# Iberian Gold Plc

## Directors' report and financial statements

For the year ended 31 December 2012

Registered Number 3977034

## Contents

# Company information

**Directors**
M Slater (Chief Executive)
G Hall (Chairman)
T Greatrex
M Burton

**Registered Office and Business Address**
9 Greenleaf House
128 Darkes Lane
Potters Bar
Hertfordshire
EN6 1AE

**Secretary**
M Burton

**Auditors**
PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

# Chairman's statement

**Year ended 31 December 2012**

**Introduction**

This is my first chairman's statement for the Company since the resignation of the previous board, and the appointment of new directors in mid-2012. I should like to take the opportunity to thank my predecessor for all his work on behalf of shareholders, and I hope that I and the new board will able to build on past progress.

**Results**

The loss before tax for the year was £107,582 (2011 £357,557)).

**Update on Recursos Metalicos SL ("RM")**

As previously reported on our website during 2012, RM was deprived of its mining licence at Lomero Poyatos.

Legal actions have been initiated against the Spanish authorities, financed by Cambridge Mineral Resources plc ("CMR") and these actions currently remain ongoing. I am unable to offer any opinion as to the likely success of these actions, and regrettably the Company currently has no further resources of its own to enable contemplating a return to activity in Spain.

During the whole of 2012 and into 2013 CMR, which has a very significant economic stake in your company, has been most supportive of your company financially in an attempt to keep Iberian Gold Plc and RM solvent.

**Future Prospects**

Your board believes that the Company may eventually benefit from RM's past activities but it is not possible to predict the likelihood or timing of this. No immediate future activity is currently planned

I would like to thank my fellow directors for their endeavours on your behalf, which have been almost entirely without remuneration. .

Geoffrey Hall
**Chairman**

## Details of Directors

**Mark Slater**

Mark Slater has over 30 years of experience in business acquisition, management and development across various commercial sectors including the logistics/transport sector. In recent years he has been involved in commercial restructuring of companies. He joined Cambridge Mineral Resources plc ("CMR") in 2009 and has been closely involved in all aspects of the company's interests.

**Geoffrey Hall**

Formerly Chief Investment Officer at Allianz Insurance Plc, Geoffrey Hall brings over 35 years of investment experience to the team. In a career focused on institutional fund management, he has managed equity portfolios for British Railways Pension Funds, HSBC Mutual Funds and Life Assurance funds amongst others. For the last 15 years he has personally managed UK portfolios investing in environmental and green issues.

**Timothy Greatrex**

Timothy Greatrex is currently a partner and director in Converto Ventures. His focus is commercial leadership and specializes in developing and mentoring early stage businesses in the technology and media sectors, covering finance, business development and organizational challenges. With 25 years working in or around the media industry he has built a reputation for growing businesses and management teams.

**Michael Burton**

Michael Burton has been directly involved in Recursos Metalicos SL since its acquisition by CMR in 2000. He joined CMR in 1996 and became finance director in 2002, subsequently fulfilling roles including managing director and chairman. His experience in commerce includes finance roles with Barclays Bank, Glaxo Smith Kline, Aviva, Xerox and Santander. His experience in the mining sector includes finance roles with Arco, Shell, Heraeus and BP. He has extensive experience in corporate administration and mining project economics across various countries.

## Directors' report

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

**Principal activities and review of the business**

The principal activity of the Company is to achieve the sale of its Spanish subsidiary Recursos Metalicos SL as soon as practicable. The subsidiary's principal assets are its interest in and database of the Lomero-Poyatos mine in Spain.

**Results and dividends**

The Group loss for the year was £2,718,439 (2011: loss of £8,370,712). The Directors do not recommend the payment of a dividend. The Directors consider the results for the year to be satisfactory based on developments during the year.

**Principal risks and uncertainties**

The principal risks and uncertainties facing the Group and Company relate to the development of the asset. Despite the opportunities that arise, there is the risk that the Group and Company may not be able to raise the necessary funding for such a development or, if necessary, for further working capital whilst alternative development opportunities are explored.

**Key performance indicators**

Given the nature of the development programme's dependence on availability of funding, the Group's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

**Non current assets**

The Group and Company has purchased no fixed assets during the year.

**Donations**

During the year the Group and Company made no payments for charitable purposes.

**Directors and Directors' interests**

The Directors who held office in the period up to the date of approval of these accounts and their beneficial interests in the Company's issued share capital at the year end were:

| | |
|---|---|
| M Slater | 560,000 Ordinary shares |
| M Robins (resigned 20 August 2012) | |
| R Kyriakides (resigned 20 August 2012) | |
| G Hall (appointed 23 August 2012) | 25,000 Ordinary shares |
| T Greatrex (appointed 23 August 2012) | 600,000 Ordinary shares |
| M Burton (appointed 26 October 2012) | |

**Directors' responsibilities**

The Statement of Directors' Responsibilities is shown on page 9.

**Substantial interests**

At 31 December 2012 the following interests of three percent or more of the issued Ordinary share capital had been notified to the Company:

# Directors' report *(continued)*

| | At 31 December 2012 Number of Ordinary shares |
|---|---|
| P Boggis | 3,966,667 |
| Pershing Nominees | 3,450,345 |
| Nabarro Wells & Co. Limited | 2,000,000 |
| D Rumley | 1,500,000 |
| Hargreave Hale Nominees Limited | 3,290,500 |
| CAM Nominees Limited | 1,700,000 |
| Iberica de Minerales y Recursos Energeticos S.L | 3,063,575 |
| Fiske Nominees Limited | 2,447,000 |

**Going Concern**

The financial statements have not been prepared on a going concern basis. Whilst the Directors are resolved to take responsible steps to ensure that capital and other financing is put in place so as to enable the Group and Company to meet its obligations as they fall due and to execute the strategy of the Group and Company, they recognise that this may not be possible and have prepared the accounts accordingly.

**Fair Value Estimation**

The Directors consider that the carrying amount of the Group and Company's financial assets and liabilities approximate to their realisable value at each balance sheet date and that such value equates to their fair value.

**Supplier payment policy**

Whilst there is no formal code or standard, it is Group and Company policy to settle terms of payment with creditors when agreeing the terms of each transaction and to abide by the creditors' terms of payment. There are no creditors subject to special arrangements outside of suppliers' terms and conditions. At 31 December 2012 the number of creditor's days in respect of trade creditors was 793 days (2011: 333 days).

**Financial risk management objectives and policies**

The financial risk management objectives and policies are described in Note 14 to the financial statements.

**Research and development activities**

The Group and Company has not made any significant investment in research and development during the current year. The carrying value of existing research and development assets have been subject to impairment as indicated in the notes to the financial statements.

**Relevant audit information**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to 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 that information.

# Directors' report *(continued)*

**Auditors**

A resolution to reappoint PKF Littlejohn LLP (formerly Littlejohn LLP) as auditors to the Company will be proposed at the Annual General Meeting.

Approved and authorised for issue by the Board on 30 August 2013 and signed on its behalf by

M Slater
Director

9 Greenleaf House
128 Darkes Lane
Potters Bar
Hertfordshire
EN6 1AE

## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 statements;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditors' report to the Members

We have audited the Financial Statements of Iberian Gold Plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Company Statement of Financial Position, the Consolidated Income Statement, Statement of Comprehensive Income, the Consolidated Statements of Changes in Equity and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and Company Cash Flow Statements and the related notes. 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.

### Respective responsibilities of Directors and Auditor

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

This report, including the opinions, has been prepared for and only for the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

### Scope of the audit of the Financial Statements

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

### Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 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**

**Emphasis of Matter - Non-going concern status**

In forming our opinion on the Financial Statements, which is not modified for the following matter, we draw your attention to the fact that the financial statements have not been prepared on a going concern basis as the Directors recognise that it may not be possible for the Company to meet its obligations as they fall due.

## Independent Auditors’ report to the Members (continued)

**Assets held at a directors’ valuation**

We draw attention to the fact that the valuation of the Group’s research and development assets are at a directors’ valuation rather than one by an independent third party. The details are disclosed as a critical accounting estimate in Note 1 to the Financial Statements. If any of the key assumptions included in the directors’ valuation prove to be incorrect, it may result in a material amendment to the carrying value of the assets concerned in the statement of financial position and a consequent effect on the profit or loss for the year. It is not possible to quantify the potential effect.

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

In our opinion the information given in 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.

**Mark Ling (Senior statutory auditor)**
**For and on behalf of PKF Littlejohn LLP**
**Statutory Auditor**

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1 Westferry Circus
Canary Wharf
London
E14 4HD

# Consolidated Statement of Comprehensive Income

***for the year ended 31 December 2012***

| | Note | | **Year to 31 December 2012** | | Year to 31 December 2011 As restated |
|---|---|---|---|---|---|
| | | **£** | **£** | £ | £ |
| Investment income | | | **-** | | **-** |
| Administration expenses | | | **(2,682,573)** | | **(8,175,235))** |
| Finance costs | *2* | | **(5,128)** | | **(170,961)** |
| Deemed interest on Convertible Loan Notes | *2* | | **(30,738)** | | **(24,516)** |
| **Loss for the year before taxation** | *2* | | **(2,718,439)** | | **(8,370,712)** |
| Taxation | *3* | | **-** | | - |
| **Loss for the year from continuing operations** | | | **(2,718,439)** | | **(8,370,712)** |
| **Total comprehensive income for the year Attributable to equity shareholders** | | | **(2,718,439)** | | **(8,370,712)** |
| **Loss per share** | | | | | |
| Basic loss (pence per share) | *4* | | **(5.56)p** | | **(19.90)p** |
| Diluted loss (pence per share) | | | **(5.56)p** | | **(19.90)p** |

The Group's turnover and expenses all relate to continuing operations. The Group has no recognised gains or losses other than the loss for the year, which has been calculated on the historical cost basis.

The notes on pages 20 to 35 form part of these financial statements.

# Company Statement of Comprehensive Income

***for the year ended 31 December 2012***

| | Note | | **Year to 31 December 2012** | | Year to 31 December 2011 |
|---|---|---|---|---|---|
| | | **£** | **£** | £ | £ |
| Investment income | | | **-** | | **-** |
| Administration expenses | | | **(6,877,865)** | | **(162,080)** |
| Finance costs | *2* | | **(5,128)** | | **(170,961)** |
| Deemed interest on Convertible Loan Notes | *2* | | **(30,738)** | | **(24,516)** |
| **Loss for the year before taxation** | *2* | | **(6,913,731)** | | **(357,557)** |
| Taxation | *3* | | **-** | | - |
| **Loss for the year from continuing operations** | | | **(6,913,731)** | | **(357,557)** |
| **Total comprehensive income for the year Attributable to equity shareholders** | | | **(6,913,731)** | | **(357,557)** |

The Company's turnover and expenses all relate to continuing operations. The Company has no recognised gains or losses other than the loss for the year, which has been calculated on the historical cost basis.

The notes on pages 20 to 35 form part of these financial statements.

# Consolidated Statement of Financial Position

***at 31 December 2012***

| | Note | 31 December 2012 | | 31 December 2011 As restated | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Assets** | | | | | |
| Research and Development assets | 6 | **2,214,594** | **-** | 4,902,199 | - |
| Property & Equipment | | **661** | | 680 | |
| | | | **2,215,255** | | **4,902,879** |
| **Current assets** | | | | | |
| Trade and other receivables | 7 | **72,360** | | **74,360-** | |
| Cash and cash equivalents | 8 | **-** | | **1,157** | |
| Total current assets | | | **72,360** | | **75,517** |
| **Total assets** | | | **2,287,615** | | **4,978,396** |
| **Equity and liabilities** | | | | | |
| **Share capital and reserves** | | | | | |
| Issued capital | 9 | | **5,211,037** | | **5,165,701** |
| Share premium account | | | **6,455,018** | | **6,455,018** |
| Shares to be issued | | | **7,722,895** | | **7,722,895** |
| Retained earnings | | | **(22,337,004)** | | **(19,618,567)** |
| Other Reserves | 10 | | **185,897** | | **185,897** |
| **Total equity** | | | **(2,762,157)** | | **(89,056)** |
| **Current liabilities** | | | | | |
| Convertible Loan Notes | 11 | **205,817** | | **182,579** | |
| Convertible bond | 12 | **485,090** | | **470,961** | |
| Trade and other payables | 13 | **981,998** | | **1,138,041** | |
| Total current liabilities, and total liabilities | | | **1,672,905** | | **1,791,581** |
| Non current liabilities | | | **3,376,867** | | **3,275,871** |
| **Total equity and liabilities** | | | **2,287,615** | | **4,978,396** |

The notes on pages 20 to 35 form part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors on 30 August 2013 and were signed on its behalf by:

M Burton
Director

## Company Statement of Financial Position

***at 31 December 2012***

| | Note | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|
| | | **£** | **£** | £ | £ |
| **Assets** | | | | | |
| Subsidiary | *6* | | **2,214,594** | | 8,400,000 |
| **Current assets** | | | | | |
| Trade and other receivables | *7* | **-** | | **356,525** | |
| Cash and cash equivalents | *8* | **-** | | **1,157** | |
| Total current assets | | | **-** | | **357,682** |
| **Total assets** | | | **2,214,594** | | **8,757,682** |
| **Equity and liabilities** | | | | | |
| **Share capital and reserves** | | | | | |
| Issued capital | *9* | | **5,211,037** | | **5,165,701** |
| Share premium account | | | **6,455,018** | | **6,455,018** |
| Shares to be issued | | | **7,722,895** | | **7,722,895** |
| Retained earnings | | | **(18,531,657)** | | **(11,617,926)** |
| Other Reserves | *10* | | **185,897** | | **185,897** |
| **Total equity** | | | **1,043,190** | | **7,911,585** |
| **Current liabilities** | | | | | |
| Convertible Loan Notes | *11* | **205,817** | | **182,579** | |
| Convertible bond | *12* | **485,090** | | **470,961** | |
| Trade and other payables | *13* | **480,497** | | **192,557** | |
| Total current liabilities, and total liabilities | | | **1,171,404** | | **846,097** |
| **Total equity and liabilities** | | | **2,214,594** | | **8,757,682** |

The notes on pages 20 to 35 form part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors on 30 August 2013 and were signed on its behalf by:

M Burton
Director

## Consolidated Statement of Changes in Equity

***as at 31 December 2012***

| | Share Capital £ | Share Premium £ | Shares to be issued £ | Retained Earnings £ | Other Reserves £ | Total £ |
|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | 5,040,667 | 6,204,950 | 8,097,999 | (11,260,369) | 185,897 | 8,269,144 |
| Established | - | - | - | - | - | - |
| Issued in year | 125,034 | 250,068 | (375,104) | - | - | - |
| Loss for the year | - | - | - | (8,370,712) | - | (8,370,712) |
| Share based payments | - | - | - | - | - | - |
| Convertible loan notes - equity | - | - | - | - | - | - |
| Balance at 31 December 2011 | 5,165,701 | 6,455,018 | 7,722,895 | (19,618,567) | 185,897 | (89,056) |
| Balance at 1 January 2012 | 5,165,701 | 6,455,018 | 7,722,895 | (19,618,567) | 185,897 | (89,056) |
| Established | - | - | - | - | - | - |
| Issued in year | 37,836 | - | - | - | - | 37,836 |
| Loss for the year | - | - | - | (2,718,437) | - | (2,718,437) |
| Share based payments | - | - | - | - | - | - |
| Convertible loan notes - equity | 7,500 | - | - | - | | 7,500 |
| Balance at 31 December 2012 | 5,211,037 | 6,455,018 | 7,722,895 | (22,337,004) | 185,897 | (2,762,157) |

## Statement of Changes in Equity

***as at 31 December 2012***

| | Share Capital £ | Share Premium £ | Shares to be issued £ | Retained Earnings £ | Other Reserves £ | Total £ |
|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | 5,040,667 | 6,204,950 | 8,097,999 | (11,260,369) | 185,897 | 8,269,144 |
| Established | - | - | - | - | - | - |
| Issued in year | 125,034 | 250,068 | (375,104) | - | - | - |
| Loss for the year | - | - | - | (357,557) | - | (357,557) |
| Share based payments | - | - | - | - | - | - |
| Convertible loan notes - equity | - | - | - | - | - | - |
| Balance at 31 December 2011 | 5,165,701 | 6,455,018 | 7,722,895 | (11,617,926) | 185,897 | 7,911,585 |
| Balance at 1 January 2012 | 5,165,701 | 6,455,018 | 7,722,895 | (11,617,926) | 185,897 | 7,911,585 |
| Established | - | - | - | - | - | - |
| Issued in year | 37,836 | - | - | - | - | 37,836 |
| Loss for the year | - | - | - | (6,913,731) | - | (6,913,731) |
| Share based payments | - | - | - | - | - | - |
| Convertible loan notes - equity | 7,500 | - | - | - | , | 7,500 |
| Balance at 31 December 2012 | 5,211,037 | 6,455,018 | 7,722,895 | (18,531,657) | 185,897 | (1,043,190) |

## Consolidated Cash Flow statement

***for year ended 31 December 2012***

| | Year to 31 December 2012 | | Year to 31 December 2011 | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **Cash flows from operating activities** | | | | |
| Loss for the year | | (2,718,439) | | (8,370,712) |
| Impairment of assets | | 2,555,756 | | 7,954,993 |
| Share based payments | | 184,201 | | - |
| Interest element of convertible loan notes | | 23,238 | | 24,516 |
| Finance Costs | | 5,129 | | 170,961 |
| Compensation for Directors' loss of office | | - | | 60,000 |
| | | 49,885 | | (160,242) |
| Movements in working capital | | | | |
| Decrease/(Increase) in trade and other receivables | | 2,000 | | (109,117) |
| (Decrease) / Increase in trade and other payables | | (62,042) | | 60,695 |
| Net cash outflow from operations | | (10,157) | | (208,664) |
| **Cash flows from investing activities** | | | | |
| Interest received | - | | - | |
| Issue of convertible loan stock | - | | - | |
| Issue of convertible bonds | 9,000 | | 207,500 | |
| Net cash generated from investing activities | | 9,000 | | 207,500 |
| **Net decrease in cash and cash equivalents** | | (1,157) | | (1,164) |
| Cash and cash equivalents at the beginning of financial year | | 1,157 | | 2,321 |
| **Cash and cash equivalents at the end of financial year** | | - | | 1,157 |

## Cash Flow statement

***for year ended 31 December 2012***

| | **Year to 31 December 2012** | | Year to 31 December 2011 | |
|---|---|---|---|---|
| | **£** | **£** | **£** | £ |
| **Cash flows from operating activities** | | | | |
| Loss for the year | | **(6,913,731)** | | **(357,577)** |
| Impairment of assets | | **6,987,904** | | **-** |
| Share based payments | | **(184,201)** | | **-** |
| Interest element of convertible loan notes | | **23,238** | | **24,516** |
| Finance Costs | | **5,129** | | **170,961** |
| Compensation for Directors' loss of office | | **-** | | **60,000** |
| | | **(81,661)** | | **(102,100)** |
| Movements in working capital | | | | |
| Increase in trade and other receivables | | **-** | | **(109,117)** |
| (Decrease) / Increase in trade and other payables | | **71,504** | | **2,553** |
| Net cash outflow from operations | | **(10,157)** | | **(208,664)** |
| **Cash flows from investing activities** | | | | |
| Interest received | **-** | | **-** | |
| Issue of convertible loan stock | **-** | | **-** | |
| Issue of convertible bonds | **9,000** | | **207,500** | |
| Net cash generated from investing activities | | **9,000** | | **207,500** |
| **Net decrease in cash and cash equivalents** | | **(1,157)** | | **(1,164)** |
| Cash and cash equivalents at the beginning of financial year | | **1,157** | | **2,321** |
| **Cash and cash equivalents at the end of financial year** | | **-** | | **1,157** |

# Notes to the Financial Statements

## 1. Accounting policies

***General information***

Iberian Gold Plc is a limited company incorporated in England and Wales under the Companies Act 2006. The address of its registered office and principal place of business are disclosed in the Company Information page of the financial statements.

The principal activities of the Company are described in the Directors' Report.

***Adoption of new and amended standards***

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for companies' annual reporting periods beginning on or after 1 January 2012.

***Basis of preparation of Financial Statements***

The Financial Statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board, as approved by the European Union, and parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared using the historical cost convention. The financial statements are presented in UK pounds sterling rounded to the nearest pound.

The preparation of Financial Statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The preparation of Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information, including the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

For 2012, the Company has elected to apply IFRS 3, Business Combinations to acquisitions and mergers which took place before transition date.

The Company has also elected to apply IFRS 3, Business Combinations to the conditional acquisition of Recursos Metalicos SA which occurred in May 2010, conditions completed at 30 September 2010. Previously the Company accounted for the subsidiary as an Asset held for sale, and therefore the consolidated Group position has been presented for the current and prior year.

***New and Amended Standards***

(i) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 and relevant to the Company:*

A revised version of IAS 24 "Related Party Disclosures" simplified the disclosure requirements for government-related entities and clarified the definition of a related party. This revision was effective for periods beginning on or after 1 January 2011; and

(ii) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant to the Company:*

Amendments to IAS 12 "Income Taxes" introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will normally be through sale. This standard is effective for annual periods beginning on or after 1 January 2012, subject to EU endorsement. This is not expected to have an impact on the Group's Financial Statements;

An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relieved first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by "Improving Disclosures about Financial Instruments" (Amendments to IFRS 7). This amendment was effective for periods beginning on or after 1 July 2010; and

## Notes to the Financial Statements *(continued)*

An amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment was effective for periods beginning on or after 1 January 2011.

(iii) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted are as follows:*

Unless otherwise stated, the Directors are assessing the possible impact of the following standards on the Company's Financial Statements:

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement;

IFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement;

IFRS 12 "Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement;

IFRS 10, 11, 12 and IAS 27 have been subject to amendments issued during 2012. These relate to the transitional guidance and for investment entities and are for implementation on or after 1 January 2013 and 1 January 2014 respectively.

IFRS 13 "Fair Value Measurement" improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement;

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" require that first-time adopters apply the requirements in IFRS 9 "Financial Instruments" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" prospectively to government loans existing at the date of transition to IFRSs. Entities may choose to apply the requirements retrospectively if the information needed to do so have been obtained at the time of initially accounting for the loan. This standard is effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement. This is not expected to have an impact on the Group as IFRS has been historically used;

Amendments to IFRS 7 "Financial Instruments: Disclosures" require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This standard is effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods, subject to EU endorsement;

Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, subject to EU endorsement. Early application continues to be permitted. The amendments also require additional disclosures on transition from IAS 39 "Financial Instruments: Recognition and Measurement" to IFRS 9;

## Notes to the Financial Statements *(continued)*

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" clarifies when stripping costs incurred in the production phase of a mine's life should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation is effective for periods beginning on or after 1 January 2013, subject to EU endorsement.

IAS 27 "Separate Financial Statements" replaces the current version of IAS 27 "Consolidated and Separate Financial Statements" as a result of the issue of IFRS 10 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement;

IAS 28 "Investments in Associates and Joint Ventures" replaces the current version of IAS 28 "Investments in Associates" as a result of the issue of IFRS 11 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement;
Amendments to IAS 1 "Presentation of Financial Statements" require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. This is effective for annual periods beginning on or after 1 July 2012, subject to EU endorsement;

Amendments to IAS 19 "Employment Benefits" eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. This standard is effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement; and

Amendments to IAS 32 "Financial Instruments: Presentation" add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This standard is effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement.

**Going Concern**

United Kingdom company law requires the Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company is a going concern. In considering this matter the Directors have evaluated the expected outturn for 2012. This included consideration of the cash flow and access to additional capital. The Directors are resolved to take responsible steps to ensure that capital and other financing is put in place so as to enable the Company to meet its obligations as they fall due and to execute the strategy of the Company. Whilst the Directors anticipate that the Company will continue in operational existence for the foreseeable future, they recognise that this may not be possible and accordingly they have not adopted the going concern basis in preparing the financial statements.

**Assets held for sale**

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

**Goodwill**

Subsidiary results are consolidated within the Group results using fair values at the date of acquisition. Any arising goodwill is subject to impairment review by the Directors and appropriate adjustments made.

**Cash and cash equivalents**

Cash and cash equivalents comprises cash in hand and current and deposit balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

## Notes to the Financial Statements *(continued)*

**Convertible Bonds and loan notes**

Convertible loan notes are regarded as compound instruments, consisting of a liability on equity component. At the date of issue the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The difference between the proceeds of issue of the convertible loan note is the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company is included in equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between the amount of the interest paid is added to the carrying amount of the convertible loan notes.

Convertible bonds are regarded as compound instruments, consisting of a liability on equity component. At the date of issue the fair value of the liability component is estimated using the fair value of the price of gold at 31 December 2013 (deemed to be the estimated date of repayment). The difference between the proceeds of issue of the convertible loan note is the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company is included in equity.

The finance charge expense on the liability component is the difference between the proceeds of issue of the convertible bond and the fair value of the liability component is estimated using the fair value of the price of gold at 31 December 2013 (deemed to be the estimated date of repayment). The difference between the amounts is the finance charge payable and is added to the carrying amount of the convertible loan notes.

**Critical Accounting Estimates and Judgments**

Estimates and judgments are evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical Accounting Estimates and Assumptions***

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) The Company's investment in its subsidiary, Recursos Metalicos SL, has a carrying value at 31 December 2012 of £2,214,594 (2011 £8,400,000). Management have tested whether the carrying value of the subsidiary has future economic value in accordance with the accounting policies. The review calculates the Gold Equivalents Valuation based on the resources of the Lomero Poyatos mine as extract from the Wardell Armstrong Competent Persons Report dated 2007. The review takes into account the movement in the commodity prices for gold, and other minerals in the mine including silver, copper, lead and zinc at 31 December 2012. That value is then discounted to reflect the progress in obtaining a Mining Permit from the Spanish Mining Authorities to develop the resource. The directors have reviewed the Resources Valuation and its discount level and concluded that an impairment charge is required.

    The Company has also considered the recoverability of the intercompany balance due from the subsidiary. The directors have discussions with the management of the subsidiary, reviewed the subsidiary's financial records and concluded that it is irrecoverable.

(ii) Share based payment transactions

The Company had issued nil warrants during 2012.

The valuation of these warrants involve making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in Note 9.

Other estimates include but are not limited to the allowance for doubtful accounts; employee benefit liabilities; future cash flows associated with assets; useful lives for depreciation, depletion and amortisation; workers’ compensation claims; income taxes; and fair value of financial instruments. Due to the subjective nature of these estimates, actual results could differ from those estimates.

**Financial instruments**

Financial instruments are classified and accounted for according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Deferred taxation**

The Company has adopted IAS 12, Deferred Taxation. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

## Notes to the Financial Statements *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

**Financial assets and financial liabilities**

The financial assets and financial liabilities are recognised on the Group and Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

*Trade receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

*Borrowings*

There are no borrowings other than convertible instruments which are detailed.

*Trade payables*

Trade payables are not interest-bearing and are stated at their nominal value.

*Share-Based Payments*

The Company issued warrants (equity-settled, share-based payments) in 2010. The fair value of the equity-settled share based payments is recognised as an expense in the income statement or charged to equity depending on the nature of the service provided or instrument issued. The total amount to be expensed or charged is determined by reference to the fair value of the warrants granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

In the case of warrants the amount charged to the share premium account is determined by reference to the fair value of the services received if available. If the fair value of the services received is not determinable the warrants are valued by reference to the fair value of the warrants granted as described previously.

Non-market vesting conditions are included in assumptions about the number of warrants that are expected to vest. The total expense or charge is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of warrants that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income or equity as appropriate, with a corresponding adjustment to a separate reserve in equity.

When the warrants are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the warrants are exercised.

## Notes to the Financial Statements *(continued)*

### 2. Group Loss for the year

Loss for the year is shown after charging:

| | **Year to 31 December 2012 £** | Year to 31 December 2011 £ |
|---|---|---|
| Audit fees | **6,000** | **5,000** |
| Other administrative expenses | **305,017** | **155,242** |
| Interest charge on convertible loan notes | **30,738** | **24,516** |
| Finance charge on convertible bonds | **5,129** | **170,961** |
| Impairment of goodwill on acquisition of subsidiary | **-** | **7,954,993** |
| Impairment of value of research and development assets | **2,555,756** | |
| Directors' remuneration | **-** | **-** |
| Compensation for Directors' loss of office | **-** | **60,000** |
| Share based payments – fair value adjustment | **(184,201)** | **-** |

### 3. Taxation

*Tax charge for the year*

No taxation arises on the result for the year because of the trading losses brought forward.

*Factors affecting the tax charge for the year*

The total charge for the year can be reconciled to the accounting loss as follows:

| | **Year to 31 December 2012 £** | Year to 31 December 2011 £ |
|---|---|---|
| Company Loss for the year from continuing operations | **(6,913,731)** | **(357,557)** |
| Corporation tax expense calculated at 20% (2011: 20%) | **(1,382,746)** | **(71,511)** |
| Expenses not deductible for tax | **1,237,081** | **-** |
| Tax losses for the year not relieved and carried forward | **(145,665)** | **(71,511)** |
| | **-** | - |

*Factors affecting the tax charge of future years*

Tax losses available to be carried forward by the Company at 31 December 2012 against future profits are estimated to comprise trading losses of £579,098 and capital losses of £858,915.

A deferred tax asset amounting to £287,603 (December 2011: £266,086) has not been recognised in respect of accumulated losses, as there is insufficient evidence that the asset will be recovered. There were no factors that may affect future tax charges.

# Notes to the Financial Statements *(continued)*

## 4. Earnings per Share

The calculation of basic profit per share is based on the profit attributable to ordinary shareholders divided by the weighted average of ordinary shares in issue being 48,415,299 (December 2011: 42,003,515) during the year, and shares on a fully diluted basis. As the Company has incurred a loss for the year, no option or warrant is potentially dilutive, and hence basic and diluted loss per share are the same.

## 5. Directors

| The average monthly number of persons (including directors) employed by the Company was: | **Year to 31 December 2012 No.** | Year to 31 December 2011 No. |
|---|---|---|
| Directors | **3** | 3 |

| | **Year to 31 December 2012 £** | Year to 31 December 2011 £ |
|---|---|---|
| S J Barclay (resigned 31 March 2011) | **-** | **-** |
| J R Shaw (resigned 31 March 2011) | **-** | **-** |
| C G G Smith (resigned 31 March 2011) | **-** | **-** |
| Compensation for Directors' loss of office | | **60,000** |
| | **-** | **60,000** |

Mr S J Barclay and Mr J R Shaw were paid £30,000 each in compensation for loss of office at 31 March 2011. The compensation was settled by the issue on 6 April 2011 of £30,000 Convertible Loan stock to each former director. Separately, at 31 March 2011 the Company agreed to retain Cinderhall Limited, a company where Mr C G G Smith is a shareholder and director, to provide Mr Smith's services as a consultant for the three months to 30 June 2011 at a monthly fee of £5,000.

No directors' fees have been accrued for 2012 as all the directors have waived their entitlement until the Company has sufficient funds.

# Notes to the Financial Statements *(continued)*

## 6. Subsidiary – Previously Assets held for sale

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Subsidiary Recursos Metalicos SL | **2,214,594** | 8,400,000 |

The acquisition of the subsidiary Recursos Metalicos SA was completed on 30 September 2010 and, in accordance with the Company's strategy to dispose of the asset, was shown as an asset held for sale. The subsidiary was acquired for consideration of 280,000,000 ordinary shares of 1p each at a deemed value of 3p per share. This is in accordance with a renounceable letter of allotment dated 24 September 2010. The terms of the allotment letter state that they will be issued on the listing of the shares of the company on a public market. Accordingly, such shares that remain unallotted are disclosed as shares to be issued.

The Company's investment in its subsidiary, Recursos Metalicos SL, has a carrying value at 31 December 2012 of £2,214,594 (2011 £8,400,000). Management have tested whether the carrying value of the subsidiary has future economic value in accordance with the accounting policies. The review calculates the Gold Equivalents Valuation based on the resources of the Lomero Poyatos mine as extract from the Wardell Armstrong Competent Persons Report dated 2007. The review takes into account the movement in the commodity prices for gold, and other minerals in the mine including silver, copper, lead and zinc at 31 December 2012. That value is then discounted to reflect the progress in obtaining a Mining Permit from the Spanish Mining Authorities to develop the resource. The directors have reviewed the Resources Valuation and its discount level and concluded that an impairment charge of £6,185,406 is required.

The unaudited results of Recursos Metalicos SL for the year ended 31 December 2012 are as follows:

| Country of Incorporation | Assets | Liabilities | Revenues | Loss | % Interest held |
|---|---|---|---|---|---|
| Spain | €5,939,426 | €4,949,097 | - | €18,903 | 100 |

## 7. Trade and other receivables

| | **31 December 2012 Group** | 31 December 2011 Group | **31 December 2012 Company** | 31 December 2011 Company |
|---|---|---|---|---|
| | | | **£** | £ |
| Due from subsidiary undertaking | | | . | 356,525 |
| Trade receivables | **72,360** | 74,360 | **-** | - |
| Accrued income | | | **-** | - |
| **Current** | **72,360** | 74,360 | **-** | 356,525 |

The fair value of all current receivables is as stated above.

# Notes to the Financial Statements *(continued)*

## 8. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks.

## 9. Called Up Share capital

| | No. | £ |
|---|---|---|
| ***Authorised*** | | |
| Ordinary shares of 1p each | **528,760,000** | **5,287,600** |
| Deferred shares of 0.99p each | **476,000,000** | **4,712,400** |
| | | **10,000,000** |
| | | **========** |

There has been no movement in the authorised share capital during the year.

**Total Allotted, Issued and Fully Paid**

| | Number of shares | Ordinary Shares of 1p each | Number | Deferred Shares of .99p each | Total |
|---|---|---|---|---|---|
| | | £ | | £ | £ |
| At 1 January 2011 | 32,826,667 | 328,267 | 476,000,000 | 4,712,400 | 5,040,667 |
| Issued in 2011 | 12,503,451 | 125,034 | - | - | 125,034 |
| At 31 December 2011 | **45,330,118** | **453,301** | **476,000,000** | **4,712,400** | **5,165,701** |
| Issued in 2012 | 4,533,582 | 45,336 | - | - | 45,336 |
| **At 31 December 2012** | **49,863,700** | **498,637** | **476,000,000** | **4,712,400** | **5,211,037** |

**Shares to be issued**

**Allocated but not allotted**

| | Number | Ordinary Shares of 1p each | Share Premium | Total |
|---|---|---|---|---|
| | | £ | £ | £ |
| At 1 January 2012 | 257,429,882 | 2,574,299 | 5,148,598 | 7,722,897 |
| Allocated in year | - | - | - | - |
| Allotted in year | - | - | - | - |
| **At 31 December 2012** | **257,429,882** | **2,574,299** | **5,148,598** | **7,722,897** |

## Notes to the Financial Statements *(continued)*

**Share Premium**

| | £ |
|---|---|
| At 1 January 2011 | 6,204,950 |
| Shares Issued in year | 250,068 |
| At 31 December 2011 | 6,455,018 |
| Shares issued in year | - |
| **At 31 December 2012** | **6,455,018** |

On 26 April 2006 each Ordinary share of 1p each was subdivided and re-designated into one Ordinary share of 0.01p each and one deferred share of 0.99p each and subsequently every 100 Ordinary shares of 0.01p each were consolidated into one Ordinary share of 1p each.

On 2 May 2006 18,000,000 Ordinary shares of 1p each were issued at par. In connection with that placing, warrants over 20,600,000 Ordinary shares of 1p exercisable at 1p were issued. At 31 December 2009 none of these warrants had been exercised, nor had they at the date of this report.

On 30 September 2010 the Company issued to Cambridge Mineral Resources Plc a renounceable letter of allotment for 280,000,000 shares. The terms of the allotment included that Cambridge Mineral resources Plc and those connected with them could not exceed 49% of the issued share capital of the Company. In determining the value of shares to be allotted the Directors have estimated that the fair value of the shares to be issued was 3p per share.

Under that letter of allotment the company has issued the following shares at fair market value as determined by the directors of 3p per share.

On 31 October 2010 the Company allotted 2,000,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 5 November 2010 the Company allotted 5,516,667 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 22 November 2010 the Company allotted 1,950,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 21 December 2010 the Company allotted 600,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 4 January 2011 the Company allotted 500,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 1 February 2011 the Company allotted 5,100,000 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 3 March 2011 the Company allotted 4,472,917 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

On 15 November 2011 the Company allotted 2,430,534 shares at a deemed price of 3p per share to allottees to whom Cambridge Mineral Resources Plc had renounced their entitlement under the renounceable letter allotment dated 24 September 2010.

# Notes to the Financial Statements (continued)

During 2012 it was agreed that 3,063,575 and 720,000 shares were issued by the Company for services provided.

An agreement has been reached with CMR in Jan 2012 limiting CMR's equity stake in the event of a flotation to 49% and creating a debt due by IBG to CMR of £5m.
Significant shareholders are as disclosed in the Directors' report.

**Warrants**

On 21 May 2010 the Company created a further warrant instrument to issue warrants over 25,000,000 Ordinary shares of 1p exercisable at 1p. On 20 August 2010 warrants over 23,500,000 Ordinary shares were issued and on 30 September 2010 warrants over 1,500,000 Ordinary shares were issued.

On 30 September 2010 the Company created a further warrant instrument to issue warrants over 5,000,000 Ordinary shares of 1p exercisable at 1p and on the same date warrants over 3,475,000 Ordinary shares were issued.

The warrants issued in the year ended 31 December 2010 have been treated as share based payments in, in accordance with the Company's accounting policy, the fair value of the equity settled share based payments is recognised as an expense in the income statement. The fair value of the warrants was determined using the Black Scholes model. The parameters are detailed below.

| | 31 December 2010 | 31 December 2010 |
|---|---|---|
| Warrants issued | 20 August 2010 | 30 September 2010 |
| Option Life (years) | 3 | 3 |
| Exercise price | 1p | 1p |
| Warrants granted | 23,500,000 | 4,975,000 |
| Risk free rate | 1.76% | 1.76% |
| Expected volatility | 30% | 30% |
| Total fair value of options | £54,050 | £11,443 |

The expected volatility is based on the historical volatility of similar small quoted companies over a three year period. The risk free return is based on zero yield government bonds for a term consistent with the period of the warrants.

There were no warrants issued or granted in 2012. A reconciliation of warrants deemed share based payments over the year to 31 December 2011 is shown below.

| | Number | Warrant Price |
|---|---|---|
| Outstanding as at 1 January 2011 | 28,475,000 | 1p |
| Granted | - | - |
| Cancelled | - | - |
| Exercised | - | - |
| Outstanding at 31 December 2011 | 28,475,000 | 1p |
| | | |
| Outstanding as at 1 January 2011 | 28,475,000 | 1p |
| Granted | - | - |
| Cancelled | - | - |
| Exercised | - | - |
| Outstanding at 31 December 2012 | 28,475,000 | 1p |

The total fair value has resulted in a charge to the income statement for the year ended 31 December 2012 of £NIL (2011: £NIL).

The Deferred shares are non-voting and are not entitled to any participation in the profits or the assets of the Company. It is intended that a Court application be made to cancel the deferred shares in due course.

# Notes to the Financial Statements *(continued)*

## 10. Other Reserves

| | Share Warrant Reserve | Borrowing Reserve | Total |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2012 | 65,493 | 120,404 | 185,897 |
| Share based payments | - | - | - |
| Convertible Loan Notes - equity component | - | (4,352) | (4,352) |
| **At 31 December 2012** | **65,493** | **116,052** | **181,545** |

## 11. Convertible Loan Stock

On 10 May 2010 the Company authorised a Convertible Loan Note instrument and during the year the Company issued £207,500 Convertible Loan Notes. The Loan Notes may be converted at the holder's option into new ordinary shares of the Company at par, at any time from 10 May 2011 until the date of maturity of 10 May 2014. The values of the liability component and equity conversion component were determined at the date of the issue of the Loan Notes.

The Loan Notes are non-interest bearing. The fair value of the liability component was calculated using an interest rate at which the Company would be able to obtain a similar loan without the option to convert. The residual amount, representing the fair value of the equity conversion option is included in shareholders' equity in Other Reserves (Note 10), net of taxes.

As explained in Note 5 Mr S J Barclay and Mr J R Shaw were paid £30,000 each in compensation for loss of office at 31 March 2011. The compensation was settled by the issue on 6 April 2011 of £30,000 Convertible Loan stock to each former director. The Loan Notes are non-interest bearing. The fair value of the liability component was calculated using an interest rate at which the Company would be able to obtain a similar loan without the option to convert. The residual amount, representing the fair value of the equity conversion option is included in shareholders' equity in Other Reserves (Note 10), net of taxes. As the residual amount representing the fair value of the equity conversion option of this instrument was immaterial, the whole amount has been accounted as part of the liability component.

The balance of the convertible Loan Notes in the balance sheet is calculated as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| | **£** | £ |
| Principal amount of Loan Notes | **207,500** | 207,500 |
| Additional loan notes issued | **60,000** | 60,000 |
| Re-allocation of deemed equity component | **(120,404)** | (120,404) |
| Liability component on initial recognition | **147,096** | 147,096 |
| Charged in 2010 | **10,967** | 10,967 |
| Charged in 2011 | **24,516** | 24,516 |
| Released in 2012 | **(7,500)** | - |
| Charged in 2012 | **30,738** | - |
| Liability component at 31 December | **205,817** | 182,579 |
| Being: | | |
| Current Liability | **205,817** | 182,579 |
| Non-current Liabilities | - | - |
| | **205,817** | 182,579 |

The carrying value of the convertible instrument is presumed to be the fair value at the Balance Sheet date.

# Notes to the Financial Statements *(continued)*

### 12. Convertible Bond

During 2011, the Company issued 300 convertible gold linked bonds ("bonds") with a principle amount of £1,000 each. The bonds become due for repayment within 60 days of the 'End of Term' which is triggered when (i) when the issuer (Company) announces that the shares of the Issuer are to be admitted to trading either on the AIM market of the London Stock Exchange or on any other Recognised Investment Exchange, or (ii) when the issuer announces that it and/or its subsidiary Recursos Metalicos S.L. has been sold or taken over or (iii) if Cambridge Minerals Resources plc announces that it has been sold or taken over while still holding more than 50% of the economic interest in the Company. The redemption amount is calculated by reference to the mid-market price of gold quoted at noon at the End of Term in pounds sterling at http://www.lbma.org.uk. The redemption price of each bond payable by the issuer will be the equivalent of 1.5385 troy ounces of gold in pounds sterling on the day of redemption. Each bond can be exchanged for 20,000 ordinary shares of one pence each at any time until the redemption date.

The values of the liability component and equity conversion component were determined at the date of the issue of the bonds.

The bonds are non-interest bearing. At the date of issue the fair value of the liability component was calculated using the future fair value of the price of gold at 31 December 2013. This date was chosen as the directors are of the opinion that its subsidiary, Recursos Metalicos S.L, is currently available for sale, and will be sold within one year from the Statement of Financial Position date. The date of disposal will trigger the bonds as being at the end of term 'End of Term' which means the bonds will need to be redeemed. The residual amount, representing the fair value of the equity conversion option is included in shareholders' equity in Other Reserves (Note 10), net of taxes. Due to the fair value of the liability component being significantly higher than the proceeds of the bonds, there is no equity element that arises on this instrument.

The balance of the bonds in the balance sheet is calculated as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| | **£** | £ |
| Principal amount of bond | **300,000** | 300,000 |
| Re-allocation of deemed equity component | **nil** | nil |
| Liability component on initial recognition | **300,000** | 300,000 |
| Finance charge on initial recognition | **170,961** | 170,961 |
| Revaluation at 31 December 2012 | **5,129** | - |
| New issue during 2012 | **9,000** | - |
| Liability component at 31 December | **485,090** | 470,961 |
| Being: | | |
| Current Liability | **485,090** | 470,961 |
| Non-current Liabilities | - | - |
| | **485,090** | 470,961 |

The carrying value of the convertible instrument is presumed to be the fair value at the Balance Sheet date.

# Notes to the Financial Statements *(continued)*

### 13. Trade and other payables

| | **31 December 2012 Group** | 31 December 2011 Group | **31 December 2012 Company** | 31 December 2011 Company |
|---|---|---|---|---|
| | **£** | £ | **£** | £ |
| **Current** | | | | |
| Loan from parent company | **48,218** | - | **48,218** | **-** |
| Trade payables | **832,091** | 1,041,151 | **330,590** | 101,892 |
| Accruals | **101,689** | 96,890 | **101,689** | 96,890 |
| | **981,998** | 1,138,041 | **480,497** | 192,557 |

Capital commitments

There were no capital commitments authorised by the Directors or contracted for at 31 December 2012 (31 December 2011: £ NIL).

### 13. Related party transactions

The Company has not entered into any such transactions during the year under review.

### 14. Treasury policy and financial instruments

The Company operates informal treasury policies which include ongoing assessments of interest rate management and borrowing policy. The board approves all decision on treasury policy.

The Company has financed its activities by the raising of funds through the placing of shares together with warrants. There are no material differences between the book value and fair value of the financial assets.

The risks arising from the Company's financial instruments are liquidity and interest rate risk. The Directors review and agree policies for managing these risks and they are summarised below:

*Liquidity and interest rate risk*

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. This is achieved by the close control of the Directors of Iberian Gold Plc in the day to day management of liquid resources. Cash is invested in deposit accounts which provide a modest return on the Company's resources whilst ensuring there is limited risk of loss to the Company.

There is no difference between the book values and fair values of the financial instruments in the current year or prior year.

## Notes to the Financial Statements *(continued)*

*Capital Risk Management*

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

*Fair Value Estimation*

The carrying value less impairment provision of current receivables and payables is assumed to be their fair value.

### 15. Controlling Party

The directors believe that the controlling party is Cambridge Mineral Resources Plc, a company registered in England and Wales.