

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 September 2018

	Notes	2018 £'000	2017 £'000
Assets			
Property, plant and equipment	15	232	6
Intangible assets	16	1,193	1,164
Other investments	18	–	20,379
Non-current assets		1,425	21,549
Other investments	18	11,527	–
Trade and other receivables	20	16	31
Cash and cash equivalents	21	217	60
Current assets		11,760	91
Total assets		13,185	21,640
Equity			
Share capital	22	7,064	6,970
Share premium		10,358	10,107
Other reserves		5,135	13,779
Retained deficit		(10,006)	(9,446)
Equity attributable to owners of the Company		12,551	21,410
Non-controlling interests		(124)	(117)
Total equity		12,427	21,293
Liabilities			
Trade and other payables	25	758	347
Current liabilities		758	347
Total liabilities		758	347
Total equity and liabilities		13,185	21,640

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2019. They were signed on its behalf by:

Brian Moritz
Director

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2018

	Share capital £'000	Share premium £'000	Attributable to owners of the Company Share option/ warrant reserve £'000	Exchange reserve £'000	Available for sale assets £'000	Retained deficit £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 October 2017	6,970	10,107	66	(202)	13,915	(9,446)	21,410	(117)	21,293
Loss for the year	–	–	–	–	–	(576)	(576)	(8)	(584)
Other comprehensive income	–	–	–	(7)	(8,852)	16	(8,843)	1	(8,842)
Total comprehensive loss for the year	–	–	–	(7)	(8,852)	(560)	(9,419)	(7)	(9,426)
Issue of ordinary shares	94	258	–	–	–	–	352	–	352
Costs of share issue	–	(7)	–	–	–	–	(7)	–	(7)
Share-based payment transactions	–	–	42	–	–	–	42	–	42
Transfer regarding discontinued activities	–	–	–	173	–	–	173	–	173
Transactions with owners, recognised directly in equity	94	251	42	173	–	–	560	–	560
Balance at 30 September 2018	7,064	10,358	108	(36)	5,063	(10,006)	12,551	(124)	12,427

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2017

	Attributable to owners of the Company								
	Share capital £'000	**Share premium £'000**	**Share option reserve £'000**	**Exchange reserve £'000**	**Available for sale assets £'000**	**Retained deficit £'000**	**Total £'000**	**Non-controlling interests £'000**	**Total equity £'000**
Balance at 1 October 2016	6,123	7,666	66	(405)	–	(12,387)	1,063	(730)	333
Profit for the year	–	–	–	359	–	2,941	3,300	595	3,895
Other comprehensive income	–	–	–	(160)	13,915	–	13,755	–	13,755
Total comprehensive income for the year	–	–	–	199	13,915	2,941	17,055	595	17,650
Issue of ordinary shares	847	2,477	–	–	–	–	3,324	–	3,324
Costs of share issue	–	(36)	–	–	–	–	(36)	–	(36)
Goodwill	–	–	–	4	–	–	4	18	22
Total transactions with owners, recognised directly in equity	847	2,441	–	4	–	–	3,292	18	3,310
Balance at 30 September 2017	6,970	10,107	66	(202)	13,915	(9,446)	21,410	(117)	21,293

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss from operating activities		(411)	(938)
Loss from discontinued operating activities	8	(173)	(504)
Adjustments for:			
Equity-settled share-based payments		42	–
Depreciation and amortisation		4	4
Impairment		–	1,119
Foreign exchange differences		174	(490)
		(191)	(809)
Changes in:			
– inventories		–	558
– trade and other receivables		15	184
– trade and other payables		514	(307)
Cash generated by/(used in) operating activities		165	(374)
Finance costs		–	(21)
Taxes paid		–	(118)
Net cash generated by/(used in) operating activities		165	(513)
Cash flows from investing activities			
Cash disposed of with subsidiary		–	(11)
Acquisition of property, plant and equipment		(230)	(2)
Exploration and licence expenditure		(20)	(1,511)
Net cash used in investing activities		(250)	(1,524)
Cash flows from financing activities			
Net proceeds from issue of share capital		242	1,130
Proceeds from short term borrowings		–	833
Net cash flows from financing activities		242	1,963
Net increase/(decrease) in cash and cash equivalents		157	(74)
Cash and cash equivalents at beginning of year		60	134
Cash and cash equivalents at 30 September		217	60

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Company statement of financial position

as at 30 September 2018

	Notes	2018 £'000	2017 £'000
Assets			
Property, plant and equipment	15	230	–
Investments	17	–	–
Other investments	18	–	20,379
Non-current assets		230	20,379
Other investments	18	11,527	–
Loans	19	1,484	1,414
Trade and other receivables	20	15	30
Cash and cash equivalents	21	208	48
Current assets		13,234	1,492
Total assets		13,464	21,871
Equity			
Share capital	22	7,064	6,970
Share premium		10,358	10,107
Other reserves		5,171	13,981
Retained deficit		(9,876)	(9,522)
Total equity attributable to owners of the Company		12,717	21,536
Liabilities			
Trade and other payables	25	747	335
Current liabilities		747	335
Total liabilities		747	335
Total equity and liabilities		13,464	21,871

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account. The Parent Company loss for the period was £354,000 (2017: profit of £2,951,000).

The financial statements of Keras Resources PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 11 March 2019. They were signed on its behalf by:

Brian Moritz
Director

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Company statement of changes in equity

for the year ended 30 September 2018

	Share capital £'000	Share premium £'000	Share option/ warrant/ reserve £'000	Available for sale assets £'000	Retained deficit £'000	Total equity £'000
Balance at 1 October 2016	6,123	7,666	66	–	(12,473)	1,382
Profit for the year	–	–	–	–	2,951	2,951
Other comprehensive income	–	–	–	13,915	–	13,915
Total comprehensive income for the year	–	–	–	13,915	2,951	16,866
Issue of ordinary shares	847	2,477	–	–	–	3,324
Costs of share issue	–	(36)	–	–	–	(36)
Transactions with owners, recognised directly in equity	847	2,441	–	–	–	3,288
Balance at 30 September 2017	6,970	10,107	66	13,915	(9,522)	21,536
Balance at 1 October 2017	6,970	10,107	66	13,915	(9,522)	21,536
Loss for the year	–	–	–	–	(354)	(354)
Other comprehensive income	–	–	–	(8,852)	–	(8,852)
Total comprehensive loss for the year	–	–	–	(8,852)	(354)	(9,206)
Issue of ordinary shares	94	258	–	–	–	352
Costs of share issue	–	(7)	–	–	–	(7)
Share-based payment transactions	–	–	42	–	–	42
Transactions with owners, recognised directly in equity	94	251	42	–	–	387
Balance at 30 September 2018	7,064	10,358	108	5,063	(9,876)	12,717

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 30 September 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Loss from operating activities	(354)	(4,222)
Adjustments for:		
Equity-settled share-based payments	42	–
Changes in:		
– trade and other receivables	15	201
– trade and other payables	515	248
Cash generated by/(used in) operating activities	218	(3,773)
Finance costs	–	(308)
Net cash generated by (used in) operating activities	218	(4,081)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(230)	–
Net cash used in investing activities	(230)	–
Cash flows from financing activities		
Net proceeds from issue of share capital	242	1,130
Proceeds from short term borrowing	–	833
Loans (to)/repaid by subsidiaries	(70)	2,084
Net cash flows from financing activities	172	4,047
Net increase/(decrease) in cash and cash equivalents	160	(34)
Cash and cash equivalents at beginning of year	48	82
Cash and cash equivalents at 30 September	208	48

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

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.

2. Going concern

The Directors have adopted the going concern basis in preparing the Group and Company financial statements. The Group's and Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report. In addition, note 26 to the Financial Statements includes the Group's policies and processes for managing its financial risk management objectives.

Proceeds from the bulk sample of 10,000 tonnes of manganese concentrate due for delivery in March 2019 are estimated to produce sufficient cash to cover all costs up to that date, and to repay the advances of £300,000 from Directors. Subsequently the Directors expect mining at Nayega to produce positive cash flow for the Group. In the event that the Exploitation Licence is not granted in the short term, the directors intend to cover the shortfall by sale of a portion of the Calidus shares, which will be released from escrow by the ASX in June 2019.

On this basis, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union, and the Companies Act 2006 as applicable to entities reporting in accordance with IFRS.

(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.

3. Basis of preparation continued

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 16
• Intercompany receivables (Company only)	– Note 19
• Fair value of shares acquired following disposal of subsidiary and of performance shares	– Note 4(c)(i), 6(v) and 18

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.

(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. On disposal of subsidiaries, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(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.

(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.

(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 and available-for-sale financial assets.

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)).

Loans and receivables comprise trade and other receivables.

Available-for-sale financial assets

These assets are initially measured at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and interest income, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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.

4. Significant accounting policies continued

(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 expenditure

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.

(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.

(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 (discontinued operations) 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 asset 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

Available-for-sale financial assets
Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment previously recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

(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. 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 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) Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

– Represents a separate major line of business or geographic area of operations;
– Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
– Is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statements of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(i) 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.

(j) 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. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) 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.

(l) 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.

4. Significant accounting policies continued

(m) Equity reserves

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium.

The share option/warrant reserve is used to recognise the fair value of equity-settled share based payment transactions.

The exchange reserve is used to record exchange differences arising from the translation of foreign subsidiaries into the presentation currency.

The available for sale assets reserve is used to record unrealised accumulated changes in fair value on available for sale financial assets.

5. New standards and interpretations

Amendments to the following International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been implemented by the Group in the period ended 30 September 2018:

Amendments to IAS 7 Statement of Cash Flows

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning after 1 October 2018 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:

IFRS 9 Financial Instruments	Effective 1 January 2018
IFRS 15 Revenue from Contracts with Customers	Effective 1 January 2018
IFRS 16 Leases	Effective 1 January 2019
Amendments to IFRS 2 Share-based Payment	Effective 1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	Effective 1 January 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle	No date yet determined

Investments in equity investments within the scope of IFRS 9 are measured at fair value through profit or loss, unless the Group and Company elect to designate the investment as fair value through other comprehensive income. If the election is made, under IFRS 9 any cumulative gains or losses previously recognised in other comprehensive income are not reclassified to profit or loss when the asset is disposed of.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group and Company based upon current activities.

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.

(v) Investments – other
When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. A discount is applied to the value of any Performance shares to reflect the possibility that the milestones for conversion into ordinary shares may not be met.

7. Operating segments

The Group considers that it now operates in one distinct business area, being that of manganese and cobalt exploration in West Africa. This business area forms 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 result 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.

Notes to the Consolidated Financial Statements

continued

7. Operating segments continued

Information about reportable segments

2018	Discontinued Gold £'000	Discontinued Iron Ore £'000	Manganese/ cobalt £'000	Other operations £'000	Total £'000
External revenue	–	–	–	–	–
Interest expense	–	–	–	–	–
Depreciation, amortisation and impairment	–	–	4	–	4
Loss before tax	(72)	(101)	(52)	(359)	(584)
Assets	–	–	870	12,315	13,185
Exploration and capital expenditure	–	–	250	-	250
Liabilities	–	–	10	748	758

2017	Discontinued Gold £'000	Discontinued Iron Ore £'000	Manganese/ cobalt £'000	Other operations £'000	Total £'000
External revenue	1,008	–	–	–	1,008
Interest expense	(5)	–	–	(309)	(314)
Depreciation, amortisation and impairment	(390)	–	(2)	–	(392)
Loss before tax	(472)	(32)	(66)	(1,181)	(1,751)
Assets	–	–	853	20,787	21,640
Exploration and capital expenditure	1,961	–	171	–	2,132
Liabilities	–	–	10	337	347

The Group was awarded exploration licenses during 2017 in West Africa on ground containing previously discovered cobalt and nickel mineralisation.

Information about geographical segments

2018	Discontinued Australia £'000	Discontinued South Africa £'000	West Africa £'000	Other £'000	Total £'000
External revenue	–	–	–	–	–
Interest expense	–	–	–	–	–
Depreciation, amortisation and impairment	–	–	4	–	4
Loss before tax	(72)	(101)	(52)	(359)	(584)
Assets	–	–	870	12,315	13,185
Exploration and capital expenditure	–	–	250	–	250
Liabilities	–	–	10	748	758

2017	Discontinued Australia £'000	Discontinued South Africa £'000	West Africa* £'000	Other £'000	Total £'000
External revenue	1,008	–	–	–	1,008
Interest expense	(5)	–	–	(309)	(314)
Depreciation, amortisation and impairment	(390)	–	(2)	–	(392)
Loss before tax	(472)	(8)	(80)	(1,191)	(1,751)
Assets	–	–	853	20,787	21,640
Exploration and capital expenditure	1,961	–	171	–	2,132
Liabilities	–	–	10	337	347

*Information regarding West Africa includes £14,000 loss before tax and £nil segment assets relating to discontinued activities.

8. Discontinued operations

On 17 February 2017 the Group applied to deregister its South African subsidiary, Moongate 218 (Pty) Limited. Its immediate parent undertaking, Ferrex Manganese Limited, was dissolved at the same time. On 25 September 2018, Southern Mn (Pty) Ltd, having been dormant throughout the year, was sold for ZAR 1. On 6 January 2017, the Group disposed of its entire 78.3% interest in Ressource Equatoriales SARL for nil consideration. These actions were taken by the Group as either the licences had expired or it was considered that the operations were no longer viable for the Group. The Group no longer holds iron ore assets. On 31 May 2017 the decision was taken to fully impair the subsidiary Keras Australia Pty Limited as its research and development activities have ceased and on 17 September 2018, with the company having been dormant throughout the year, the company was sold for AUD1.

On 8 May 2017 the Company announced that ASX quoted Pharmanet Limited ('Pharmanet') lodged a prospectus with the Australian Securities and Investments Commission (the "Prospectus") on 5 May 2017. The Prospectus was lodged in order to raise A$7.9 million (approximately £4.6 million) as part of the proposed acquisition by Pharmanet of 100% of the issued share capital of the Company's wholly owned subsidiary Keras Gold Australia Pty Limited, incorporating Keras (Pilbara) Gold Pty Limited. Pharmanet relisted as Calidus Resources Limited ('Calidus') in June 2017. On 13 June 2017 the Ordinary and Performance shares in Calidus were allotted to the Company.

Analysis of the result of discontinued operations is as follows:

	Note	2018 £'000	2017 £'000
Revenue (external)		–	1,008
Expenses		(173)	(1,512)
Results from operating activities		(173)	(504)
Income tax		–	–
Results from operating activities, net of tax		(173)	(504)
Gain on sale of discontinued operation		–	5,646
(Loss)/profit from discontinued operations, net of tax		(173)	5,142

The discontinued operations did not have a tax impact.

In 2018 the discontinued activities relate to the recycling of the exchange reserve in respect of the subsidiary undertakings disposed of during the year.

	Note	2018	2017
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (pence)	23	(0.007)	0.286

9. Revenue

	2018 £'000	2017 £'000
Discontinued activities (see note 8)		
Sales of precious metals – Mining and exploration	–	1,008
	–	1,008

10. Expenses

Expenses include:

	2018 £'000	2017 £'000
Depreciation and amortisation expense	4	3
Auditor's remuneration		
– Audit fee	25	25
– Other services	–	–
Foreign exchange differences	18	289

Auditor's remuneration in respect of the Company amounted to £10,000 (2017: £10,000).

11. Personnel expenses

	2018 £'000	2017 £'000
Wages and salaries	155	65
Fees	11	201
Equity-settled share-based payments (see note 24)	(106)	70
	60	336

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, Parallel Resources Limited for part of the period.

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

	2018	2017
Directors	3	4
Key management personnel	–	1
Other	3	3
	6	8

12. Directors' emoluments

2018	Executive directors £'000	Non-executive directors £'000	Total £'000
Wages and salaries (incl. fees)	82	27	109
	82	27	109

2017	Executive directors £'000	Non-executive directors £'000	Total £'000
Wages and salaries (incl. fees)	107	54	161
	107	54	161

These amounts are disclosed by director in the Directors' report on page 15.

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

	2018 £'000	2017 £'000
Emoluments for qualifying services	82	98

Key management personnel

Included in note 11 are emoluments paid to key management personnel in the year which amounted to £5,000 (2017: £71,000).

13. Finance costs

Recognised in loss for period

	2018 £'000	2017 £'000
Interest on loans	–	20
Other	–	289
Finance costs	–	309

14. Taxation

Current tax expense

	2018 £'000	2017 £'000
Tax recognised in profit or loss		
Current tax expense		
Current period	–	–
Deferred tax expense		
Origination and reversal of temporary differences	–	–
Total tax expense	–	–

Reconciliation of effective tax rate

	2018 £'000	2017 £'000
Loss before tax (continuing operations)	(411)	(1,247)
Tax using the Company's domestic tax rate of 19.0% (2017: 19.5%)	(78)	(243)
Effects of:		
Overseas losses	10	15
Equity-settled share-based payments	10	14
Tax losses carried forward not recognised as a deferred tax asset	58	214
	–	–

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 £4,813,000 (2017: £4,508,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

15. Property, plant and equipment

Group	Plant and equipment £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 October 2016	52	62	25	139
Additions	9	1	–	10
Disposals	(60)	(23)	–	(83)
Effect of movements in exchange rates	1	–	1	2
Balance at 30 September 2017	2	40	26	68
Balance at 1 October 2017	2	40	26	68
Additions	230	–	–	230
Disposals	–	(9)	–	(9)
Effect of movements in exchange rates	–	–	–	–
Balance at 30 September 2018	232	31	26	289
Depreciation and impairment provisions				
Balance at 1 October 2016	18	45	25	88
Depreciation for the year	–	3	–	3
Depreciation on disposals	(16)	(14)	–	(30)
Effect of movements in exchange rates	–	–	1	1
Balance at 30 September 2017	2	34	26	62
Balance at 1 October 2017	2	34	26	62
Depreciation for the year	–	4	–	4
Depreciation on disposals	–	(9)	–	(9)
Effect of movements in exchange rates	–	–	–	–
Balance at 30 September 2018	2	29	26	57
Carrying amounts				
At 30 September 2016	34	17	–	51
At 30 September 2017	–	6	–	6
At 30 September 2018	230	2	–	232

Company	Plant and equipment £'000	Computer equipment £'000	Total £'000
Cost			
Balance at 1 October 2016	–	5	5
Additions	–	–	–
Balance at 30 September 2017	–	5	5
Balance at 1 October 2017	–	5	5
Additions	230	–	230
Balance at 30 September 2018	230	5	235
Depreciation and impairment provisions			
Balance at 1 October 2016	–	5	5
Depreciation for the year	–	–	–
Balance at 30 September 2017	–	5	5
Balance at 1 October 2017	–	5	5
Depreciation for the year	–	–	–
Balance at 30 September 2018	–	5	5
Carrying amounts			
At 30 September 2016	–	–	–
At 30 September 2017	–	–	–
At 30 September 2018	230	–	230

Plant and equipment consists of plant under construction, which is not depreciated until it is brought into use.

16. Intangible assets

	Prospecting and exploration rights £000
Cost	
Balance at 1 October 2016	6,686
Additions	2,122
Disposals	(7,293)
Effect of movement in exchange rates	36
Balance at 30 September 2017	1,551
Balance at 1 October 2017	1,551
Additions	20
Disposals	(387)
Effect of movements in exchange rates	9
Balance at 30 September 2018	1,193
Amortisation and impairment losses	
Balance at 1 October 2016	4,645
Impairment	389
Amortisation	–
Disposals	(4,643)
Effect of movements in exchange rates	(4)
Balance at 30 September 2017	387
Balance at 1 October 2017	387
Impairment	–
Amortisation	–
Disposals	(387)
Effect of movements in exchange rates	–
Balance at 30 September 2018	–
Carrying amounts	
Balance at 30 September 2016	2,041
Balance at 30 September 2017	1,164
Balance at 30 September 2018	1,193

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

17. Investment in subsidiaries

Company	2018 £'000	2017 £'000
Equity investments		
Balance at beginning of period	–	465
Additions	–	–
Disposals	–	(465)
Balance at 30 September	–	–

	Activity	Country of incorporation	Ownership interest 2018	Ownership interest 2017
Directly				
Keras West Africa Limited	Investment	United Kingdom	100%	100%
Ferrex Manganese Limited	Investment	United Kingdom	–	100%
Southern Iron Limited	Investment	Guernsey	100%	100%
Keras Australia Pty Limited	Exploration	Australia	–	100%
Indirectly				
Southern MN (Pty) Limited	Exploration	South Africa	–	74%
Société Générale de Mine	Exploration	Togo	85%	85%
Kamnico SARL	Exploration	Togo	100%	100%

Ferrex Manganese Limited was dissolved on 3 July 2018 and the loan from the parent company of £4k was written off.

Registered offices of subsidiary companies are:

Keras West Africa Limited, 27/28 Eastcastle Street, London W1W 8DH
Southern Iron Limited, 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey
Société Générale de Mine, Quartier Adidogome Apedokoe 02, BP 20022, Lome, Togo
Kamnico SARL, Quartier Agoenyive-Atchanve, BP 2936, Lome, Togo.

18. Other investments

Group and company

	2018 £'000	2017 £'000
Equity securities – available for sale		
At 1 October	20,379	–
Shares acquired on disposal of subsidiary	–	6,661
Value adjustment recognised in equity	(8,852)	13,718
	11,527	20,379

Equity securities represent ordinary and performance shares in Calidus Resources Limited ("Calidus"), a company listed on the Australian Securities Exchange ("ASX"). These shares have been re-measured to fair value through other comprehensive income. Fair value is the mid-market price of Calidus ordinary shares on the ASX, discounted in the case of performance shares to reflect the possibility that the milestones for conversion to ordinary shares will not be achieved. Under ASX rules, these shares are held in escrow. Available for sale assets are denominated in Australian dollars. These shares were reclassified to current assets in the year as they will come out of escrow in June 2019.

19. Loans

Company

	2018 £'000	2017 £'000
Balance at beginning of period	1,414	2,434
Funds advanced to subsidiaries	74	2,171
Repaid/impaired	(4)	(3,191)
Provisions against loans	–	–
Balance at 30 September	1,484	1,414

All loans are currently unsecured and interest free and repayable on demand.

20. Trade and other receivables

Group

	2018 £'000	2017 £'000
Other receivables	16	3
Prepayments	–	28
	16	31

Company

	2018 £'000	2017 £'000
Other receivables	15	2
Prepayments	–	28
	15	30

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 26.

21. Cash and cash equivalents

Group

	2018 £'000	2017 £'000
Bank balances	217	60
Cash and cash equivalents	217	60

Company

	2018 £'000	2017 £'000
Bank balances	208	48
Cash and cash equivalents	208	48

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

22. Capital and reserves

Share capital

	Number of ordinary shares of £0.001 each 2018	2017
In issue at beginning of year	2,195,133,438	1,347,969,623
Issued for cash	66,666,667	322,857,131
Issued in settlement of debt	27,333,334	424,306,684
Issued in connection with the acquisition of Klondyke	–	100,000,000
In issue at 30 September – fully paid	2,289,133,439	2,195,133,438

	Number of deferred shares of £0.004 each 2018	2017
In issue at beginning of year	1,193,794,390	1,193,794,390
In issue at 30 September – fully paid	1,193,794,390	1,193,794,390

	Ordinary and deferred share capital 2018 £'000	2017 £'000
Balance at beginning of year	6,970	6,123
Share issues	94	847
Balance at 30 September	7,064	6,9703

All ordinary 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.

The deferred shares do not entitle the holders thereof to receive notice of or attend and vote at any general meeting of the Company or to receive dividends or other distributions. As regards any return on capital on a winding up or other return of capital (otherwise than on conversion or redemption or purchase by the Company of any of its shares) the holders of the deferred shares shall be entitled to receive the amount paid up on their shares after holders of the ordinary shares the amount of £1,000 in respect of each ordinary share held by them respectively.

Issue of ordinary shares

On 23 October 2017, 66,666,667 ordinary shares were issued for cash at £0.00375 per share.

On 26 July 2018, 27,333,334 ordinary shares were issued to B Moritz in lieu of unpaid fees of £102,500 for the period of 41 months to 30 September 2016. The shares were issued at a price £0.00375 per share.

Warrants

	2018		2017	
	Average exercise price	Number	Average exercise price	Number
In issue at beginning of year	0.49p	208,859,590	0.5p	73,602,567
Lapsed in year	0.5p	(73,602,567)	–	–
Issued in year	–	–	0.46p	59,542,743
Issued in year	–	–	0.5p	75,714,280
Exercised in year	–	–	–	–
In issue at 30 September	0.48p	135,257,023	0.49p	208,859,590

22. Capital and reserves continued

On 3 October 2016, in connection with the finance agreement set up to acquire the Klondyke Gold Project, 59,542,743 warrants were granted at a strike price of £0.8501. These are valid for two years from the date of issue. On 16 June 2017, when the finance facility was repaid, the warrants were repriced at £0.0046.

On 24 May 2017 75,714,280 warrants were issued. These warrants are exercisable at price of 0.5p within a 2-year exercise period.

The weighted average remaining contractual life of the warrants outstanding is 134 days.

Other reserves

Share option/warrant reserve
The share option/warrant reserve comprises the cumulative entries made to the consolidated statement of comprehensive income in respect of the equity-settled share-based payments and cumulative entries made to the liability for loan notes with an 8% redemption in respect of warrants issued with the notes as adjusted for share options cancelled and warrants exercised.

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

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

23. Earnings per share

Basic and diluted earnings/(loss) per share
The calculation of basic earnings/(loss) per share at 30 September 2018 is based on the following (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue.

(Loss)/profit attributable to ordinary shareholders (£)

	2018	2017
Continuing operations	(403,000)	(1,842,000)
Discontinued operations	(173,000)	5,142,000
Loss/(profit) attributable to ordinary shareholders	(576,000)	3,300,000

Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at beginning of year	2,195,133,438	1,347,969,623
Effect of shares issued	67,408,220	447,744,087
Weighted average number of ordinary shares	2,262,541,658	1,795,713,710

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

24. Share-based payments

On 28 April 2016, the Company established a Share Appreciation Right Scheme to incentivise Directors and senior executives. Shares granted under the scheme at that date total 97,500,000 at 1.0674p per share with 64,500,000 vesting on 31 December 2016 and the balance, 33,000,000, vesting on 31 December 2017. Share Appreciation Rights have a vesting period of 3 years and the aggregate number of shares which may be allocated under the Scheme will not exceed 15% of the Company's issued share capital from time to time.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 60%. The charge for the year ended 30 September 2018 for these rights which is included in administrative and exploration expenses amounted to £8,000 (2017: £74,000). At the year end the value of these rights was considered to be nil and the charges in respect of these which amounted to £156,000 were reversed through profit or loss.

On 12 March 2018, a further 90,000,000 Shares were granted at 0.36p per share with 30,000,000 vesting immediately, 30,000,000 vesting on 12 March 2019 and 30,000,000 vesting on 12 March 2020.

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 60%, expected life of 2.5 years and risk free investment rate of 0.72%. The charge for the year ended 30 September 2018 for these further rights which is included in administrative and exploration expenses amounted to £42,000 (2017 : £nil).

25. Trade and other payables

Group

	2018 £'000	**2017 £'000**
Trade payables	66	1
Accrued expenses	40	138
Other payables	652	208
	758	347

Company

	2018 £'000	**2017 £'000**
Trade payables	65	–
Accrued expenses	40	138
Other payables	642	197
	747	355

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 26. Included in other payables is a deposit received from a customer with regard to the bulk sampling metallurgical testwork contract amounting to £571,000 (2017: £nil).

26. 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.

26. Financial instruments continued

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

	Loans and receivables Carrying amount	
	2018 £'000	2017 £'000
Trade and other receivables	16	31
Cash and cash equivalents	217	60
	233	91

Company

	Loans and receivables Carrying amount	
	2018 £'000	2017 £'000
Loans	1,414	1,414
Trade and other receivables	15	30
Cash and cash equivalents	208	48
	1,707	1,492

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
2018

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Trade and other payables	758	(758)	(126)	(632)
	758	(758)	(126)	(632)

Group
2017

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Trade and other payables	347	(347)	(58)	(289)
	347	(347)	(58)	(289)

Company
2018

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Trade and other payables	747	(747)	(124)	(623)
	747	(747)	(124)	(623)

Company
2017

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Trade and other payables	335	(335)	(56)	(279)
	335	(335)	(56)	(279)

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.

The Group's holding in Calidus Resources Limited, which is listed on the Australian Securities Exchange is affected by both foreign exchange risk and equity price risk.

Currency risk
The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than GBP. The currency giving rise to this risk is primarily the CFA Franc. The Group is also exposed to foreign currency risk on its equity securities held in Australian Dollars.

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 2018 for the Group totalled £12,551,000 (2017: £21,410,000) and for the Company totalled £12,717,000 (2017: £21,536,000).

27. Related parties

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

No guarantees have been given or received and all outstanding balances are usually settled in cash.

D Reeves advanced £25,900 to the Group in the year. The total amount due to D Reeves at the year end was £25,900 (2017: £nil).

As detailed in note 22, on 26 July 2018, 27,333,334 ordinary shares were issued to B Moritz in lieu of unpaid fees of £102,500 for the period of 41 months to 30 September 2016. The shares were issued at a price £0.00375 per share.

Other related party transactions

Transactions with Group companies

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

	2018 £'000	**2017 £'000**
Southern Iron Limited		
– Loans and receivables (interest free)	1,331	1,261
Keras West Africa		
– Loans and receivables (interest free)	153	149
Ferrex Manganese Limited		
– Loans and receivables (interest free)	–	4

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

Société Générale de Mine SARL		
– Loans and receivables (interest free)	1,582	1,524

28. Subsequent events

Since the end of the year D Reeves has advanced £200,000 and B Moritz has advanced £100,000 to the Company by way of unsecured interest free loans, repayable from income by the end of March 2019. The loan from D Reeves of £25,900 set out in Note 27 has been fully repaid.

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