

Annual Report & Accounts 2013



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**Front cover: marking lines for channel sampling  
at Itogon gold-silver project, Philippines**

The directors of ECR Minerals plc (the “Directors” or the “Board”) present their report and audited financial statements for the year ended 30 September 2013 for ECR Minerals plc (“ECR”, the “Company” or the “Parent Company”) and on a consolidated basis (the “Group”)

# **Advancing high potential mineral projects to create shareholder value**

**One year ago my report to shareholders was prepared whilst ECR was in the midst of a vital business restructuring and refinancing process. It was a challenging time for shareholders, directors and staff, particularly when set against the backdrop of a cyclical decline in the mineral sector.**

**Over the past year we have been able to reshape, refocus and refinance ECR to the point that the Chief Executive Officer's report which follows my own presents a far more optimistic outlook than could perhaps have been expected this time last year.**

It is important at this juncture for the Board to thank shareholders who stood by the Company during the turbulent times of 2013. We understand that shareholders place significant trust in us when investing and recognise that, over numerous years past, there has been little for ECR shareholders to celebrate. We have begun to change that.

Part of our work involves looking outwards at the market and the expectations of the investing community. We actively encourage shareholders and the wider investment community to engage with the Company. This engagement, from emails and telephone discussions through to face-to-face meetings, provides valuable feedback on investor interests and concerns, and we intend to continue our policy of active investor relations.

Management of ECR is led by the Board including myself as Non-Executive Chairman, Stephen Clayson as Chief Executive Officer and Richard (Dick) Watts as Non-Executive Technical Director. As Chairman I am extremely grateful to have the diligence and determination of Stephen and Dick. Stephen runs the Company and its operations in an extremely capable manner and combines this operational capability with considerable vision for the future development of the business. Dick provides more than four decades of working experience on mines around the world and gives the Board the technical depth we need to both select and manage our projects effectively.

My thanks also extend to our office team, Alex and Emy, and to the Company's advisers and consultants, most of whom have worked with ECR through some particularly difficult conditions in the last year or so.

The focus of the Company has now shifted from restructuring toward operations. For the ECR team this marks a new stage in the Company's development and is a time at which the

Board and staff feel most excited at the opportunity to add value for shareholders through our work on the ground.

Firstly, in the Itogon gold-silver project in the Philippines the Company has a significant interest in an advanced exploration venture. We are not starting from square one with Itogon and have been able to utilise substantial historical data in order to devise our exploration programme with a view to accelerating the project along its development pathway. That pathway includes the critical steps of exploration to confirm and supplement historical data, resource definition and the pursuit of a mining licence.

Secondly, in Argentina, the enhanced financial strength of ECR in the latter half of 2013 enabled us to deploy resources to further investigate the Sierra de las Minas project and, specifically, to review in greater depth the work undertaken previously and the results received. This review paid dividends, and we are now moving forward with a revived project. Careful operational planning has taken place to maximise the impact of our renewed exploration which, if successful, provides us with the possibility of small scale gold production in the relatively near term.

There are many listed companies that are pure explorers and which operate only with a view to making a discovery and then selling that discovery to another organisation to develop. The problem with this model is that cyclical sector declines, as we have experienced recently, mean few potential acquirers will pay handsomely for assets, while at the same time finance becomes harder to come by, especially for companies with no prospect of becoming self-sustaining. ECR's strategic approach of looking to develop projects through to production and therefore to revenue and profit generation will bolster our ability to operate in all market conditions, without diminishing our ability to dispose of assets, at the right price, should the opportunity arise.



**THE PHILIPPINES THE ITOGON PROJECT IS LOCATED WITHIN AN INTERNATIONALLY RENOWNED GOLD AND COPPER MINING DISTRICT**



**ARGENTINA THE EXPLORATION STRATEGY FOR THE SLM PROJECT IS TO IDENTIFY MULTIPLE HIGH GRADE LOW TONNAGE GOLD RESOURCES**

However superficially attractive a large and diverse project portfolio may be, we are critically aware of the danger of overstressing ECR's resources, whether management time or finances. Our two current projects offer significant opportunity, subject to success on the ground, for shareholder value creation. We are also aware that the distressed mineral sector environment of recent times has helped to create some potentially attractive opportunities. Accordingly we continue to review and assess potential new projects in line with our published project selection criteria, and may engage further if any of these are deemed sufficiently attractive.

In recent years we have witnessed the power of the market to devastate valuations in our sector and destroy the ability of many management teams to execute business plans effectively. With this in mind, the Board is intent on building ECR into a strong organisation with the right strategic model to prosper greatly in good times yet withstand challenging market conditions.

**Paul Johnson**  
*Non-Executive Chairman*

21 February 2014

**The period since ECR's last annual report has seen the completion of the process of management, operational and financial restructuring that was still very much ongoing at this time last year, and leaves us now with an ECR fundamentally different, and I believe fundamentally improved, from that which has gone before.**

**The disposals of the Company's shareholdings in Gold Crest Holdings Ltd and West Wits Mining Ltd formed part of the restructuring process and were discussed in last year's annual report, notwithstanding that these disposals actually occurred in the financial year under review in the present annual report.**

**It is more important here to focus on ECR's current mineral projects, as the operation of such projects is the Company's core activity and the primary means by which the Board seeks to create value for shareholders.**

**Before that discussion I would like to thank all the Company's current directors, staff, consultants and professional advisers for their assistance to date. Due to this combined effort I am able to report here that I have never been able to look to ECR's future with more optimism than at the present time.**

**I say this notwithstanding the fact that prices of most mined commodities remain significantly below the levels of a few years ago, and that as a result financial conditions in the mineral sector remain relatively weak. Rather than being dispirited by this, it is the intention of the ECR Board to cut the Company's cloth accordingly, selecting and progressing the Company's projects with a realistic eye to commodity prices and to the opportunities as well as challenges that are presented by the current business environment.**

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### ITOGON PROJECT

At least five gold and silver bearing quartz veins have been mapped historically and are indicated to be continuous (especially the main vein) or semi continuous and steeply dipping (near vertical).

Above, a view across the main prospect area, Itoyon gold-silver project, Philippines

## ITOGON GOLD-SILVER PROJECT, PHILIPPINES

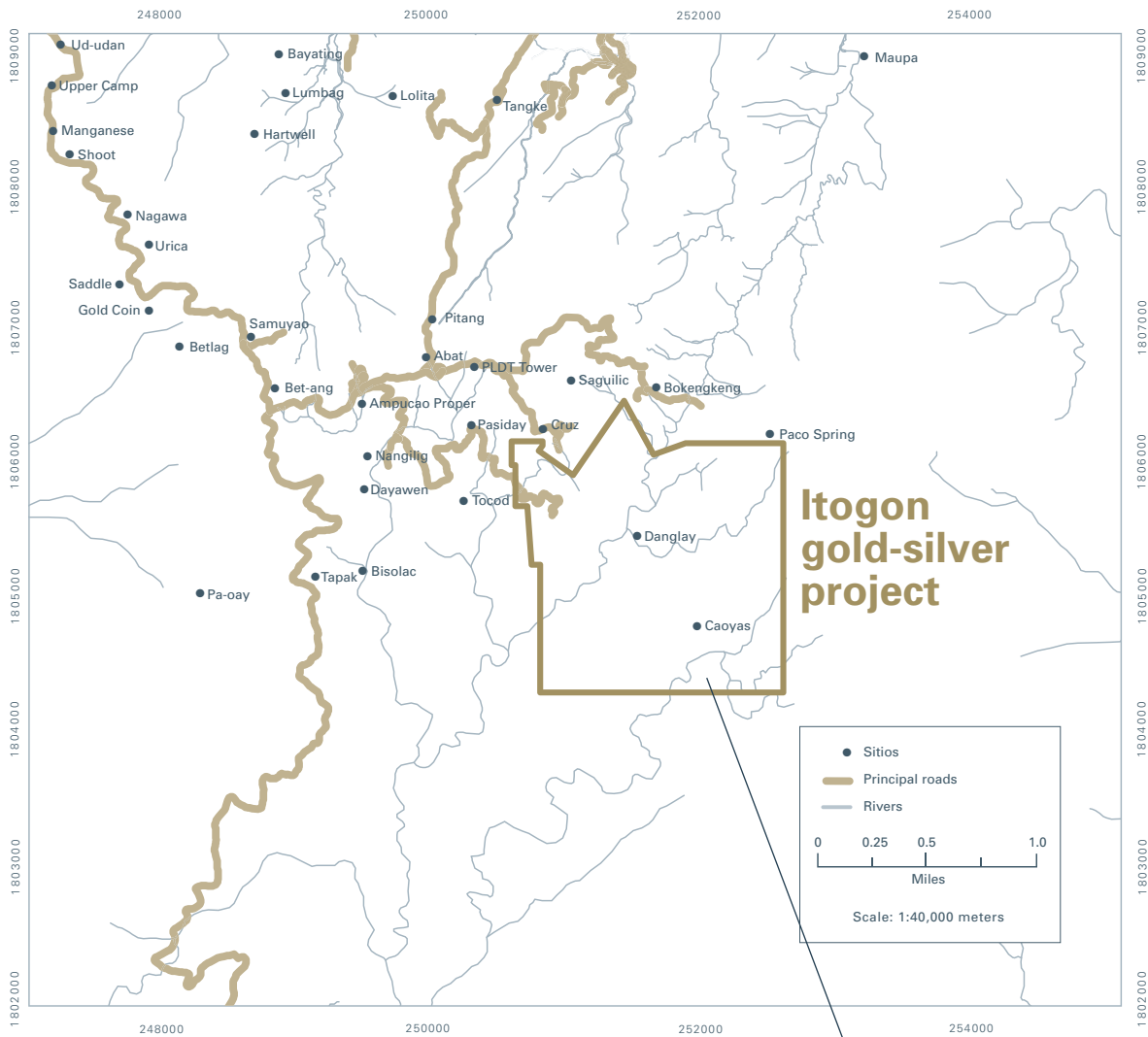
In late April 2013 ECR entered into an earn-in and joint venture agreement (the "Agreement") with Cordillera Tiger Gold Resources, Inc. ("Cordillera Tiger") and Tiger International Resources, Inc. ("Tiger") in relation to the Itoyon gold-silver project in the Philippines. Tiger is a company listed on the TSX Venture Exchange and is the parent company of Cordillera Tiger. Cordillera Tiger is a Philippine corporation and the holder of the exploration permit (the "EP") that represents the Itoyon project.

The Agreement gives ECR the exclusive right and option to earn a 50% interest in Cordillera Tiger and thereby in the Itoyon project by obtaining, for Cordillera Tiger, a mining licence in respect of the project within five years of commencement of the earn-in and by making certain staged payments to Tiger.

Under the terms of the earn-in, ECR will fund all expenditure required for Cordillera Tiger to obtain a mining licence, and through Cordillera Tiger, ECR will be the operator of the Itoyon project during the earn-in. After a mining licence is obtained ECR and Tiger would fund development of the project pro rata, or the non-funding partner would be diluted.

The Agreement was entered into after the review of numerous other potential new projects, none of which, all things considered (including available geological data, terms of acquisition, jurisdiction and tenure, potential economic upside and likely operational requirements), was considered to be as attractive as Itoyon. In addition, the outlook for ECR's Sierra de las Minas gold project in Argentina was at that time in doubt and it was imperative that a suitable new project be identified, and an interest acquired therein, in order to secure the Company's future.

ECR was able to complete its due diligence as to the Itoyon project, with a positive outcome, in July 2013, and in December 2013 the final condition for commencement of the Company's earn-in was satisfied. This condition was met by the submission by Cordillera Tiger of certain documents to the Philippine Mines & Geosciences Bureau, following receipt by Cordillera Tiger in November 2013 of a renewal of the EP for a second two year term. Following satisfaction of this condition the earn-in has commenced and exploration is now underway with ECR, through Cordillera Tiger, as the operator of the project.



**Attributes of the Itogon project**

The exploration target in the Itogon project area is a wide epithermal style gold-silver system. At least five gold and silver bearing quartz veins have been mapped historically and are indicated to be continuous (especially the main vein) or semi continuous and steeply dipping (near vertical). The vein sets are recognised historically as occurring within a zone up to 250m wide and up to 600m long. There is an extensive database of previous work on the deposit, including the results of drilling, metallurgical testwork and surface sampling. It should however be noted that historical exploration results referred to herein have not been verified by ECR and should not be relied upon.

The Philippines is a low cost operating environment with skilled labour and mining services readily available. The Itogon project area is in moderate to rugged terrain readily accessible from the city of Baguio via a combination of paved roads and unsealed vehicle tracks. The Baguio district has produced large quantities of gold and copper, and mining continues today.





A technical report on the Itogon project filed by Tiger, dated 28 May 2011 and downloadable from the Canadian securities database SEDAR.com stated an overall resource target for the project "of the order of 0.5 to 1 million ounces of gold". This is a statement of opinion rather than a resource estimate and should be considered highly speculative and subject to the results of future exploration.

### Proposed work

Following commencement of the earn-in a thorough appraisal of the Itogon project has begun, and it is hoped that completion of the planned exploration programmes will add significant value to ECR's rights in respect of the Itogon project by confirming and building upon historical data and enabling an accurate, up to date picture of the project's economic potential to be generated. Nevertheless, each phase of exploration is subject to the results of prior phases, and after each phase ECR will determine on the basis of the results obtained whether to continue with the earn-in.

A drilling programme is proposed to generate information as to the overall grade of the deposit, as well as to assess its cohesiveness and whether it can be mined in bulk, either by open pit or underground techniques, or as discrete higher grade zones mineable underground. It is intended that a resource model will be generated using the results obtained, and this will allow engineering studies to be carried out to consider mining options as well as other parameters.

In addition to drilling, a programme of surface channel sampling is underway with the objective of verifying a selection of historical channel sample runs. Historical surface channel sampling results include 50m at 3.23g/t gold, 17m at 1.76g/t gold, 23m at 2.32g/t gold, and 40m at 1.68g/t gold.

A programme of stream sediment and soil sampling is intended to cover the entirety of the tenement outside the main prospect area, and is intended to help identify any extensions to the mineralised zone outlined by historical information and any other deposits that may exist within the tenement boundaries. The main prospect area covers only a small part of the total 330 hectare area of the EP.

An exploratory tunnel into the lower part of the main prospect area is known to exist and may be of substantial length. It is planned that as far as possible this tunnel will be rehabilitated, mapped and sampled in order to provide additional information as to the continuity and tenor of gold and silver grades at depth.

Surface channel sampling commenced in January 2014 and assay results from this programme are expected by April 2014. The tenement wide stream sediment and soil sampling and rehabilitation of the historical exploratory tunnel are planned to commence in April 2014. An initial 1,050m drilling programme is planned to commence during March 2014.

An extensive drilling programme has been designed for the Itogon project based on available historical information and site inspections, and is aimed at intersecting all the currently interpreted sub-parallel quartz vein structures across the width of the main prospect area, which is characterised by a prominent ridge trending approximately northwest. The ridge is bound by steeply incised tributaries of the Danglay River.

The multiple sub-parallel veins strike along the ridge and have been mapped historically over a length of 450m, with vein outcrop mapped a further 150m down the ridge at the Danglay River valley floor. Historical sampling has identified significant gold-silver mineralisation in the veins as well as their alteration haloes, in intervening quartz veinlet stockworks and in the host rock. The veins are indicated to be steeply dipping and the width of the mineralised zone has been mapped historically at up to 250m.

The drilling programme is aimed at establishing an open pit type resource along and below the ridge as well as seeking to identify high grade underground type ore enclosed within the lower grade ore. The situation of the deposit within the ridge is expected to prove favourable for either an open pit or underground mining scenario.

The results of the full 3,850m drilling programme are intended to enable the completion of a resource estimate, which will be compliant with a Standard, as that term is defined in the AIM Rules for Companies.

Drilling will primarily be by reverse circulation (RC) percussion with some diamond drilling. The proposed programme is composed of 24 angle holes up to 200m deep and on seven sections 50m to 80m apart along strike. Most of the planned holes are 150m deep and all are -60 degree inclination.

An initial phase of 1,050m of drilling is planned ahead of a second phase of 2,800m, and the results of drilling will be a crucial indicator as to whether the Itogon project is in fact as promising as it currently appears.

Please note that maps, photographs and illustrations included in this document are not to be relied upon for technical purposes.



Above, establishing exploration access in the southern portion of the SLM gold project area, Argentina

## SIERRA DE LAS MINAS GOLD PROJECT, ARGENTINA

During September and October 2013 ECR carried out a detailed review and reinterpretation of the exploration results previously obtained by the Company from the Sierra de las Minas ("SLM") gold project in La Rioja Province, Argentina. The SLM project area consists of multiple exploration and exploitation licences 100% held by the Company's wholly owned Argentine subsidiary Ochre Mining SA ("Ochre").

The reinterpretation included 3D modelling of the results of drilling and underground sampling completed at the El Abra prospect within the project area in 2012, which enabled a resource estimate to be generated for El Abra. This estimate does not comply with any Standard, as that term is defined by the AIM Rules for Companies, and will therefore not be publicly disclosed.

The outcome of the review and reinterpretation was deemed sufficiently encouraging for Ochre, funded by ECR, to recommence significant exploration activity at SLM. Work is to focus not just on El Abra but also on selected other prospects including Maestro Aguerro, VN2.5, Pits I-III, Casas Viejas, and prospects within the Corral 1 and

Carmincita 9 tenements. These other prospects are to undergo systematic sampling of rock and soil material, followed by trenching and, if warranted, drilling.

At El Abra, initial work will consist of trenching and the assay of further drill core samples from the 2012 drilling programme. Further drilling will follow, subject to the results of the initial programme.

The El Abra vein is one of numerous auriferous mesothermal quartz veins located within the SLM project area and identified by previous explorers. The El Abra vein is known to occur for a strike length of 500m, with widths to 3m but generally in the order of 0.5-1.5m. During March and April 2012 Ochre completed a 1,112m diamond drilling programme at El Abra. Of 13 holes drilled, three holes intersected very high grade gold mineralisation and four more intersected mineralisation grading in excess of 1g/t gold. The most promising overall intersection of the programme was 3.9m downhole at 11.6g/t gold in hole 9, including 0.2m at 109.1g/t gold.

Metallurgical testwork carried out in 2012 indicated that near surface gold bearing material from El Abra and other prospects at SLM can be processed by conventional methods to achieve high rates of recovery.

As of January 2014, a full exploration team has been constituted for the SLM project. Work is currently focusing on the Corral 1 and Carmincita 9 tenements in the southern part of the project area. This area has previously undergone only very limited appraisal by Ochre but is now being assessed by surface mapping and sampling. Work is being guided by recently acquired historical data relating to past exploration by other companies. Positive initial assay results from surface sampling were announced on 6 and 10 February 2014, and included very high grades of up to 272.9g/t gold.

A regional stream sediment sampling programme will also be carried out with the objective of identifying new prospects within the project area.

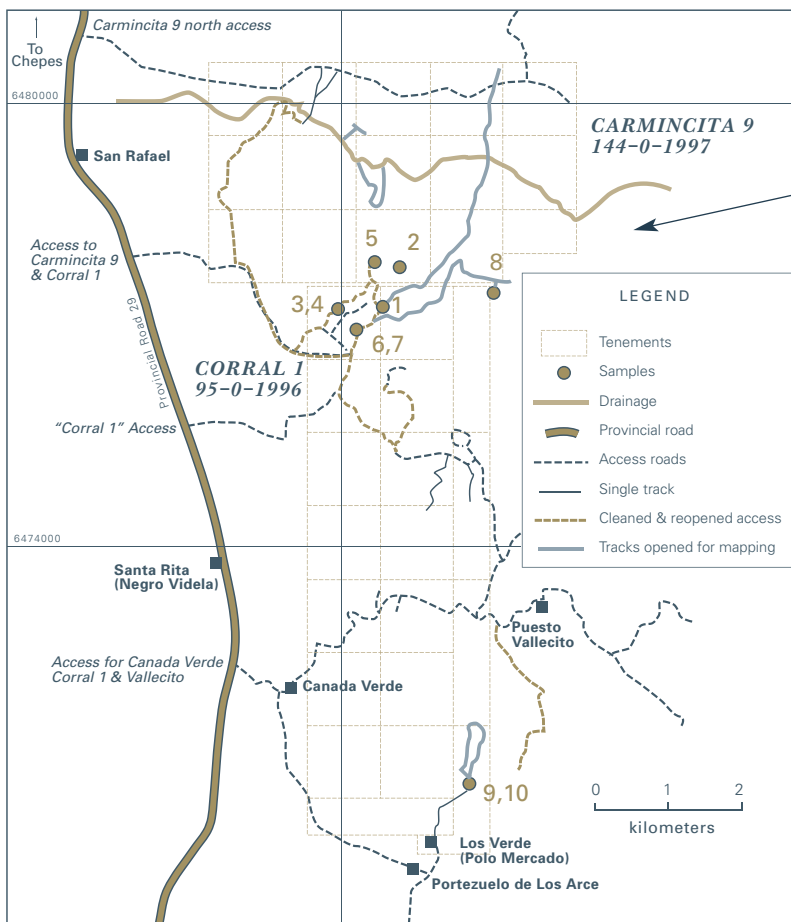
The strategy for the SLM project remains to delineate a number of high grade low tonnage resources, preferably

mineable by open cut. If successful, the objective thereafter will be to initiate mining and processing operations and commence gold production.

The Company had decided in early 2013 to seek a purchaser or joint venture partner for its interest in SLM; however this decision was taken at a time of severe financial strain and amidst a necessary sea change in management and corporate strategy. Later in the year as these stresses were alleviated ECR was able to apply the financial and technical resources needed to reappraise the results of previous exploration at SLM, and the decision to seek a purchaser or joint venture partner was reversed, although this does not exclude the possibility of such a transaction in future if appropriate.

We are now hopeful that SLM will in due course be shown to offer a comparatively near term gold production opportunity requiring relatively low capital investment. This may complement the more substantive longer term production opportunity we hope will be realised at Itogon in the Philippines.

*Carmincita 9 & Corral 1*



## FINANCIAL TRANSFORMATION

Also highly relevant are the financial strides forward attained in August and September 2013, foremost among which was the redemption of all the outstanding convertible loan notes of the Company. These loan notes, issued in 2007 at the behest of former management, had dogged ECR almost ever since. The combination of the sizable liability represented by the eventual maturity of the loan notes and the burden of quarterly interest payments was a toxic one. The proceeds of the issue of the loan notes were invested by previous management in the Meekatharra gold project in Western Australia, and while this project failed and, from the point of view of the Company's shareholders, was lost, the loan notes remained.

In early August 2013, convertible loan note holders agreed to the redemption of all outstanding loan notes in exchange for a combination of cash, shares and warrants that the Board considered viable for the Company. Accordingly the loan notes were redeemed, eliminating all of the Company's obligations in respect of the notes, while the warrants issued to note holders as part of the redemption were all subsequently exercised, which had the effect of improving ECR's cash position by £785,000.

In the same month, ECR settled the final amount due in connection with its loan from YA Global Master SPV Ltd, leaving the Company with no debt and, following the various exercises of warrants and a placement of shares in late August 2013 raising £500,000, in a strong financial position, particularly in view of the reduction in overheads that has been achieved following the departure of former management.

## INVESTMENT IN THEMAC RESOURCES GROUP

During the first half of 2013 the Company was able to sell part of its shareholding in THEMAC Resources Group Ltd ("THEMAC"), bringing in proceeds of approximately C\$180,000. Following this ECR owns approximately 15% of the issued share capital of THEMAC and has a fully diluted interest in THEMAC's share capital of approximately 16%.

The results of a definitive feasibility study (DFS) for THEMAC's 100% owned Copper Flat copper-molybdenum-gold-silver project in New Mexico, USA were announced in October 2013.

The policy of the Company with regard to its investment in THEMAC is to dispose of the investment when an opportunity to do so at an attractive value arises.

## MERCATOR GOLD AUSTRALIA

In August 2013 ECR was informed by the external administrators (the "Administrators") of the Company's

100% owned Australian subsidiary Mercator Gold Australia Pty Ltd ("MGA") as follows.

- The Administrators are preparing a report to creditors of MGA and when the report is available intend to convene a meeting of creditors in order to seek approval for the complete effectuation of the Deed of Company Administration (the "DOCA") to which MGA is currently subject; this would occur following the assignment to Main Roads Western Australia ("MRWA") of an insurance claim (the "Claim") made under a public liability insurance policy held by MGA.
- The Claim relates to road deviation costs associated with mining activities carried out by MGA in 2008, and it is already the case that if successful the proceeds of the Claim will be for the benefit of MRWA and not MGA.
- Complete effectuation of the DOCA may involve a small final dividend being paid to unsecured creditors of MGA, with the exception of ECR.

Complete effectuation of the DOCA would equate to the release of MGA from administration. This is necessary prior to initiatives being pursued in light of MGA's tax losses, which are estimated to total approximately A\$80 million (a slight increase on previous estimates).

MGA entered administration in 2008, prior to the tenure of ECR's present management. The Company remains in contact with the Administrators, but has no control over the timing of the report to creditors and subsequent meeting.

## FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

For the year to 30 September 2013 the Group recorded a total comprehensive expense attributable to shareholders of the Company of £7,528,366, compared with £6,110,457 for the year to 30 September 2012. As with last year, the bulk of this year's expense occurred as a result of changes in the estimated value of the Company's interest in THEMAC. The Group's net assets as at 30 September 2013 were £6,269,458, in comparison with £10,224,127 at 30 September 2012. Again, this decrease in net assets is mainly due to a fall in the estimated value of the Company's interest in THEMAC.



**Stephen Clayson**  
*Director & Chief Executive Officer*

21 February 2014

## Directors' Biographies

### **Paul Johnson**

*Non-Executive Chairman  
(aged 44)*

Paul Johnson has more than 20 years' investing experience and is a co-founder of MiningMaven, an investor communications service focused on the natural resources sector. He is a Chartered Accountant, an Associate of the Chartered Institute of Loss Adjusters and of the Chartered Insurance Institute, and a Member of the Business Continuity Institute. He holds a BSc (Hons) in Management Science from UMIST School of Management.

### **Stephen James Clayson**

*Director and Chief Executive Officer  
(aged 28)*

Stephen Clayson has a diverse background in the mineral sector, including corporate development roles for listed mining and exploration companies operating in South East and Central Asia, and has significant experience of successful mineral exploration and development projects. He became Chief Financial Officer of ECR in September 2010 and was appointed to the Board in April 2011 before becoming the Company's Chief Executive Officer in January 2013.

### **Richard Andrew Watts**

*Non-Executive Technical Director  
(aged 69)*

Dick Watts is currently a Principal Mining Consultant for Bara Consulting, and has held numerous senior operational roles on gold, copper and coal mines in Africa, Russia and Central Asia. He is a Fellow of the South African Institute of Mining & Metallurgy and holds a B.Eng (Mining) from the University of Sheffield along with a Mine Manager's Certificate (South Africa) and a First Class Certificate of Competency (UK mine manager's qualification).

# Strategic Report

The Directors of the Company present their Strategic Report for the year ended 30 September 2013. This Strategic Report is a new requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2013.

## Principal Activities

The principal activity of the Company is that of a holding company for its subsidiaries. The principal activity of the Group is the identification, acquisition, exploration and development of mineral projects. Whilst the Group's historical focus has been on gold, it is also considering opportunities in other mineral commodities.

Current areas of activity are in Argentina and the Philippines, and potential projects are reviewed worldwide, although with due regard for the practicalities of managing multiple operations not in close proximity to one another.

## Organisation Review

The management of the Company is based in London but it operates in other countries through foreign subsidiaries and contractual arrangements. The corporate structure of the Group reflects its present and historical activities and the requirement, where appropriate, to have incorporated entities in particular countries.

The Group's exploration activity in Argentina is undertaken through an Argentinian wholly-owned subsidiary, Ochre Mining SA. There are two dormant subsidiaries, both registered in the USA, which relate to past projects. The Group's activities in the Philippines are undertaken under the auspices of an earn-in and joint venture agreement (the "Agreement") between the Company, Cordillera Tiger Gold Resources, Inc. ("Cordillera Tiger") and Tiger International Resources, Inc. ("Tiger"). Tiger is incorporated in British Columbia, Canada and its shares are traded on the TSX Venture Exchange. Tiger is the parent company of Cordillera Tiger. Further details of the Group's operations in Argentina and the Philippines can be found under "Operating Review" below.

ECR is run with as low a cost-base as is practical so that the Group can maximise the amount spent on mineral exploration and development, in which activities the expertise and experience of the Directors and the other personnel of the Group is employed to add value to the Group's projects.

The Company has three male Directors and two female administrative staff.

The Group's activities are financed through periodic capital raisings, principally through the placement of the Company's ordinary shares. As the Group's projects become more advanced, other forms of project finance appropriate to the stage of development and potential of each project may be considered.

## Financial & Performance Review

The Group's on-going activities are solely in mineral exploration and development. It is not in production at either of its current projects and hence the Company has no income.

The sale of the Company's 70% interest in a steel products manufacturing business held through Gold Crest Holdings Ltd, registered in Hong Kong and with subsidiary entities registered in Thailand, was completed in February 2013. The principal terms of the sale were agreed during the year ended 30 September 2012 and this business has been treated as 'discontinued activities' in the Financial Statements.

The results for the Group are set out on pages 23 to 46 in the Financial Statements. The loss attributable to the Company's shareholders for the year ended 30 September 2013 was £7.31 million (2012: loss of £4.2 million), after administration costs of £980,000 (2012: £943,000). The main component of this loss was an impairment to the Company's shareholding in THEMAC Resources Group Ltd ("THEMAC"), a company incorporated in Yukon, Canada; as at 30 September 2013 the Company held approximately 15% of THEMAC's issued share capital, which is traded on the TSX Venture Exchange. Additionally, the Company owns warrants which would potentially increase the Company's shareholding in THEMAC to approximately 16% on a fully diluted basis. The shares are held as assets 'available for sale' in ECR's balance sheet and accordingly have been valued at the lower of cost or market value. As the current market price is below cost, the carrying value of these shares has been reduced by £3.09 million and the carrying value of the warrants has been reduced by £2.43 million. These two reductions account for 74% of the Company's loss for the year to 30 September 2013. Administration costs of £980,000 include £130,000 as non-cash costs for the value of options granted to Directors, employees and consultants during the year ended September 2013, as required by IFRS2.

During the year, the Company sold a proportion of its ordinary share holding in THEMAC, reducing its holding (on an undiluted basis) from approximately 19% to the 15% mentioned above. In doing so, it crystallised a loss of £328,000.

Finance costs of £623,000 relate to interest on the Company's convertible loan notes, which were issued in 2007 and all of which were redeemed by 5 August 2013, together with costs associated with loans and equity swap arrangements entered into with YA Global Master SPV Ltd. These were also settled or repaid during the course of the year. Amounts paid by the Company under the terms of the equity swap and arising as a consequence of the fall in the Company's share price during the relevant period, in common with the share prices of many of its peers, are also included as finance costs.

The Financial Statements show that the Group had net assets at 30 September 2013 of £6.27 million (2012: £10.22 million). The principal cause of the reduction in net assets was the carrying value of the Company's interests in THEMAC (£1.21 million compared with £7.31 million at 30 September 2012), which was partly offset by the amount of capital raised by the issue of new equity of £3.44 million (2012: £2.05 million). As mentioned above, all of the Company's borrowings were repaid in cash or converted into equity during the year. Accordingly, the Company entered 2013-2014 in a significantly healthier financial state, with cash in the bank of £1.24 million.

Exploration activity, as discussed later under "Operating Review", was restricted to a relatively low level of expenditure on the Group's Argentina project. As has been announced after September 2013, the Group is undertaking further exploration of this project in the current financial year and this rate of expenditure should accordingly accelerate. There was no meaningful expenditure on the Itogon project in the Philippines during the year to 30 September 2013, as a condition of the Company's earn-in was the renewal of the exploration permit for the project. This renewal was only received on 21 November 2013, and the final condition was only met on 9 December 2013. Exploration work is currently underway on this project.

Since capitalised exploration assets are valued in the Consolidated Statement of Financial Position at cost, this value should not be confused with the realisable value of the relevant projects or be considered to determine the value accorded to the projects by the stock market, which in both cases may be considerably higher. Hence mineral exploration and development companies often have a market capitalisation in excess of their net asset value.

The Company's other main asset, held under "Other receivables" relates to its non-consolidated Australian subsidiary, Mercator Gold Australia Pty Ltd ("MGA"). Following a cessation of production at MGA's Meekatharra gold mine, MGA went into voluntary administration in October 2008. At that time none of the current Directors was a director of the Company or of MGA. The present Directors have been advised that following the sale of MGA's assets and distributions made to its creditors, MGA may be released from administration within the next few months. On its release from administration MGA is expected to have the benefit of accumulated tax losses which are in excess of A\$80 million. The Directors have recently received confirmation from MGA's Australian tax advisors that these losses should, subject to certain conditions, be able to be utilised against future profits of MGA. Once MGA has been released from administration, it is expected that MGA will seek and acquire, if possible, a suitable late stage development opportunity or profitable producing asset in Australia so as to take advantage of these tax losses.

## Strategy and Business Model

The Company's strategy is to locate and acquire mineral projects which show good prospects. The Directors select these projects after a very thorough and critical appraisal. This is needed as in general, across the industry as a whole the percentage of mineral exploration and development projects which go on to become fully operational and producing mines is relatively low.

After acquiring an interest in a project, the strategy is then to leverage the Group's commercial experience and technical expertise to explore and further develop the project, and in doing so to create value for the benefit of the Company's shareholders. Decisions can then be made at appropriate times as to whether to continue the project into production, enter into a joint venture with another company, or sell the project outright.

Where a project has been disposed of, the proceeds of that disposal will usually be reinvested in new projects. In the case of very significant proceeds from a disposal, the Directors would also consider distributions to shareholders.

The Company's business model is to be an efficient and successful explorer and developer of mineral deposits. The rights to carry out these activities may be acquired by the receipt by the Group of licences from the relevant authorities, or by negotiating to acquire rights from existing owners. The Group will generally seek to acquire such rights for low initial payments, with any further amounts paid later depending on the success of the project. This enables the risk inherent to the Company's activities to be somewhat mitigated.

The business model requires the retention of a small core team, combined with the use of consultants on an as required basis, both in the UK and overseas. In this way, overheads can be kept as low as possible and the flexibility of the Group can be maintained.

## Key Performance Indicators ("KPIs")

KPIs which apply in most businesses are not usually particularly relevant to mineral exploration and development companies which, for example, typically have little or no product sales.

The Board has identified some key KPIs which are of relevance. These are detailed below.

**Project development:** The Company reports the achievement of exploration and development targets, including geological results. The delineation of mineral resources and ultimately mineral reserves under internationally recognised protocols may also be important KPIs.

**Share price:** The Board monitors the Company's share price and regularly compares its performance with that of its peer group. This KPI may be considered to measure, amongst other things, the effectiveness of the Company's interface with investors, both private and institutional. It is also key to optimising both the amount and the timing of its equity financings.

**Rate of cash burn:** This KPI is of critical importance, especially during periods when the raising of new finance is problematic. The Directors take all necessary steps to minimise the rate of cash burn on overheads (commensurate with ensuring that the Group's quality standards including its human resources are not compromised and that it has adequate resources, both human and otherwise, to carry out its activities).

## **Operating Review**

As mentioned above, the Group's current operations are located in the Philippines and in Argentina. Additional projects are currently under review in line with the strategy discussed earlier in this report. No announcements relating to new projects have been made at the date hereof and consequently this review focuses on the Company's existing operations.

### ***Itogon gold-silver project, Philippines***

As discussed above, in late April 2013 ECR entered into an earn-in and joint venture agreement with Cordillera Tiger and Tiger in relation to the Itogon gold-silver project in the Philippines. Cordillera Tiger is a Philippine corporation and the holder of the exploration permit (the "EP") which represents the Itogon project.

The Agreement gives ECR the exclusive right and option to earn a 50% interest in Cordillera Tiger and thereby in the Itogon project by obtaining, for Cordillera Tiger, a mining licence in respect of the project within five years of commencement of the earn-in and by making certain staged payments to Tiger.

Under the terms of the earn-in, ECR will fund all expenditure required for Cordillera Tiger to obtain a mining licence, and through Cordillera Tiger, ECR will be the operator of the Itogon project during the earn-in. After a mining licence is obtained ECR and Tiger would fund development of the project pro rata, or the non-funding partner would be diluted.

ECR was able to complete its due diligence as to the Itogon project, with a positive outcome, in July 2013, and in December 2013 the final condition for commencement of the Company's earn-in was satisfied. This condition was met by the submission by Cordillera Tiger of certain documents to the Philippine Mines & Geosciences Bureau, following receipt by Cordillera Tiger in November 2013 of a renewal of the EP for a second year term. Following satisfaction of this condition the earn-in has commenced and exploration is now underway with ECR, through Cordillera Tiger, as the operator of the project.

Now that the earn-in has commenced a thorough appraisal of the Itogon project has begun, and it is hoped that completion of the planned exploration programmes will add significant value to ECR's rights in respect of the Itogon project by confirming and building upon historical data and enabling an accurate, up to date picture of the project's economic potential to be generated. Nevertheless, each phase of exploration is subject to the results of prior phases, and after each phase ECR will determine on the basis of the results obtained whether to continue with the earn-in.

Additional information on the Itogon project is provided in the report of the Chief Executive Officer.

### ***Sierra de las Minas gold project, Argentina***

During September and October 2013 ECR carried out a detailed review and reinterpretation of the exploration results previously obtained by the Company from the Sierra de las Minas ("SLM") gold project in La Rioja Province, Argentina. The SLM project area, which consists of multiple exploration and exploitation licences 100% held by the Company's wholly owned Argentine subsidiary Ochre Mining SA ("Ochre"), has been under exploration by Ochre since late 2010.

The outcome of the review and reinterpretation was deemed sufficiently encouraging for Ochre to recommence significant exploration activity at SLM. Work is to focus not just on the El Abra prospect, to which Ochre has previously given most attention, but also on selected other prospects including Maestro Aguerro, VN2.5, Pits I-III, Casas Viejas, and prospects within the Corral 1 and Carmincita 9 tenements.

The Company had decided in early 2013 to seek a purchaser or joint venture partner for its interest in SLM; however this decision was taken at a time of severe financial strain and amidst a necessary sea change in management and corporate strategy. Later in the year as these stresses were alleviated ECR was able to apply the financial and technical resources needed to reappraise the results of previous exploration at SLM, and the decision to seek a purchaser or joint venture partner was reversed.

The strategy of the Group for the SLM project remains to delineate a number of high grade low tonnage resources, preferably mineable by open cut. If successful, the objective thereafter will be to initiate mining and processing operations and commence gold production. It is hoped that SLM will in due course be shown to offer a comparatively near term gold production opportunity requiring relatively low capital investment. This may complement the more substantive longer term production opportunity it is hoped will be realised at Itogon in the Philippines.

As of January 2014, a full exploration team has been constituted for the SLM project area. Work is focused within the Corral 1 and Carmincita 9 tenements in the southern part



of the project area. This area has previously undergone only very limited appraisal by Ochre but is now being assessed by surface mapping and sampling. Work is being guided by recently acquired historical data relating to past exploration by other companies. Positive initial assay results from surface sampling were announced on 6 and 10 February 2014, and included very high grades of up to 272.9g/t gold.

### **Risks and Uncertainties**

The Directors regularly review the risks and uncertainties to which the Group is exposed and seeks to ensure that these risks and uncertainties are, as far as possible, minimised.

The Directors have identified the principal risks and uncertainties facing the Group and these are set out below.

#### ***Exploration Risk***

Mineral exploration is, by its nature, speculative, and as mentioned earlier the number of such projects which develop into mining operations is relatively low. There is no certainty that the Group's exploration projects can be economically exploited and no certainty that this will enhance shareholder value. However, the Directors believe strongly that the Group's current exploration projects have good indications of economically viable mineralisation and hence are resolved to continue exploration. If the Directors ultimately decide that a prospect has no economic future and they are unable to sell it on, the costs incurred to date would be written off in the Consolidated Income Statement in the year in which the decision to discontinue exploration operations is made.

#### ***Development Risk***

All mineral exploration and development projects may be subject to delays caused by bad weather, permitting, commissioning or the raising of finance, among other factors. The risk of delays is mitigated when practical and legal to do so.

#### ***Commodity Prices***

Changes in the spot and forward prices of the relevant mineral commodity can affect the economic viability of a project at any stage in its life cycle.

#### ***Resource Risk***

Mineral deposits are evaluated by their size, grade and by other parameters, and mineral resources and reserves are typically calculated in accordance with accepted industry standards and codes. Nevertheless, there is always some level of uncertainty in the underlying assumptions. The Board keeps these assumptions under constant review and adjusts the Group's development strategy accordingly.

#### ***Mining & Processing Technical Risk***

Variations can occur unexpectedly in the technical parameters of a project and can considerably alter its economic viability, despite the Directors taking as many

precautions (e.g. confirmatory drilling, metallurgical test work and feasibility studies) as is sensible.

#### ***Environmental Risks***

Changes in legislation and the risk of environmental damage can give rise to unplanned environmental liabilities or threaten the continuity of a project at any stage in its life cycle. The environmental parameters of all projects are considered carefully so as to minimise these risks.

#### ***Financing Risk***

This arises when despite its best efforts the Group finds itself unable to raise the requisite finance in its optimal timescale, or at all. As a result, project development may be either delayed or suspended pending the raising of finance, and the lack thereof may threaten the rights of the Group in the event the Group is unable to meet its commitments.

The Directors aim to plan far enough ahead to ensure an orderly timing of finance raising activities in order to ensure, as far as practical, that the Group has sufficient liquidity to enable projects to proceed as planned.

#### ***Partner Risks***

Any joint venture arrangement contains an element of counterparty risk, particularly as to the financial status of the joint venture partner or to its level of participation in the joint venture, and these issues can ultimately lead to the failure of the joint venture. There is a need to maintain good working relations with the Group's joint venture partners and to monitor their involvement and financial condition on a regular basis.

#### ***Political Risk***

This takes many forms and can exist in politically stable countries (enhanced environmental requirements, changes in taxation, etc.) as well as less developed countries (civil unrest, government expropriation of mineral assets, etc.). The fact that the Group has operations in multiple jurisdictions goes some way to towards mitigating these risks.

#### ***Internal Control & Risk Management***

The Directors are responsible for the Company's internal control systems. Whilst no system can give absolute assurance against material loss or misstatement, the Group's processes are designed, within the confines of the limited number of personnel employed, to provide reasonable assurance that issues are identified and dealt with in a timely manner.

The ongoing financial performance of the Group is monitored regularly, risks are identified and where necessary adjustments are made as early as is possible. The Board, subject to the necessary shareholder authority, regularly reviews capital investment, project acquisitions and disposals, borrowing facilities (if any), insurance and any guarantee arrangements.

## **Forward Looking Statements**

This Annual Report & Accounts 2013 may include forward looking statements. Such statements may be subject to a number of known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from current expectations. There can be no assurance that such statements will prove to be accurate and therefore actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward looking statements. Any forward looking statements contained herein speak only as of the date hereof (unless stated otherwise) and, except as may be required by applicable laws or regulations (including the AIM Rules for Companies), the Company and the Group disclaim any obligation to update or modify such forward looking statements as a result of new information, future events or for any other reason.

## **Corporate Governance**

Companies whose shares are traded on AIM are not required to make an annual statement to shareholders concerning compliance with the UK Corporate Governance Code. ECR is committed to high standards of corporate governance and the Board complies with those guidelines of the Quoted Companies Alliance as are commensurate with the size of the Company, the nature of its activities and its stage of development.

The Board currently comprises a non-executive chairman, a Chief Executive Officer and director, and a non-executive director. The Board considers this to be a suitable size and structure in view of the Group's present activities and in view of the Company's listing on AIM.

## **Role of the Board**

The Board's role is to set the Company's long-term strategy and direction, and to monitor its business objectives. It meets a minimum of four times a year and holds additional meetings when necessary. It receives reports for consideration on all strategic and operational matters of significance.

Directors also take external independent advice at the Company's expense in carrying out their duties and have access to the services of the Company Secretary.

The Board delegates certain of its responsibilities to the Audit and Remuneration Committees of the Board. These operate within clearly defined terms of reference.

## **Audit Committee**

The Audit Committee comprises Paul Johnson and Stephen Clayson. It meets when appropriate to assist the Board in meeting its responsibilities for external financial reporting and internal controls. It reviews the scope and results of the

audit as well as the cost effectiveness, independence and objectivity of the auditors.

## **Remuneration Committee**

The Remuneration Committee comprises Paul Johnson and Richard Watts and meets when appropriate to review and make recommendations on the remuneration arrangements including bonuses and options for the Company's executive directors and senior staff, ensuring that it reflects their performance and that of the Group. The remuneration and terms of appointment of non-executive directors are set by the Board as a whole.

## **Conflicts of Interest**

The Board as a whole reviews actual and potential conflicts of interest of any of its members and the steps taken to mitigate the effects thereof.

## **Corporate Responsibility**

The Board regularly reviews the significance of social, environmental and ethical matters affecting the Group's operations. It considers that the Company is not yet at a stage where a specific Corporate Social Responsibility policy is required, in view of the limited number of stakeholders, other than shareholders. Instead the Board protects the Group's interests and those of its stakeholders through individual policies and through ethical and transparent business dealings.

The Board has adopted an Anti-Bribery and Corruption Policy.

## **Shareholders**

The Board seeks to protect shareholders' interests at all times, by abiding, where applicable, by the Guidelines of the Quoted Companies Alliance, including by ensuring that each Board decision is taken with due regard to the interests of shareholders as a whole. In addition to making appropriate news releases and publishing financial reports, the Directors encourage communication with shareholders at annual general meetings and by participating in investor presentations, Q&A sessions and via social media.

## **Environment**

Mineral exploration and development has the potential to adversely impact the environment in which it takes place. The Group takes its environmental responsibilities seriously, including having in place an environmental policy and the environmental parameters of the activities of the Group are considered carefully so as to minimise the risk of adverse environmental effects.

## **Human Rights**

The activities of the Group are carried out in accordance with all applicable laws on human rights and with genuine moral concern for all stakeholders.

### ***Employees***

The Company seeks to remunerate its employees fairly, offers flexible working arrangements where practical and encourages employees to gain exposure to all aspects of the Group's business. 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. It considers employees' interests when making decisions and welcomes suggestions from employees which have the potential to improve the Group's performance.

### ***Suppliers and Contractors***

The Board recognises the importance of maintaining the goodwill of its contractors, consultants and suppliers, and encourages this through fair dealings. The Group has a prompt payment policy and seeks to ensure all liabilities are settled within the terms agreed with that supplier.

### ***Health & Safety***

The activities of the Group are carried out in accordance with all applicable laws on health & safety via its Health & Safety Policy.

This Strategic Report was approved by the Directors on 21 February 2014.



**Stephen Clayson**

*Director & Chief Executive Officer*

# Report of the Directors

For the year ended 30 September 2013

## Principal Activities

The Company is registered under no. 5079979 in England. Its principal activities are mineral exploration and development, most frequently as a parent company to various operating subsidiaries.

The sale of the Company's interest in Gold Crest Holdings Ltd (incorporated in Hong Kong), which had an interest in a steel products manufacturing business in Thailand, completed on 8 February 2013.

The Group's current mineral exploration and development activities comprise 100% ownership of the Sierra de las Minas gold project in La Rioja Province, Argentina. Additionally, the Company has the right to earn a 50% interest in the Itogon gold-silver project in the Philippines.

A full review of the above and other significant matters is contained in the reports of the Chairman, Chief Executive Officer and the Strategic Report.

## Business Review

In addition to the above exploration and development projects, the Company owns 11.631 million common shares and 10.5 million common share purchase warrants in THEMAC Resources Group Ltd, which has 100% ownership of the Copper Flat copper-molybdenum-gold-silver project in New Mexico, USA. All the warrants held by the Company are exercisable at C\$0.28 per share until 4 March 2016. During the year, the Company sold 2,719,000 common shares and its residual holding at 30 September 2013 represents approximately 15% of the THEMAC's issued share capital and approximately 16% of THEMAC's share capital on a fully diluted basis.

In common with many similar businesses, the Group raises money for its activities in discrete tranches which finance activities for limited periods, with further fundraising undertaken as and when required. During the year to 30 September 2013, the Company repaid all of its borrowings and effectively raised £3.44 million from the issue of share capital and conversion of some of its loans into equity.

## Group Financial Results

The Consolidated Income Statement for the year records a loss of £7.32 million, compared with a loss of £4.26 million for the year to 30 September 2012. The Group's net assets, as stated in the Statement of Financial Position, were £6.27 million, a decrease on the year before of £3.95 million.

As explained in the report of the Chief Executive Officer and the Strategic Report, this reduction was mainly as a result of further adverse fair value movements in the Company's interests in THEMAC Resources Group Ltd. Of the £3.44 million raised in equity, £569,000 was used to repay borrowings. Cash resources at the year-end amounted to £1.24 million. The difference was primarily used to fund the

operations of the Group and to service the debts of the Company prior to their full repayment.

## Future Developments

The Directors continue to look for exploration and development opportunities in the minerals sector which would be suitable for the Company and to evaluate them taking into account their financing potential.

Projects, once acquired, will be developed to maximise their potential, either for mineral extraction or for sale to other enterprises. In the short term, the Group's projects in Argentina and the Philippines will be the main focus of attention.

## Key Performance Indicators

As the nature of the Group's principal activities is pre-production activities in the mineral sector, the use of typical key performance indicators would not provide a significant understanding of the development, performance or position of the Group. However, the Directors monitor certain indicators closely, including the Company's share price compared with that of its peers, the rate of cash burn and the Company's ability to raise funding at the appropriate time to fund the Group's continued development and future exploration options.

## Financial and Other Risk Management Objectives and Policies

Mining and exploration activities entail the inherent risks, among others, of the Group failing to discover sufficient viable deposits of minerals within the limits of its financial resources, being exposed to excessive inflation of input costs, the frustration of supply of necessary raw materials, and government permits and operating permits not being granted. There are also the risks of unpredictable behaviour by project finance institutions and risks posed by fluctuations in the global economy.

The Board is aware of these risks and continuously reviews them. When it is able, it takes the steps to avoid them or to limit the Company's exposure to such risks. The Company takes out suitable insurance against operational and corporate risks that are anticipated as being material and insurable.

The Company does not presently hold any forward or hedge positions in either currency or minerals. Currently these are not deemed necessary but this is reviewed from time to time. There is inherent risk in operating between different currencies, namely GBP, AUD, USD, Philippine and Argentine pesos, and the Board monitors and reviews this exposure on a regular basis.

The Board recognises the Company's exposure to liquidity risk and that the Company's ability to continue its operations is dependent on it having or acquiring sufficient cash resources. The Board continually monitors the Company's

cash position and may realise all or part of the Company's investments in order to maintain the ability of the Company to meet its obligations as they fall due.

The locations of the Group's principal activities are currently in Argentina and the Philippines and its corporate base is in the United Kingdom. These locations are considered stable with advanced economic and legal infrastructures.

Further details of the Group's financial risk management objectives and policies are set out in Note 22 to the financial statements.

### Position of the Company and Going Concern

At the date of this report the Company's financial position is stable. As explained herein, the financial statements continue to be prepared on a going concern basis.

Based on a review of the Company's budgets and cash flow forecasts, the Directors are satisfied that the Company has sufficient resources to continue its operations and to meet its commitments for the immediate future. The Directors have considered the present economic and financial climate as specifically pertain to the Company and its peer group, and are confident in the ability of the Company to raise funding as required to sustain and develop the operations of the Group. Means of raising finance potentially available to the Company include the issue of equity and the sale of assets. The sale by the Company of its interest in Gold Crest Holdings Ltd and the repayment of all of the Company's borrowings are considered by the Directors to have strengthened the ability of the Company to attract equity financing in the future. The acquisition by the Group of an additional mineral project or projects of merit is considered likely to have a similar effect.

Reviews of operations and business developments are provided in the reports of the Chairman and the Chief Executive Officer, the Strategic Report, this Report of the Directors and within the detail of the financial statements. Therein are set out certain forward looking statements that have been made by the Directors in good faith. By the nature of these statements there can be no certainty that any or all predictions will be met. Such statements may be subject to a number of known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from current expectations. There can be no assurance that such statements will prove to be accurate and therefore actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward looking statements. Any forward looking statements contained herein speak only as of the date hereof (unless stated otherwise) and, except as may be required by applicable laws or regulations (including the AIM Rules for Companies), the Company disclaims any obligation to update

or modify such forward looking statements as a result of new information, future events or for any other reason.

### Dividends and Profit Retention

The results for the year are set out in the Consolidated Income Statement on page 23. No dividend is proposed in respect of the year (2012: nil). The Group loss for the year of £7.31 million (2012 loss of £4.20 million) has been taken to reserves together with the comprehensive income and expenses set out on page 24.

### Directors

The Directors who served during the year were:

Stephen James Clayson  
 Patrick Aloysius Harford (*resigned 15 November 2012*)  
 Keith Donald Irons (*resigned 30 January 2013*)  
 Paul Johnson  
 Richard Andrew Watts

Under the Company's Articles of Association, at every annual general meeting of the Company, any Director:

- who has been appointed by the Board since the date of the last annual general meeting; or
- who held office at the time of the two preceding annual general meetings and did not retire at either of them; or
- who has held office with the Company as a non-executive Director (that is, he has not been employed by the Company or held executive office) for a continuous period of nine years or more at the date of the meeting:

shall retire from office and may offer himself for election/re-election by the members.

In accordance with the above no director is required to retire at the forthcoming annual general meeting.

### Directors' Interests

Directors who held office at 30 September 2013 held the following beneficial interests, either directly or indirectly (including interests held by spouses, minor children or associated parties) in the ordinary shares of the Company.

	30 September 2013	30 September 2012
	no. of shares	no. of shares
S J Clayson	17,234,890	182,000
P Johnson	26,447,810	10,087,500
R A Watts	13,250,000	-
<b>Total</b>	<b>56,932,700</b>	<b>10,269,500</b>

Additionally, Directors of the Company who held office at 30 September 2013 held the following share options granted under the Company's unapproved share option scheme:

	Options issued	Date issued	Expiry date	Exercise price
S J Clayson	3,900,000	6/1/2011	6/1/2021	£0.025
	55,045,872	12/8/2013	12/8/2018	£0.002
P Johnson	27,522,936	12/8/2013	12/8/2018	£0.002
R A Watts	19,816,514	12/8/2013	12/8/2018	£0.002

A former director, Michael Silver had an interest, via a company he controlled, Fair Choice Ltd, in the Company's convertible loan notes with a face value of £125,000. These were redeemed on 5 August 2013.

### Share Capital and Substantial Share Interests

On 11 February 2014, the Company was aware of the following holdings of 3% or more in Company's issued share capital of 3,259,129,317 ordinary shares of £0.001 each.

Holding Registered Shareholder	Number of shares	%
Barclayshare Nominees Ltd	419,913,349	12.88
HSDL Nominees Ltd	330,435,901	10.14
TD Direct Investing Nominees (Europe) Ltd	311,886,507	9.57
HSBC Global Custody Nominee UK Ltd	300,000,000	9.20
HSBC Client Holdings Nominee (UK) Ltd	213,489,378	6.55
Investor Nominees Ltd	144,677,426	4.44
HSDL Nominees Ltd	129,897,136	3.99
Share Nominees Ltd	121,671,260	3.73
L R Nominees Ltd	116,909,190	3.59
Hargreaves Lansdown (Nominees) Ltd	110,607,857	3.39

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual 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 ("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. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;

- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial reports;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### Corporate Governance

The Directors seek, as far as is considered appropriate having regard to the size and nature of activities of the Company, to comply with the Guidelines of the Quoted Companies Alliance. The Board is assisted in this regard by its Remuneration and Audit Committees.

### Directors' and Officers' Liability Insurance

The Company had in force during the year and has in force at the date of this report a qualifying indemnity in favour of its Directors against the financial exposure that they may incur in the course of their professional duties as Directors and officers of the Company and/or its subsidiaries.

### The Remuneration Committee

The Remuneration Committee comprises Paul Johnson and Richard Watts. The Remuneration Committee meets at any time when it is considered appropriate to review and make recommendations on the remuneration arrangements for Directors and senior management, including any bonus arrangements and the award of share options, having regard to the performance of the Company and the interests of shareholders. The remuneration and terms of appointment of non-executive Directors are set by the Board.

Total Directors emoluments are disclosed in Note 6 to the financial statements and details of the share options granted to Directors are disclosed above.

The Directors will comply with Rule 21 of the AIM rules relating to Directors dealings and will take all reasonable steps to ensure compliance by the Company's Directors and applicable employees.

### **The Audit Committee**

The Audit Committee comprises Paul Johnson and Stephen Clayson. The Audit Committee meets at any time when it is considered appropriate to consider and discuss audit and accounting related issues. The Audit Committee may make recommendations on the appointment of the auditors and the audit fees, be responsible for ensuring the financial performance of the Company is properly monitored and reported on and will receive and review reports from management and auditors relating to the interim reports, the annual report and accounts and internal control systems of the Company.

### **Statement on Disclosure of Information to Auditors**

Having made the requisite enquiries and in the case of each of the Directors who are Directors of the Company at the date when this report is approved:

- so far as they are individually aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that they should have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

### **Auditors**

Nexia Smith & Williamson have expressed their willingness to continue in office as auditors of the Company and a resolution to confirm their appointment will be proposed at the forthcoming annual general meeting.

### **Annual General Meeting**

The annual general meeting of the Company will be held at mid-day on Friday 28 March 2014 at the East India Club, 16 St James's Square, London SW1Y 4LH. Notice of the annual general meeting is on pages 47 to 48.

This report was approved by the Board on 21 February 2014.

By order of the Board



### **Stephen Clayson**

*Director & Chief Executive Officer*

# Independent Auditor's Report

For the year ended 30 September 2013

## Independent auditor's report to the members of ECR Minerals plc

We have audited the financial statements of ECR Minerals plc for the year ended 30 September 2013 which comprise the Consolidated Income Statement, 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 Cash Flow Statements and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2013 and of the group'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.

### Emphasis of matter – amount owed by former subsidiary

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 11 to the financial statements concerning the company's and group's ability to recover an amount due from a former subsidiary, Mercator Gold Australia Pty Ltd ("MGA"), of £3,228,390, after an impairment provision made in previous years of £31,849,884. MGA is currently subject to a Deed of Company Administration ("DOCA") and has no tangible assets. Control of MGA will not pass back to the group until the DOCA has been fully effectuated and creditors dealt with. It is estimated the full amount of tax losses accumulated by MGA currently totals A\$80,000,000. The group is intending to identify and enter into projects which will generate surplus funds in MGA and enable it to repay the amount due to the company and the group up to at least the carrying value.

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

In our opinion 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.

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for 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.



Guy Swarbreck  
Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate, London EC2R 6AY  
21 February 2014

*The maintenance and integrity of the ECR Minerals plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

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



# Consolidated Income Statement

For the year ended 30 September 2013

ECR Minerals plc company no. 5079979

	Year ended 30 September 2013	Year ended 30 September 2012
Note	£	£
<b>Continuing operations</b>		
Exploration expenses	–	(591,276)
Other administrative expenses	<b>(980,527)</b>	(942,625)
Impairment of available for sale financial assets	<b>(26,216)</b>	(6,339)
Reclassification of fair value movements on impairment of available for sale assets	<b>(2,317,004)</b>	–
Currency exchange differences	<b>(2,811)</b>	(28,270)
Impairment of other current assets	<b>(38,282)</b>	(17,587)
Impairment of other investments	–	(387,453)
<b>Total administrative expenses</b>	<b>(3,364,840)</b>	(1,973,550)
<b>Operating loss</b>		
Loss on extinguishment of debt by equity	<b>(3,364,840)</b>	(1,973,550)
Loss on revaluation of financial assets at fair value through profit or loss	<b>(68,119)</b>	–
Loss on derivative	<b>(2,434,564)</b>	(1,614,327)
Loss on disposal of available for sale financial asset	–	(4,258)
Reclassification of fair value movements on disposal of available for sale assets	<b>(327,739)</b>	–
	<b>(702,919)</b>	–
	<b>(6,898,181)</b>	(3,592,135)
Financial income	<b>78</b>	3,017
Financial costs	<b>(622,769)</b>	(484,530)
<b>Finance income and costs</b>	<b>(622,691)</b>	(481,513)
<b>Loss for the year before taxation</b>		
Income tax	<b>(7,520,872)</b>	(4,073,648)
	–	(3,396)
<b>Loss for the year from continuing operations</b>	<b>(7,520,872)</b>	(4,077,044)
<b>Discontinued operations</b>		
Profit/(Loss) for the year from discontinued operations	<b>200,276</b>	(182,070)
<b>Loss for the year</b>	<b>(7,320,596)</b>	(4,259,114)
Attributable to owners of the parent	<b>(7,311,371)</b>	(4,202,621)
Attributable to non-controlling interests	<b>(9,225)</b>	(56,493)
	<b>(7,320,596)</b>	(4,259,114)
Loss per share – basic and diluted	<b>(0.49)p</b>	(0.57)p
On continuing operations	<b>0.01p</b>	(0.02)p
On discontinued operations	<b>(0.48)p</b>	(0.59)p

The loss for the Parent Company for the year was £7,467,371 (2012: £4,363,561).

# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2013

ECR Minerals plc company no. 5079979

	Year ended 30 September 2013	Year ended 30 September 2012
Note	£	£
<b>Loss for the year</b>	<b>(7,320,596)</b>	(4,259,114)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Fair value movements on available for sale assets	9 <b>(3,093,554)</b>	(1,852,640)
Reclassification of fair value movements to Income Statement :		
on disposal of available for sale assets	9 <b>702,919</b>	–
on impairment of available for sale assets	9 <b>2,317,004</b>	–
Reclassification of exchange differences to Income Statement:		
on disposal of foreign subsidiary	<b>(135,518)</b>	–
Loss on exchange translation	<b>(7,846)</b>	(53,408)
<b>Other comprehensive income for the year</b>	<b>(216,995)</b>	(1,906,048)
<b>Total comprehensive expense for the year</b>	<b>(7,537,591)</b>	(6,165,162)
Attributable to:		
Owners of the parent	<b>(7,528,366)</b>	(6,110,457)
Non-controlling interest	<b>(9,225)</b>	(54,705)
<b>Total comprehensive expense for the year</b>	<b>(7,537,591)</b>	(6,165,162)

# Consolidated & Company Statement of Financial Position

At 30 September 2013

ECR Minerals plc company no. 5079979

	Note	Group		Company	
		30 September 2013 £	30 September 2012 £	30 September 2013 £	30 September 2012 £
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	711	2,518	–	1,663
Investments in subsidiaries	9	–	–	451,893	581,328
Exploration assets	10	894,145	800,411	603,073	475,805
Other non-current assets		–	31,671	–	–
Other receivables	11	3,228,390	3,228,390	3,228,390	3,228,390
		<b>4,123,246</b>	4,062,990	<b>4,283,356</b>	4,287,186
<b>Current assets</b>					
Trade and other receivables	11	30,099	66,364	–	404,012
Available for sale financial assets	9	978,453	4,646,136	978,453	4,646,136
Other financial assets	9	228,814	2,663,378	228,814	2,663,378
Taxation		19,699	36,650	19,699	36,112
Other current assets		2,672	2,672	2,672	2,672
Cash and cash equivalents	12	1,238,562	188,033	1,238,428	179,534
Restricted cash	12	–	250,000	–	250,000
		<b>2,498,299</b>	7,853,233	<b>2,468,066</b>	8,181,844
Assets in disposal groups classified as held for sale	13	–	2,224,617	–	–
<b>Total assets</b>		<b>6,621,545</b>	14,140,840	<b>6,751,422</b>	12,469,030
<b>Non-current liabilities</b>					
Interest bearing borrowings	16	–	982,330	–	982,330
<b>Current liabilities</b>					
Trade and other payables	15	352,087	463,357	345,679	471,670
Interest bearing borrowings	16	–	651,001	–	651,001
Liabilities directly associated with assets in disposal groups classified as held for sale	13	–	1,820,025	–	–
		<b>352,087</b>	2,934,383	<b>345,679</b>	1,122,671
<b>Total liabilities</b>		<b>352,087</b>	3,916,713	<b>345,679</b>	2,105,001
<b>Net assets</b>		<b>6,269,458</b>	10,224,127	<b>6,405,743</b>	10,364,029
<b>Equity attributable to owners of the parent</b>					
Share capital	14	10,453,946	8,104,909	10,453,946	8,104,909
Share premium	14	40,096,112	38,894,900	40,096,112	38,894,900
Exchange reserve		5,051	148,415	–	–
Other reserves		351,760	473,733	351,760	473,733
Retained losses		(44,637,411)	(37,436,291)	(44,496,075)	(37,109,513)
		<b>6,269,458</b>	10,185,666	<b>6,405,743</b>	10,364,029
Non-controlling interests		–	38,461	–	–
<b>Total equity</b>		<b>6,269,458</b>	10,224,127	<b>6,405,743</b>	10,364,029

The notes on pages 28 to 46 are an integral part of these consolidated financial statements.

The financial statements on pages 23 to 46 were approved and authorised for issue by the Directors on 21 February 2014 and were signed on its behalf by:



Paul Johnson  
Non-Executive Chairman



Stephen Clayson  
Director & Chief Executive Officer

# Consolidated & Company Statement of Changes in Equity

For the year ended 30 September 2013

ECR Minerals plc company no. 5079979

Group	Share capital (Note 14) £	Share premium (Note 14) £	Exchange reserves £	Other reserves £	Retained reserves £	Non-controlling interest £	Total £
<b>Balance at 1 October 2011</b>	7,738,267	36,111,908	205,118	669,667	(31,499,830)	93,166	<b>13,318,296</b>
Loss for the year	-	-	-	-	(4,202,621)	(56,493)	<b>(4,259,114)</b>
Available for sale financial assets fair value movements	-	-	-	-	(1,852,640)	-	<b>(1,852,640)</b>
Gain on exchange translation	-	-	(56,703)	1,507	-	1,788	<b>(53,408)</b>
Total comprehensive income/(expense)	-	-	(56,703)	1,507	(6,055,261)	(54,705)	<b>(6,165,162)</b>
Conversion of loan notes	94,047	1,010,987	-	(78,641)	-	-	<b>1,026,393</b>
Share options lapsed	-	-	-	(118,800)	118,800	-	-
Issue of shares	272,595	1,772,005	-	-	-	-	<b>2,044,600</b>
<b>Balance at 30 September 2012</b>	8,104,909	38,894,900	148,415	473,733	(37,436,291)	38,461	<b>10,224,127</b>
Loss for the year	-	-	-	-	(7,311,371)	(9,225)	<b>(7,320,596)</b>
Reclassification of exchange differences on disposal of subsidiary	-	-	(135,518)	-	-	-	<b>(135,518)</b>
Available for sale financial assets fair value movements	-	-	-	-	(3,093,554)	-	<b>(3,093,554)</b>
Reclassification of fair value movements to Income Statement :							
on disposal of available for sale assets	-	-	-	-	702,919	-	<b>702,919</b>
on impairment of available for sale assets	-	-	-	-	2,317,004	-	<b>2,317,004</b>
Loss on exchange translation	-	-	(7,846)	-	-	-	<b>(7,846)</b>
Total comprehensive expense	-	-	(143,364)	-	(7,385,002)	(9,225)	<b>(7,537,591)</b>
Share options lapsed	-	-	-	(154,440)	154,440	-	-
Conversion of loan notes	629,168	97,533	-	(97,533)	-	-	<b>629,168</b>
Shares issued for loans advanced	198,327	347,273	-	-	-	-	<b>545,600</b>
Shares issued in payment of creditors	120,513	82,915	-	-	-	-	<b>203,428</b>
Share issue costs	-	(60,480)	-	-	-	-	<b>(60,480)</b>
Share-based payments	-	-	-	130,000	-	-	<b>130,000</b>
Share warrants exercised	392,500	392,500	-	-	-	-	<b>785,000</b>
Issue of shares	1,008,529	341,471	-	-	-	-	<b>1,350,000</b>
Adjustment on disposal of subsidiaries	-	-	-	-	29,442	(29,236)	<b>206</b>
<b>Balance at 30 September 2013</b>	10,453,946	40,096,112	5,051	351,760	(44,637,411)	-	<b>6,269,458</b>

Company	Share capital (Note 14) £	Share premium (Note 14) £	Retained reserves £	Other reserves £	Total £
<b>Balance at 1 October 2011</b>	7,738,267	36,111,908	(31,012,112)	671,174	<b>13,509,237</b>
Loss for the year	-	-	(4,363,561)	-	<b>(4,363,561)</b>
Available for sale financial assets fair value movements	-	-	(1,852,640)	-	<b>(1,852,640)</b>
Total comprehensive expense	-	-	(6,216,201)	-	<b>(6,216,201)</b>
Conversion of loan notes	94,047	1,010,987	-	(78,641)	<b>1,026,393</b>
Share options lapsed	-	-	118,800	(118,800)	-
Issue of shares	272,595	1,772,005	-	-	<b>2,044,600</b>
<b>Balance at 30 September 2012</b>	8,104,909	38,894,900	(37,109,513)	473,733	<b>10,364,029</b>
Loss for the year	-	-	(7,467,371)	-	<b>(7,467,371)</b>
Available for sale financial assets fair value movements	-	-	(3,093,554)	-	<b>(3,093,554)</b>
Reclassification of fair value movements to Income Statement					
on disposal of available for sale assets	-	-	702,919	-	<b>702,919</b>
on impairment of available for sale assets	-	-	2,317,004	-	<b>2,317,004</b>
Total comprehensive expense	-	-	(7,541,002)	-	<b>(7,541,002)</b>
Share options lapsed	-	-	154,440	(154,440)	-
Conversion of loan notes	629,168	97,533	-	(97,533)	<b>629,168</b>
Shares issued for loans advanced	198,327	347,273	-	-	<b>545,600</b>
Shares issued in payment of creditors	120,513	82,915	-	-	<b>203,428</b>
Share issue costs	-	(60,480)	-	-	<b>(60,480)</b>
Share-based payments	-	-	-	130,000	<b>130,000</b>
Share warrants exercised	392,500	392,500	-	-	<b>785,000</b>
Issue of shares	1,008,529	341,471	-	-	<b>1,350,000</b>
<b>Balance at 30 September 2013</b>	10,453,946	40,096,112	(44,496,075)	351,760	<b>6,405,743</b>

# Consolidated & Company Cash Flow Statement

For the year ended 30 September 2013

ECR Minerals plc company no. 5079979

	Note	Group Year ended 30 September 2013 £	Year ended 30 September 2012 £	Company Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Net cash used in operations</b>	24	<b>(507,582)</b>	(866,434)	<b>(709,615)</b>	(954,557)
<b>Investing activities</b>					
Purchase of property plant and equipment	13, 8	<b>(8,345)</b>	(108,621)	–	–
Increase in exploration assets	10	<b>(148,336)</b>	(464,984)	<b>(127,268)</b>	(120,820)
Loans issued to subsidiary		–	–	–	(255,809)
Repayments from subsidiaries		–	–	–	101,000
Loans to former subsidiary		–	(107,124)	–	(107,124)
Repayment from former subsidiary		–	273,960	–	273,960
Proceeds from sale of subsidiary	24	<b>76,030</b>	–	<b>76,030</b>	–
Cash disposed with subsidiary	24	<b>(257,131)</b>	–	–	–
Investment in subsidiaries		–	–	–	(317,963)
Proceeds from sale of available for sale financial assets		<b>220,628</b>	45,736	<b>220,628</b>	45,736
Interest received		<b>78</b>	2,406	<b>78</b>	53
<b>Net cash (used in)/generated from investing activities</b>		<b>(117,076)</b>	(358,627)	<b>169,468</b>	(380,967)
<b>Financing activities</b>					
Proceeds from issue of share capital		<b>2,135,000</b>	2,044,600	<b>2,135,000</b>	2,044,600
Transfer from/(into) restricted cash		<b>250,000</b>	(250,000)	<b>250,000</b>	(250,000)
Proceeds from issue of convertible loan notes		–	480,426	–	480,426
Loan advances received		<b>243,287</b>	–	<b>243,287</b>	–
Repayment of convertible loan notes		<b>(392,500)</b>	(763,763)	<b>(392,500)</b>	(763,763)
Finance costs on fundraising		<b>(60,480)</b>	(153,674)	<b>(60,480)</b>	(153,674)
Bank loan repaid		<b>(286,946)</b>	–	–	–
Finance lease raised		–	76,356	–	–
Repayment of finance lease creditors		–	(5,069)	–	–
Interest paid on convertible loan notes		<b>(63,041)</b>	(157,783)	<b>(63,041)</b>	(157,783)
Interest paid and other financing costs		<b>(513,281)</b>	(97,666)	<b>(513,225)</b>	–
Increase in amounts due to a Director		–	24,166	–	–
<b>Net cash from financing activities</b>		<b>1,312,039</b>	1,197,593	<b>1,599,041</b>	1,199,806
<b>Net change in cash and cash equivalents</b>		<b>687,381</b>	(27,468)	<b>1,058,894</b>	(135,718)
<b>Cash and cash equivalents at beginning of the year</b>		<b>479,397</b>	593,642	<b>179,534</b>	240,755
<b>Effect of change in exchange rates</b>		<b>71,784</b>	(86,777)	–	74,497
<b>Cash and cash equivalents at end of the year</b>	12	<b>1,238,562</b>	479,397	<b>1,238,428</b>	179,534

# Notes to the Financial Statements

For the year ended 30 September 2013

## 1 General information

The Company and the Group operated mineral exploration and development projects, as well as operating a subsidiary that manufactures metal products. The Group's interests were located in Argentina, Canada, the USA, Philippines and Australia. As further explained in Note 13, the Group has disposed of its shareholding in Gold Crest Holdings Ltd, and as a result no longer has any manufacturing operations.

The Company is a public limited company incorporated and domiciled in England. The registered office of the Company and its principal place of business is 20 Eastcheap, London EC3M 1EB. The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

## 2 Accounting policies

### Overall considerations

The principal accounting policies that have been used in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied unless otherwise stated.

### Basis of preparation

The financial statements of both the Group and the Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) and Interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standard Board (IASB) that have been endorsed by the European Union at the year end. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments. The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not prepared an Income Statement or a Statement of Comprehensive Income for the Company alone.

The Group and Parent Company financial statements have been prepared on a going concern basis as explained on page 19 of the Directors' Report.

### New Accounting Standards and Interpretations

#### Effective during the year

During the year the Group has adopted the following standard:

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (*effective from 1 July 2012*)

The adoption of this standard did not have any impact on the financial position or performance of the Group.

#### Not yet effective

At the date of authorisation of these Group Financial Statements and the Parent Company Financial Statements, the following Standards, amendments and interpretations were endorsed by the EU but not yet effective:

- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (*effective from 1 January 2013*)
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (*effective from 1 January 2014*)
- IFRS 10 Consolidated Financial Statements \*
- IFRS 11 Joint Arrangements \*
- IFRS 12 Disclosure of Interests in Other Entities \*
- IFRS 13 Fair Value Measurement (*effective from 1 January 2013*)
- IAS 27 Separate Financial Statements \*
- IAS 28 Investments in Associates and Joint Ventures \*
- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities - Transition Guidance
- Annual Improvements to IFRSs 2009-2011 Cycle
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

\* *Effective from 1 January 2013 but EU entities may apply these standards and amendments at the latest from the commencement date of their first financial year starting on or after 1 January 2014.*

In addition to the above there are also the following standards and amendments that have not yet been endorsed by the EU:

- IFRS 9 Financial Instruments (*Issued on 12 November 2009*) and subsequent amendments (*amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures issued on 16 December 2011; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 issued on 19 November 2013*)
- Annual Improvements to IFRSs 2010-2012 Cycle (*issued on 12 Dec 2013*)
- Annual Improvements to IFRSs 2011-2013 Cycle (*issued on 12 Dec 2013*)
- IFRS 14 Regulatory Deferral Accounts

The Group intends to adopt these standards when they become effective. The introduction of these new standards and amendments is not expected to have a material impact on the Group or Company.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and three of its subsidiaries made up to 30 September 2013. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting and their results consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases. Two other subsidiaries have not been consolidated on the grounds of immateriality. As explained in the Chief Executive Officer's Report, Mercator Gold Australia Pty Ltd is not treated as a subsidiary undertaking as at 30 September 2013 on the basis that it is subject to external administration.

## Cash and cash equivalents

Cash includes petty cash and cash held in current bank accounts. Cash equivalents include short-term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

## Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any provision for impairment losses.

Depreciation is charged on each part of an item of property, plant and equipment so as to write off the cost or valuation of assets less the residual value over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement. The estimated useful lives are as follows:

Office equipment	3 years
Furniture and fittings	5 years
Land improvements	20 years
Buildings	20 years
Machinery and equipment	5 years
Motor vehicles	5 years

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishments and improvements expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

An item of property, plant and equipment ceases to be recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on cessation of recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset ceases to be recognised.

## Exploration and development costs

All costs associated with mineral exploration and investments are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off in the period in which the event occurs. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

## Impairment testing

Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount, being the higher of net realisable value and value in use. Any such excess of carrying value over recoverable amount or value in use is taken as a debit to the income statement.

## Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Leased assets

In accordance with IAS 17, leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

## Non-current assets held for sale and discontinued operations

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

## Taxation

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the Statement of Financial Position liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

# Notes to the Financial Statements continued

For the year ended 30 September 2013

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related current or deferred tax is also charged or credited directly to equity.

## Investments in subsidiaries

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies so as to claim benefit from their activities.

The investments in subsidiaries held by the Company are valued at cost less any provision for impairment that is considered to have occurred, the resultant loss being recognised in the income statement.

## Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares, both ordinary and deferred.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issues.
- "Other reserves" represent the equity component of convertible debentures issued, plus the equity component of share options issued.
- "Retained reserves" include all current and prior year results, including fair value adjustments on available for sale financial assets, as disclosed in the statement of comprehensive income.
- "Exchange reserve" includes the amounts described in more detail in the following note on foreign currency below.

## Foreign currency translation

The consolidated financial statements are presented in pounds sterling which is the functional and presentational currency representing the primary economic environment of the Group.

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries using the exchange rates prevailing at the date of the transaction or at an average rate where it is not practicable to translate individual transactions. Foreign exchange gains and losses are recognised in the income statement.

Monetary assets and liabilities denominated in a foreign currency are translated at the rates ruling at the Statement of Financial Position date.

The assets and liabilities of the Group's foreign operations are translated at exchange rates ruling at the Statement of Financial Position date. Income and expense items are translated at the average rates for the period. Exchange differences are classified as equity and transferred to the Group's exchange reserve. Such

differences are recognised in the income statement in the periods in which the operation is disposed of.

## Share based employee remuneration

The Company operates equity-settled share based remuneration plans for remuneration of some of its employees. The Company awards share options to certain Company Directors and employees to acquire shares of the Company.

All goods and services received in exchange for the grant of any share-based payment which vested after the Company's transition to IFRSs are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserves".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior years if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

## Financial instruments

The Group's financial assets comprise cash and cash equivalents, investments and loans and receivables. Financial assets are assigned to the respective categories on initial recognition, depending on the purpose for which they were acquired. This designation is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

The Group's loans, investments and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at fair value on initial recognition. After initial recognition they are measured at amortised cost using the effective interest rate method, less any provision for impairment. Any change in their value is recognised in profit or loss. The Group's receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial. All receivables are considered for impairment on a case-by-case basis when they are past due at the Statement of Financial Position date or when objective evidence is received that a specific counterparty will default.



Investments that are held as available for sale financial assets are financial assets that are not classified in any other categories. After initial recognition, available-for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in equity, except that impairment losses, foreign exchange gains and losses on monetary items and interest calculated using the effective interest method are recognised in the income statement.

Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the consolidated income statement. The Directors consider a significant decline to be one in which the fair value is below the weighted average cost by more than 25%. A prolonged decline is considered to be one in which the fair value is below the weighted average cost for a period of more than twelve months.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Reversals of impairments of available-for-sale equity securities are not recorded through the income statement. Upon sale, accumulated gains or losses are recycled through the income statement.

Other financial assets comprise warrants. After initial recognition, other financial assets are measured at fair value. Any gains or losses from changes in fair value of the other financial asset are recognised in the income statement.

Financial liabilities, which are measured at amortised cost, and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Any instrument that includes a repayment obligation is classified as a liability.

Where the contractual liabilities of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities, and are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any features meeting the definition of a financial liability then such capital is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### **Compound financial instruments**

Compound financial instruments comprise both liability and either equity components or embedded derivatives.

For compound instruments including equity components, at issue date the fair value of the liability component is estimated by discounting its future cash flows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option. The liability component is accounted for as a financial liability. The difference between

the net issue proceeds and the liability component, at the time of issue, is the residual or equity component, which is accounted for as an equity reserve.

Embedded derivatives included within compound instruments are calculated using the Black Scholes model and are also included within liabilities, but are measured at fair value in the Statement of Financial Position, with changes in the fair value of the derivative component recognised in the consolidated income statement. The amounts attributable to the liability components equal the discounted cash flows.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of the proceeds.

The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument. The difference between any repayments and the interest expense is deducted from the carrying amount of the liability.

Upon conversion of loan note debt the corresponding carrying value of loan note liability and equity reserve are released, and the difference between these and the nominal value of the shares issued on conversion is recognised as a share premium.

### **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The most critical accounting policies and estimates in determining the financial condition and results of the Group are those requiring the greater degree of subjective or complete judgement. These relate to:

- fair values and impairment of investments in THEMAC Resources Group Ltd (Note 9);
- impairment reviews covering other investments (Note 9);
- capitalisation of exploration costs (Note 10);
- recovery of amount due from former subsidiary (Note 11);
- share-based employee remuneration (Note 14).

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 3 Operating loss

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
The operating loss is stated after charging:		
Depreciation of property, plant and equipment		
– continuing operations	<b>1,663</b>	3,236
– discontinued operations	–	58,880
Operating lease expenses	<b>13,815</b>	13,815
Share-based payments	<b>130,000</b>	–
Auditors' remuneration:		
Fees payable to current auditor and its associates for audit of the Group's annual financial statements (including £15,000 (2012: £15,000) in respect of the Company and £5,000 (2012: £5,000) in respect of subsidiary undertakings)	<b>20,000</b>	45,880

## 4 Loss per share

	Year ended 30 September 2013	Year ended 30 September 2012
Weighted number of shares in issue during the year	<b>1,526,068,537</b>	717,266,225
	£	£
(Loss) from continuing operations	<b>(7,520,872)</b>	(4,077,044)
Profit/(loss) from discontinued operations attributable to owners of the parent	<b>209,501</b>	(125,577)
(Loss) from continuing and discontinued operations attributable to owners of the parent	<b>(7,311,371)</b>	(4,202,621)

For both the continuing operations and for the continuing and discontinued operations, the disclosure of the diluted loss per share is the same as the basic loss per share as the conversion of share options decreases the basic loss per share thus being anti-dilutive.

## 5 Corporation tax expense

The relationship between the expected tax expense based on the corporation tax rate of 23.5% for the year ended 30 September 2013 (2012: 25%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Group (loss)/profit for the year	<b>(7,320,596)</b>	(4,006,673)
(Loss)/profit on activities at effective rate of corporation tax of 23.5% (2012: 25%)	<b>(1,720,340)</b>	(1,001,668)
Expenses not deductible for tax purposes	<b>1,566,932</b>	576,094
Differential between UK and overseas tax rates	–	(17,445)
Income not taxable	<b>(18)</b>	(927)
Depreciation in excess of capital allowances	<b>391</b>	15,529
Loss carried forward	<b>153,035</b>	535,554
Overseas local taxes	–	3,396
Tax income / expense, net	–	110,533
Relating to:		
Continuing operations	–	3,396
Discontinued operations	–	107,137

The Company has unused tax losses of £1,850,000 (2012: £2,630,000) and other temporary differences amounting to losses of £3,000 (2012: £495,000). Following a change in the treatment of interest payments for tax purposes, there has been a reduction in the available carried forward losses. The related deferred tax asset has not been recognised in respect of these losses as there is no certainty in regards to the level and timing of future profits. No deferred tax adjustment arises on the fair value movements on the available for sale investments as any gain/loss on disposal will be exempt from tax.

## 6 Staff numbers and costs

		Year ended 30 September 2013	Year ended 30 September 2012
		Number	Number
Directors	- continuing	3	5
Production	- discontinued	–	99
Logistics	- discontinued	–	5
Administration	- continuing	2	2
	- discontinued	–	12
<b>Total</b>		<b>5</b>	<b>123</b>

The aggregate payroll costs of these persons were as follows:

	£	£
Staff wages and salaries	69,292	74,248
Directors' cash based emoluments	247,507	289,167
Share based payments	130,000	–
	<b>446,799</b>	<b>363,415</b>

The remuneration of the directors, who are the key management personnel of the Group, in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures' was as follows:

	£	£
Directors' cash based emoluments	247,507	289,167
Employer's national insurance contributions	20,529	10,380
Short term employment	268,036	299,547
Share based payments	102,386	–
	<b>370,422</b>	<b>299,547</b>

### Directors' remuneration

As required by AIM Rule 19, details of remuneration earned in respect of the financial year ended 30 September 2013 by each Director are set out below:

#### Year ended 30 September 2013

Director	Salary £	Bonus £	Share based payments £	Total £
P A Harford	5,833	–	–	5,833
S Clayson	90,641	34,404	55,046	180,091
L Tenuta	5,000	–	–	5,000
K Irons	12,000	–	–	12,000
P Johnson	41,194	17,202	27,523	85,919
R Watts	28,844	12,389	19,817	61,050
	<b>183,512</b>	<b>63,995</b>	<b>102,386</b>	<b>349,893</b>

#### Year ended 30 September 2012

Director	Salary £	Bonus £	Share based payments £	Total £
M B Silver	60,000	–	–	60,000
P A Harford	116,667	–	–	116,667
S Clayson	70,000	–	–	70,000
L Tenuta	12,500	–	–	12,500
K Irons	12,000	–	–	12,000
P Johnson	10,000	–	–	10,000
R Watts	8,000	–	–	8,000
	<b>289,167</b>	<b>–</b>	<b>–</b>	<b>289,167</b>

The highest paid Director received remuneration of £125,045 (2012: £116,667), excluding share based payments. Three of the directors received remuneration totalling £77,760 (2012 £30,000) via service companies.

Details of each Director's share options and interests in the Company's shares are shown in the Directors' Report.

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 7 Finance income and costs

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Finance costs</b>		
Issue costs of convertible loans amortised	<b>6,695</b>	8,809
Interest paid on convertible loans	<b>197,805</b>	475,721
Amounts payable under equity swap agreements	<b>418,269</b>	–
	<b>622,769</b>	484,530
<b>Finance income</b>		
Interest on cash and cash equivalents	<b>78</b>	3,017
Net finance costs	<b>622,691</b>	481,513

### YA Global Master SPV Ltd equity swaps

On 16 August 2012 and on 18 February 2013 the Company and YA Global Master SPV Ltd (“YAGM”) entered into equity swap agreements over notional amounts of shares in the Company. Under the terms of the equity swap agreements, upon each of a certain number of monthly settlement dates the prevailing market price of the Company’s shares, discounted by 10%, was to be compared to a benchmark price and if the discounted market price was less than the benchmark price then a sum was payable to YAGM by the Company, depending on the notional number of shares and the amount by which the discounted market price fell short of the benchmark price. If the discounted market price exceeded the benchmark price then a sum was payable to the Company by YAGM, depending on the notional number of shares and the amount by which the discounted market price fell exceeded the benchmark price.

## 8 Property, plant and equipment

Group	Furniture and fittings £	Office equipment £	Machinery & equipment £	Total £
<b>Cost</b>				
At 1 October 2012	2,740	11,407	1,542	<b>15,689</b>
Exchange differences arising on translation	–	613	(882)	<b>(269)</b>
At 30 September 2013	2,740	12,020	660	<b>15,420</b>
<b>Depreciation</b>				
At 1 October 2012	1,989	10,767	415	<b>13,171</b>
Depreciation for the year	751	912	–	<b>1,663</b>
Exchange differences arising on translation	–	(80)	(45)	<b>(125)</b>
At 30 September 2013	2,740	11,599	370	<b>14,709</b>
<b>Net book value</b>				
At 1 October 2012	751	640	1,127	<b>2,518</b>
At 30 September 2013	–	421	290	<b>711</b>
<b>Company</b>				
<b>Cost</b>		Furniture and fittings £	Office equipment £	Total £
At 1 October 2012		2,740	11,342	<b>14,082</b>
At 30 September 2013		2,740	11,342	<b>14,082</b>
<b>Depreciation</b>				
At 1 October 2012		1,989	10,430	<b>12,419</b>
Depreciation for the year		751	912	<b>1,663</b>
At 30 September 2013		2,740	11,342	<b>14,082</b>
<b>Net book value</b>				
At 1 October 2012		751	912	<b>1,663</b>
At 30 September 2013		–	–	–

The Group's property, plant and equipment are free from any mortgage or charge.

## 8 Property, plant and equipment *continued*

The comparable table for 2012 is detailed below.

<b>Group</b>	Furniture and fittings	Office equipment	Land improvements & Buildings	Machinery & equipment	Motor vehicles	Total
<b>Cost</b>	£	£	£	£	£	£
At 1 October 2011	2,740	151,684	638,090	649,850	87,471	<b>1,529,835</b>
Additions	–	2,180	–	49,622	56,819	<b>108,621</b>
Exchange differences arising on translation	–	604	(12,315)	(15,773)	(1,337)	<b>(28,821)</b>
Assets scrapped	–	(895)	–	–	–	<b>(895)</b>
Transferred to disposal group held for sale	–	(142,166)	(625,775)	(682,157)	(142,953)	<b>(1,593,051)</b>
At 30 September 2012	2,740	11,407	–	1,542	–	<b>15,689</b>
<b>Depreciation</b>						
At 1 October 2011	1,629	146,970	276,741	520,338	81,114	<b>1,026,792</b>
Depreciation for the year	360	6,234	23,790	24,535	7,197	<b>62,116</b>
Exchange differences arising on translation	–	(2,736)	(5,746)	(10,452)	(1,689)	<b>(20,623)</b>
Depreciation on assets scrapped	–	(247)	–	–	–	<b>(247)</b>
Transferred to disposal group held for sale	–	(139,454)	(294,785)	(534,006)	(86,622)	<b>(1,054,867)</b>
At 30 September 2012	1,989	10,767	–	415	–	<b>13,171</b>
<b>Net book value</b>						
At 1 October 2011	1,111	4,714	361,349	129,512	6,357	<b>503,043</b>
At 30 September 2012	751	640	–	1,127	–	<b>2,518</b>

<b>Company</b>	Furniture and fittings	Office equipment	Total
<b>Cost</b>	£	£	£
At 1 October 2011	2,740	11,342	<b>14,082</b>
At 30 September 2012	2,740	11,342	<b>14,082</b>
<b>Depreciation</b>			
	£	£	£
At 1 October 2011	1,629	8,154	<b>9,783</b>
Depreciation for the year	360	2,276	<b>2,636</b>
At 30 September 2012	1,989	10,430	<b>12,419</b>
<b>Net book value</b>			
At 1 October 2011	1,111	3,187	<b>4,298</b>
At 30 September 2012	751	912	<b>1,663</b>

## 9 Investments

	Investment in subsidiaries	Other investments	Total
	£	£	£
Cost as at 1 October 2012	<b>581,328</b>	–	<b>581,328</b>
Disposal	<b>(79,435)</b>	–	<b>(79,435)</b>
Adjustment on dissolution of subsidiary	<b>(50,000)</b>	–	<b>(50,000)</b>
Balance at 30 September 2013	<b>451,893</b>	–	<b>451,893</b>

The comparable table for 2012 is detailed below:

	Investment in subsidiaries	Other investments	Total
	£	£	£
Cost as at 1 October 2011	919,684	175,000	<b>1,094,684</b>
Additions	317,964	212,453	<b>530,417</b>
Impairment	(656,320)	(387,453)	<b>(1,043,773)</b>
Balance at 30 September 2012	581,328	–	<b>581,328</b>

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 9 Investments continued

### Other investments

#### Impairment

Although ECR retains a minority shareholding in Paniai Gold Ltd ("Paniai") the likelihood of the Company being able to realise any substantial benefit from this interest diminished, due to the expiry of Paniai's West Wits Mining Ltd ("West Wits") performance shares in July 2013 and expiry of Paniai's option to purchase a 30% direct interest in the initial alluvial mining operation planned by West Wits in February 2014. Accordingly, the carrying value of ECR's shareholding in Paniai has been impaired in the financial statements. The impairment charge was included in 2012 in the income statement under the heading of impairment of other investments.

#### Investment in subsidiaries

The Company's shareholdings in Gold Crest Holdings Ltd and Electrum Resources SA were sold during the year. During the year the Company's dormant subsidiary Mercator Gold Plc was dissolved, and the amount owed to the subsidiary amounting to £49,395 (Note 15) was written back against the investment.

At 30 September 2013, the Company had interests in the following subsidiary undertakings:

Subsidiaries:	Principal country of incorporation	Principal activity	Description and effective country of operation	Proportion of shares held
Ochre Mining SA	Argentina	Mineral Exploration	Argentina	100%
Warm Springs Renewable Energy Corporation	USA	Dormant	USA	90%
Copper Flat Corporation (formerly New Mexico Copper Corporation)	USA	Dormant	USA	100%

#### Available for sale financial assets

	2013 £	2012 £
Quoted investments		
At 1 October	<b>4,646,136</b>	6,621,049
Disposals	<b>(547,913)</b>	(52,075)
Impairment	<b>(26,216)</b>	(70,198)
Fair value movements	<b>(3,093,554)</b>	(1,852,640)
At 30 September	<b>978,453</b>	4,646,136

The £978,453 represents the value of the Company's holding of shares of THEMAC Resources Group Ltd ("THEMAC"). The fair value is based on quoted market prices at the year end. The shares are listed on Toronto Stock Exchange (TSX-V: MAC). Due to the significant and prolonged decline in the market price, it is considered that the holding is now impaired and accordingly the fair value movements previously charged to the consolidated statement of comprehensive income has been reclassified as impairment in the consolidated income statement.

At 30 September 2013, the Company beneficially held approximately 15% (2012: 19%) of THEMAC's issued share capital. The Company also held warrants, as noted below, which if exercised would potentially increase the Company's shareholding to approximately 16% (2012: 21%) on a fully diluted basis. The Company does not have any representation on THEMAC's board of directors, does not have a right to participate in policy making decisions of THEMAC and has not entered into any material transactions or interchanged managerial personnel with THEMAC (save that Patrick Harford, who served as Managing Director of the Company at 30 September 2012 but has since resigned, serves as a director of THEMAC's subsidiary New Mexico Copper Corporation). Nor has the Company provided significant technical information to THEMAC since the sale of the Company's option to acquire Copper Flat project to THEMAC. The investment in THEMAC has therefore never been accounted for as an investment in an associate.

As at 30 September 2013, shares with a market value of £336,498 (2012: £1,247,794) were pledged as security against loans of £Nil (2012: £492,243) (Note 16). On 20 November 2013, the charge over the shares was removed.

## 9 Investments *continued*

As stated in note 1, fair value adjustments on available for sale financial assets are included in retained reserves. An analysis of the fair value adjustments is shown below:

	£	
Cumulative adjustments included in retained reserves at 30 September 2012		<b>73,631</b>
Movements during the year		<b>(3,093,554)</b>
<hr/>		
Cumulative adjustments before reclassifications		<b>(3,019,923)</b>
<hr/>		
Reclassifications:		
On disposals		<b>702,919</b>
On assets considered impaired		<b>2,317,004</b>
<hr/>		
		<b>3,019,923</b>
<hr/>		
<b>Other financial assets</b>	2013	2012
	£	£
Warrants in a listed entity		
At 1 October	<b>2,663,378</b>	4,318,364
Transfers	–	(40,659)
Fair value movements	<b>(2,434,564)</b>	(1,614,327)
<hr/>		
At 30 September	<b>228,814</b>	2,663,378

The Company acquired warrants as part consideration for the disposal of its option to acquire the Copper Flat project to THEMAC in 2011. Changes in fair values of the warrants are recorded in other gains / (losses) on revaluation of investments in the income statement.

The fair value of these warrants is calculated using the Black Scholes model with reference to the listed share price of THEMAC at the Statement of Financial Position date. The inputs into the model and resulting fair values were as follows:

Share price (C\$)	0.14
Exercise price (C\$)	0.28
Expected volatility	82 %
Average option life in years	2.43
Expected dividends	–
Weighted average risk-free interest rate (based on national government bonds)	1.19%

The expected volatility is based on the average historical volatility over the previous 29 months of THEMAC shares and those of two other similar entities.

## 10 Exploration assets

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
At 1 October	<b>800,411</b>	772,691	<b>475,805</b>	354,985
Additions	<b>148,336</b>	464,984	<b>127,268</b>	120,820
Exploration costs written off	–	(393,920)	–	–
Translation difference	<b>(54,602)</b>	(43,344)	–	–
<hr/>				
At 30 September	<b>894,145</b>	800,411	<b>603,073</b>	475,805

Exploration assets comprise all costs associated with mineral exploration and capitalised pending determination of the feasibility of the project and include appropriate technical and administrative expenses. The directors consider the expenditure previously recorded in the Company only statement of financial position as an intercompany debt is more appropriately disclosed as an exploration asset, and the 2012 balance of £475,805 has accordingly been transferred from current assets to exploration assets.

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 11 Trade and other receivables

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Non-current assets				
Amount owed by a former subsidiary	<b>3,228,390</b>	3,228,390	<b>3,228,390</b>	3,228,390
Current assets				
Balances due from subsidiaries	–	–	–	359,727
Prepayments and accrued income	<b>30,099</b>	38,712	–	16,633
Other receivables	–	27,652	–	27,652
	<b>30,099</b>	66,364	–	404,012

The short-term carrying values are considered to be a reasonable approximation of the fair value.

### Amount owed by a former subsidiary

The amount of £3,228,390 due from a former subsidiary, Mercator Gold Australia Pty Ltd (“MGA”), is the Directors’ best estimate of the amount recoverable and is stated after an impairment provision made in previous years of £31,849,884 and in the context of the following:

MGA is currently subject to a Deed of Company Administration (“DOCA”) and has no tangible assets. Control of MGA is not expected to pass back to the Group until the DOCA has been fully effectuated and the creditors of MGA have been dealt with completely by the deed administrators. Although the Company remains MGA’s sole shareholder, MGA will be referred to as a former subsidiary until control has been regained.

It is estimated that the full amount of tax losses accumulated by MGA currently totals approximately A\$80,000,000. Advice to date indicates that these tax losses are available for use against future profits of MGA subject to certain conditions. The success of work completed to date to confirm the tax losses leads the Directors to believe that in due course a business project will be identified with the capacity to generate surplus funds in MGA that would enable it to repay, in whole or in part (but not less than the amount due net of the current impairment), the amount due to the Company and the Group.

To recover the amount due from MGA, the Company and the Group are dependent on MGA being able to generate sufficient surplus funds from future projects. The amount that may ultimately be receivable by the Company and the Group may be more or less than that shown above and this balance represents management’s best estimate of the amount that will be recoverable.

The financial statements do not include the adjustments that would result if MGA were to be unable to generate sufficient surplus funds to settle the net amount due to the Company and the Group.

## 12 Cash and cash equivalents

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Cash and cash equivalents consisted of the following:				
Deposits at banks	<b>1,238,447</b>	187,940	<b>1,238,313</b>	179,468
Cash on hand	<b>115</b>	93	<b>115</b>	66
	<b>1,238,562</b>	188,033	<b>1,238,428</b>	179,534
<b>Restricted cash</b>				
Escrow account	–	250,000	–	250,000

In order to satisfy any payments under the Equity Swap (Note 16), the Company had deposited as at 30 September 2012 £250,000 in an escrow account. The escrowed funds were released to the Company on each monthly settlement date after first deducting any payments owed to YA Global Master SPV Ltd.

For the purpose of the group statement of cash flows, cash and cash equivalents comprised the following at 30 September 2012:

Deposit at banks and cash in hand – as above	188,033
Deposit at banks and cash in hand – discontinued operations (note 13)	291,364
	<b>479,397</b>



### 13 Assets and liabilities in disposal groups classified as held for sale and discontinued operations

The assets and liabilities related to Gold Crest Holdings Ltd (the metal products segment) had been presented as held for sale following a decision of the Company's management in September 2012 to sell the Company's interest in Gold Crest Holdings Ltd. The disposal was completed on 8 February 2013. The results of the metal products segment have been presented as discontinued operations.

Gold Crest Holdings Ltd contributed the following to the Group's net operating cash flows:

	2013	2012
	£	£
Operating cash flows	<b>261,058</b>	(23,612)
Investing cash flows	<b>(8,345)</b>	(105,313)
Financing cash flows	<b>(286,946)</b>	(2,213)
<b>Total cash flows</b>	<b>(34,233)</b>	(131,138)

	2013		2012	
<b>(a) Assets of disposal group classified as held for sale</b>	£	£	£	£
Property, plant and equipment		–		538,182
Other non-current assets		–		232
Inventories				
Raw materials	–		115,854	
Work in progress	–		66,929	
Finished goods	–		284,730	
Provision for slow moving inventories	–		(5,495)	
		–		462,018
Trade and other receivables		–		958,134
Cash and cash equivalents		–		291,364
Loss recognised on the re-measurement		–		(25,313)
		–		2,224,617

	2013	2012
	£	£
<b>(b) Liabilities directly associated with disposal group classified as held for sale</b>		
Trade and other payables	–	1,477,435
Interest bearing borrowings	–	339,642
Provisions for costs	–	2,948
	–	1,820,025

Analysis of the result of discontinued operations, and the result recognised on the re-measurement of assets of disposal group is as follows:

	2013	2012
	£	£
Revenue	<b>1,385,846</b>	5,447,533
Cost of sales	<b>(944,249)</b>	(4,098,138)
Administrative expenses	<b>(438,320)</b>	(1,283,489)
Profit/(loss) on ordinary activities before finance costs and tax	<b>3,277</b>	65,906
Financial expense	<b>(34,027)</b>	(115,526)
Income tax	–	(107,137)
Loss after tax of discontinued operations	<b>(30,750)</b>	(156,757)
Loss recognised on the re-measurement of assets of disposal group	–	(25,313)
Gain on sale of assets of disposal group	<b>95,508</b>	–
Reclassification of cumulative exchange differences	<b>135,518</b>	–
<b>Profit/(loss) for the year from discontinued operations</b>	<b>200,276</b>	(182,070)
Profit/(loss) from a discontinued operation attributable to:		
Owners of the Parent Company	<b>209,501</b>	(125,577)
Non-controlling interest	<b>(9,225)</b>	(56,493)
	<b>200,276</b>	(182,070)

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 14 Share capital and share premium accounts

The share capital of the Company consists of two classes of shares: ordinary shares of 0.1 pence each which have equal rights to receive dividends or capital repayments and each of which represents one vote at shareholder meetings; and deferred shares of 9.9 pence each which have limited rights as laid out in the Company's articles: in particular deferred shares carry no right to dividends or to attend or vote at shareholder meetings and deferred share capital is only repayable after the nominal value of the ordinary share capital has been repaid.

### a) Changes in issued share capital and share premium:

	Number of shares	Ordinary shares £	Share premium £	Deferred shares £	Total £
At 1 October 2012	910,092,932	910,093	38,894,900	7,194,816	<b>46,999,809</b>
Shares issued during the year:					
Shares issued in private placing	1,008,528,852	1,008,529	341,471	–	<b>1,350,000</b>
Shares issued for settlement of loans advanced	198,326,542	198,327	347,273	–	<b>545,600</b>
Shares warrants exercised	392,500,000	392,500	392,500	–	<b>785,000</b>
Shares issued in payment of creditors	120,512,991	120,513	82,915	–	<b>203,428</b>
Share issue costs	–	–	(60,480)	–	<b>(60,480)</b>
Loan converted into shares	629,168,000	629,168	97,533	–	<b>726,701</b>
Balance at 30 September 2013	3,259,129,317	3,259,130	40,096,112	7,194,816	<b>50,550,058</b>

All the shares issued are fully paid up and none of the Company's shares are held by any of its subsidiaries.

### b) Potential issue of ordinary shares

#### Share options

The number and weighted average exercise prices of share options valid at the year end are as follows:

	Weighted average exercise price 2013 £	Number of options 2013	Weighted average exercise price 2012 £	Number of options 2012
Exercisable at the beginning of the year	<b>0.025</b>	<b>19,000,000</b>	0.025	25,000,000
Granted during the year	<b>0.002</b>	<b>130,000,000</b>	–	–
Lapsed during year	<b>0.025</b>	<b>(7,800,000)</b>	0.025	(6,000,000)
Exercisable at the end of the year	<b>0.002</b>	<b>141,200,000</b>	0.025	19,000,000

The options outstanding at 30 September 2013 have an exercise price of £0.025 and £0.002 and a weighted average remaining contractual life of 5 years (2012: 9 years).

	Weighted average exercise price 2013 £	Number of warrants 2013	Weighted average exercise price 2012 £	Number of warrants 2012
Exercisable at the beginning of the year	<b>0.03</b>	<b>2,692,506</b>	0.03	4,872,206
Granted during the year	<b>0.002</b>	<b>392,500,000</b>	–	–
Exercised during the year	<b>0.002</b>	<b>(392,500,000)</b>	–	–
Expired in the year	<b>0.03</b>	–	0.03	(2,179,700)
Exercisable at the end of the year	<b>0.03</b>	<b>2,692,506</b>	0.03	2,692,506

#### Share-based payments

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes valuation model.

## 14 Share capital and share premium accounts *continued*

Fair value of share options and assumptions	2013	2012
	£	£
Fair value at measurement date	<b>130,000</b>	–
Weighted average share price	<b>0.0017</b>	
Weighted average exercise price	<b>0.0020</b>	
Expected volatility	<b>113%</b>	
Average option life in years	<b>2.5</b>	
Expected dividends	–	
Weighted average risk-free interest rate (based on national government bonds)	<b>0.77%</b>	

The expected volatility is based on the historic volatility for the past 3.5 years.

There are service related conditions associated with share option exercises but no market related conditions.

	2013	2012
Share options granted	<b>130,000,000</b>	–
Total expense recognised as employee costs	<b>£130,000</b>	–

## 15 Trade and other payables - short term

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade payables	<b>57,873</b>	169,480	<b>54,228</b>	133,146
Amount owed to a subsidiary	–	–	–	49,395
Social security and employee taxes	<b>60,876</b>	5,757	<b>58,113</b>	3,432
Other creditors and accruals	<b>233,338</b>	288,120	<b>233,338</b>	285,697
	<b>352,087</b>	463,357	<b>345,679</b>	471,670

## 16 Interest bearing liabilities

Group and Company	2013	2012
	£	£
Convertible loan notes – 10% - current liability	–	145,500
Convertible loan notes – 10% - non-current liability	–	982,330
YA Global Master SPV Ltd loan - secured	–	492,243
Equity Swap	–	13,258
Total	–	1,633,331

### *Convertible loan notes repayable 17 October 2013*

The notes were issued on 17 October 2007 carrying interest at 8.5% per annum, payable quarterly in arrears, with a repayment term of 3 years. On 29 September 2010 the loan notes were extended for a further three years (new repayment date of 17 October 2013) and the rate of interest was increased to 10% per annum by extraordinary resolution of the holders. A loan note with a face value of £325,000 was cancelled as part consideration for sale of the Company's shareholding in Gold Crest Holdings Ltd and the remaining loan notes were redeemed on 5 August 2013 following a resolution by the holders to accept 50% of the face value in cash and 50% in shares. Holders also received warrants to subscribe for new shares of the Company.

### *YA Global Master SPV Ltd loan*

On 9 August 2013, the Company and YAGM reached agreement to settle a final amount of £121,764 outstanding on the August 2012 loan by the issue and allotment of 121,764,000 new ordinary shares at a price of 0.1p per share.

### *Loan extinguishment of debt by equity*

IFRIC 19 extinguishing financial liabilities with equity instruments provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between carrying amount of the financial liability extinguished and the consideration paid will be recognised in the profit or loss. The settlement of the convertible loan notes and the YAGM loan as well as a small number of other debts by the issue of shares resulted in an additional amount of £68,119 (being the difference between the fair value of shares and transaction value) being recognised as a loss in the income statement.

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 17 Capital management

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern and develop its mineral exploration and development and other activities to provide returns for shareholders and benefits for other stakeholders.

The Group's capital structure comprises all the components of equity (all share capital, share premium, retained earnings when earned and other reserves). When considering the future capital requirements of the Group and the potential to fund specific project development via debt, the Directors consider the risk characteristics of the underlying assets in assessing the optimal capital structure.

## 18 Related party transactions

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Amounts owed by former Directors	–	27,083	–	27,083
Amounts owed to a Director	<b>2,803</b>	–	<b>2,803</b>	–
Amounts owed to former Directors	<b>16,973</b>	241,986	<b>16,973</b>	–

Details of Directors' emoluments are disclosed in Note 6.

The Directors are the only key management. Transactions with the Directors are disclosed in Note 19 and this note.

Details of transactions with Directors and other related parties during the year are as follows:

Amounts owed to former directors relate to overpayment in respect of subscription for warrants and balance owing on consultancy fees.

## 19 Advances made to directors

	2013 £	2012 £
<i>S Clayson</i>		
Amount owed at beginning of year	–	–
Advances – to cover business expenses	<b>17,706</b>	–
Repayments achieved through expense claims	<b>(17,706)</b>	–
Amount owed at the year end	–	–
<i>Former Directors</i>		
Amount owed at beginning of year	<b>27,083</b>	34,706
Advances – to cover business expenses	<b>10,706</b>	28,502
Amounts written off	<b>(5,000)</b>	–
Repayments achieved through expense claims	<b>(32,789)</b>	(36,125)
Amount owed at the year end	–	27,083

## 20 Commitments and contingencies

### *Capital expenditure commitment*

As at 30 September 2013, the Group had no commitments for future expenditure on the SAP software system (2012: £35,953).

### *Operating lease commitments*

Details of operating lease commitments are set out in Note 21 below.

## 21 Operating leases

The total amounts payable under:

Non-cancellable operating lease liabilities of the Group and Company are as follows:

	2013	2012
Payable:	£	£
Between 2 – 5 years	<b>13,815</b>	21,376

## 22 Financial instruments

### Categories of financial instrument

	2013	2012
	£	£
<i>Financial assets</i>		
Cash and cash equivalents		
– continuing operations	<b>1,238,562</b>	188,033
– discontinued operations	–	291,364
	<b>1,238,562</b>	479,397
Trade receivables – all discontinued	–	836,992
Available for sale financial assets	<b>978,453</b>	4,646,136
Other financial assets	<b>228,814</b>	2,663,378
	<b>1,207,267</b>	8,146,506

### Financial liabilities

Trade payables		
– continuing operations	<b>57,873</b>	169,480
– discontinued operations	–	834,707
	<b>57,873</b>	1,004,187
Borrowings		
– continuing operations	–	1,633,331
– discontinued operations	–	339,642

### Risk management objectives and policies

The Group's principal financial assets comprise cash and cash equivalents, trade and other receivables, investments and prepayments. In addition the Company's financial assets include amounts due from its former operating subsidiary, Mercator Gold Australia Pty Ltd, which is held at cost less a provision for impairment. The Group's liabilities comprise trade payables, other payables including taxes and social security, and accrued expenses.

The Board determines as required the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts to mitigate financial risks.

### Credit risk

The Group's cash at bank is held with reputable international banks. Cash is held either on current account or on short-term deposit at floating rates of interest determined by the relevant prevailing base rate. The fair value of cash and cash equivalents at 30 September 2013 and 30 September 2012 did not differ materially from their carrying value.

The Company has material exposure to receivables risk in respect of the loan to its former subsidiary, Mercator Gold Australia Pty Ltd, presently subject to external administration. Since Mercator Gold Australia Pty Ltd is subject to external administration and not under the Company's control, this risk cannot presently be mitigated.

### Market risk

The Group's financial instruments potentially affected by market risk include bank deposits, and trade payables. An analysis is required by IFRS 7, intended to illustrate the sensitivity of the Group's financial instruments (as at period end) to changes in market variables, being exchange rates and interest rates.

### Interest rate risk

The Company has no material exposure to interest rate risk.

Since the interest accruing on bank deposits was relatively immaterial and the amount due from the former subsidiary was interest free, there is no material sensitivity to changes in interest rates.

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 22 Financial instruments continued

### Foreign currency risk

The Company is exposed to foreign currency risk in so far as some dealings with overseas subsidiary undertakings are in foreign currencies and in that certain of the Company's holdings of listed securities are denominated in foreign currencies, in particular Canadian and Australian dollars. The foreign currency exposure to the impaired former Australian subsidiary is not considered to be material in the context of the provision made against it.

### Fair value of financial instruments

The fair values of the Company's financial instruments at 30 September 2013 and 30 September 2012 did not differ materially from their carrying values.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, by the level in the fair value hierarchy into which the measurement is categorised.

#### Group and company

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>30 September 2013</b>				
Available for sale financial assets	<b>978,452</b>	–	–	<b>978,452</b>
Other financial assets	–	<b>228,814</b>	–	<b>228,814</b>
	<b>978,452</b>	<b>228,814</b>	–	<b>1,207,266</b>

#### Group and company

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>30 September 2012</b>				
Available for sale financial assets	4,619,919	26,217	–	4,646,136
Other financial assets	–	2,663,378	–	2,663,378
	4,619,919	2,689,595	–	7,309,514

### Liquidity risk

The Company finances its operations primarily through the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements. Management monitors availability of funds in relation to forecast expenditures in order to ensure timely fundraising. Funds are raised in discrete tranches to finance activities for limited periods.

Funds surplus to immediate requirements may be placed in liquid, low risk investments.

The Company's ability to raise finance is subject to market perceptions of the success of its projects undertaken during the year and subsequently. Due to the uncertain state of financial markets there can be no certainty that future funding will continue to be available.

The table below sets out the maturity profile of financial liabilities as at 30 September 2013.

	2013 £'000	2012 £'000
Due in less than one month	<b>352</b>	2,254
Due between one and three months	–	1,196
Due between three months and one year	–	970
Due after one year	–	1,453
	<b>352</b>	5,873

## 23 Segmental report

The Company is engaged in mineral exploration and development. The undertaking disposed of during the year was involved in the manufacture of metal products. An analysis of the Group revenue, results, assets and liabilities, capital expenditure and depreciation is provided below.

	Year ended 30 September 2013		Year ended 30 September 2012	
	Metal products discontinued £	Mining and exploration continuing £	Metal products discontinued £	Mining and exploration continuing £
External revenue	<b>1,385,846</b>	–	5,447,533	–
Interest income	–	<b>78</b>	–	3,017
Interest expense	<b>34,027</b>	<b>622,769</b>	115,526	484,530
Net profit / (loss)	<b>200,276</b>	<b>(7,520,872)</b>	(182,070)	(4,077,044)
Total assets	–	<b>6,621,546</b>	2,224,617	11,916,223
Total liabilities	–	<b>352,087</b>	1,820,025	2,096,688
Capital expenditure	–	–	107,666	955
Depreciation & amortisation	–	<b>1,662</b>	58,880	3,236
Impairment of available for sale assets	–	<b>(26,216)</b>	–	–
Impairment of other current assets	–	<b>(38,282)</b>	–	(405,040)

No geographical analysis is provided as this would replicate the analysis above with the metal products activity being in Asia and the mineral exploration being in Argentina. Management does not segment the mineral exploration by geographical region when evaluating performance

## 24 Consolidated cash flow statement

	Note	Group		Company	
		Year ended 30 September 2013 £	Year ended 30 September 2012 £	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Operating activities</b>					
(Loss)/profit for the year before tax		<b>(7,320,596)</b>	(4,123,268)	<b>(7,467,371)</b>	(4,363,561)
Adjustments:					
Depreciation expense, property, plant and equipment	8	<b>1,662</b>	62,116	<b>1,662</b>	2,635
Loss on disposal of property, plant and equipment		–	648	–	–
Recycling of exchange differences on disposal of subsidiary		<b>(135,518)</b>	–	–	–
Gain on disposal of assets in disposal group		<b>(95,508)</b>	–	–	–
Provisions and impairment of investment and loans		<b>3,046,139</b>	393,792	<b>3,046,139</b>	780,108
Impairment of other current assets		<b>38,282</b>	–	<b>38,282</b>	–
Provision for bad debts		–	283,463	–	–
Loss on extinguishment of debt		<b>68,119</b>	–	<b>68,119</b>	–
Loss on available for sale financial assets		<b>327,739</b>	–	<b>327,739</b>	–
Interest income		<b>(78)</b>	(5,370)	<b>(78)</b>	(38,999)
Loss/(gain) on derivative		–	4,258	–	4,258
Loss/(gain) on revaluation of investments		<b>2,434,564</b>	1,614,327	<b>2,434,564</b>	1,614,327
Issue costs amortised – convertible loan	7	<b>6,695</b>	8,809	<b>6,695</b>	8,809
Interest paid on convertible loans	7	<b>616,074</b>	475,721	<b>616,018</b>	475,721
Interest expense – other		–	115,526	–	–
Share-based payments		<b>130,000</b>	–	<b>130,000</b>	–
Impairment of loan to subsidiary		–	–	–	270,004
(Increase)/decrease in accounts receivable		<b>607,807</b>	(325,927)	<b>60,699</b>	(4,306)
Increase/(decrease) in accounts payable		<b>93,523</b>	9,707	<b>(61,315)</b>	54,861
(Increase)/decrease in inventories		<b>(415,718)</b>	225,844	–	–
Shares issued in lieu of expense payments		<b>89,232</b>	–	<b>89,232</b>	–
Exploration costs written off		–	393,920	–	241,586
<b>Net cash flow used in operations</b>		<b>(507,582)</b>	(866,434)	<b>(709,615)</b>	(954,557)

# Notes to the Financial Statements continued

For the year ended 30 September 2013

## 24 Consolidated cash flow statement continued

### Non-cash transactions

During the year there were the following significant non-cash transactions:

	£
Cancellation of loan note as part proceeds of sale of subsidiary	325,000
Loan notes converted into shares	392,500
YA Global Master SPV Ltd loans and interest settled by issue of shares	782,268

### Disposal of subsidiary

	£
Property, plant and equipment	546,759
Inventories	877,736
Trade and other receivables	432,026
Cash and cash equivalents	257,131
Trade and other payables	(1,661,801)
Interest bearing borrowings	(52,696)

	399,155
Non-controlling interests	(29,236)

Net assets and non-controlling interests disposed of	369,919
Gain on disposal	94,706

Total disposal consideration receivable	464,625
Non-cash consideration	(325,000)

Consideration receivable in cash	139,625
Transaction costs paid	(25,313)

	114,312
Impairment of amount receivable	(38,282)

Cash received	76,030
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Cash and cash equivalents disposed of	(257,131)
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Please note that this document is important and requires your immediate attention. If you are in any doubt as to the action to be taken, please consult an independent adviser immediately.

If you have sold or transferred or otherwise intend to sell or transfer all of your holding of ordinary shares in the Company prior to the annual general meeting of the Company to be held at the East India Club, 16 St James's Square, London SW1Y 4LH on Friday 28 March 2014 at mid-day, you should send this document, together with the accompanying form of proxy, to the (intended) purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is to be effected for transmission to the (intended) purchaser or transferee.



Company Number: 5079979

## Notice of Annual General Meeting

ECR MINERALS plc (the "Company")

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the Company will be held at the East India Club, 16 St James's Square, London SW1Y 4LH on **Friday 28 March 2014 at mid-day** in order to consider and, if thought fit, pass Resolutions 1 to 3 as ordinary resolutions and Resolution 4 as a special resolution:

### Ordinary Resolutions

- 1 To receive, consider and adopt the directors' report and accounts of the Company for the year ended 30 September 2013.
- 2 To re-appoint Nexia Smith & Williamson Audit Ltd of 25 Moorgate, London EC2R 6AY, as auditors of the Company and to authorise the directors to determine their remuneration.
- 3 That the directors be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £3,000,000, provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing this resolution, but so that the directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority hereby conferred had not expired.

### Special Resolution

- 4 That, subject to the passing of Resolution 3, the directors be given the general power to allot equity securities (as defined by Section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 3 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - 4.1 the allotment of equity securities in connection with an offer by way of a rights issue:
    - 4.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
    - 4.1.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - 4.2 the allotment (otherwise than pursuant to paragraph 4.1 above) of equity securities up to an aggregate nominal amount of £3,000,000.

The power granted by this resolution will unless otherwise renewed, varied or revoked by the Company, expire at the conclusion of the next annual general meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if Section 561(1) of the Act did not apply, but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the board of directors of ECR Minerals plc



**Stephen Clayson**  
*Director & Chief Executive Officer*

Registered office:  
ECR Minerals plc  
2nd Floor  
Peek House  
20 Eastcheap  
London EC3M 1EB

21 February 2014

## NOTES

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
- 2 Completion and return of the form of proxy will not preclude ordinary shareholders from attending or voting at the meeting, if they so wish.
- 3 To be effective, this proxy form must be lodged with the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom not later than 48 hours before the time of the meeting or any adjournment thereof, together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the proxy form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
- 4 In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the register of members will be counted. Any alterations made to this proxy should be initialled.
- 5 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 6 In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.
- 7 Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- 8 A copy of the Statement of Financial Position and every document required by law to be annexed to it, which are to be laid before the above mentioned meeting, are enclosed. The register of interests of the directors in the share capital of the Company and copies of contracts of service of directors with the Company will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the annual general meeting.
- 9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the annual general meeting is on Wednesday 26 March 2014 at mid-day, (being not more than 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
- 10 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 11 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Computershare Investor Services plc (whose CREST ID is 3RA50) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.
- 12 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(A) of the Uncertificated Securities Regulations 2001.

## Company information

### **DIRECTORS**

Paul Johnson

*Non-Executive Chairman*

Richard Andrew Watts

*Non-Executive Technical Director*

Stephen James Clayson

*Director & Chief Executive Officer*

### **COMPANY SECRETARY**

Oakwood Corporate Secretary Ltd

3rd Floor

1 Ashley Road

Altrincham

Cheshire WA14 2DT

### **REGISTERED AND HEAD OFFICE**

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### **AUDITORS**

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### **REGISTRARS**

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### **LEGAL ADVISERS**

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### **AIM NOMINATED ADVISER & BROKER OF RECORD**

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### **BANKERS**

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