# ORTAC RESOURCES LIMITED
# ANNUAL REPORT 2014

Ortac Resources Limited ("Ortac" or "the Company") is a BVI incorporated company quoted on the London Stock Exchange operated AIM Market.  Its principal activities are the identification, evaluation, acquisition and development of natural resource projects.

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# CHAIRMAN'S STATEMENT AND OPERATIONS AND FINANCE REVIEW

**Chairman's Statement**

In a particularly challenging market environment, your company has over the last 12 months achieved the milestones we set ourselves from when I last reported to you. Foremost was satisfying the terms of the Mining License Area in Slovakia and secondly, our investment into Andiamo Exploration Limited ('"Andiamo") a company whose gold-copper project we believe has the potential to be brought into production fairly quickly and with modest capital expenditure.

**Operations**

*Slovakia:*

Since the completion of the Pre-Feasibility Study in April 2013, our main technical focus has been in two areas: the preparation and submission of an underground trial mining application that would satisfy the terms of our mining license and allow us to extract bulk samples for trial processing, and secondly the completion of a Biodiversity Baseline Study ("BBS") covering an area of 50 $km^2$ surrounding the Šturec deposit- which is an important element in the development of the project.

Trial underground mining commenced in June 2014 and sufficient material has been extracted for testing and processing. This work satisfied the terms of the Kremnica Mining License Area, which has now been superseded with a mining permit that can be extended on application to the Slovak Mining Bureau.

We are still awaiting a decision from the District Environmental Office in connection with our earlier application for trial surface mining, although we expect this to be made during the coming period. At the same time the Slovak Mining authorities have confirmed to us that Ortac's rights to the Kremnica Mining license area (both surface and underground) are still in place.

Concerning the BBS, this 18 month long program was completed during the period and will form an important element to an Environmental and Social Impact Assessment program ("ESIA"), which in turn will lead to the co-development of a finalised "master" project for Šturec.

Technical matters aside, we have continued our engagement program with key local stakeholders. Major efforts in these initiatives have been the implementation of specific communication along a number of channels intended to provide more information to all stakeholders. These have included regular releases of a bulletin called Ortac Info (see http://www.ortacresources.com/news/community/) and the previously reported upon release of our Sturec Land brochure (see http://www.sturecland.sk/brochure).

Concerning our Šturecland concept, this has been well received and we plan to begin to flesh out this concept even further during the course of this year.

As well as our own in-house initiatives, and as previously reported, we have supported, financially and in kind, the build up of 'Forum Kremnicko ("the Forum"). Starting from scratch the Forum, which was set up to act as a platform catering for those who wish for better decision-making processes, has made good progress. Through the Forum, we have co-funded over 50 community projects from different areas such as culture, music, tourism, entrepreneurship, sport and access to information. These projects were implemented through local partnerships, with the support of local businesses, individuals, local organisations and the Forum itself. And we are pleased to report that the Forum presently has a further 50 projects currently being assessed.

Taken together these are substantial moves and we are beginning to see results from these investments into the local community.

*Eritrea:*

During the period and after an extensive due diligence exercise over the last few years, we made an investment into Andiamo, a private UK incorporated mineral exploration company currently developing advanced, exploration stage Volcanogenic Massive Sulphide, gold-copper projects in Eritrea.

Andiamo's main asset is its Yacob Dewar deposit, which appears to be a relatively high grade gold-copper oxide deposit that has the potential to be developed into a producing mine, at modest capital expenditure and within a relatively short time frame.

Our involvement has brought greater focus to Andiamo as it develops its core discovery, and our money has enabled Andiamo to carry out a further drilling campaign and initiated a detailed trenching program over a 1km strike length at Yacob Dewar, which we are confident will generate a commercial gold-copper project. We will be working closely with Andiamo over the coming period to move this project through the feasibility stage to enable it to apply for a Mining License for this deposit in the next 12-18 months.

**Financial & Corporate Overview**

During the period 1 April 2013 to date, and showing commitment to the company the directors acquired a further 17.5 million shares in the company (2013: 6.6m) representing 0.70% (2013:0.29 %) of the company.

In addition, in January of this year we also raised a further 200,000,000 ordinary shares of no par value, which were issued at a price of 0.25 pence per share, for a cash consideration of £500,000 before share issue costs.

In line with expectations and with last year, we report a pre tax loss of £1.768m (2013: restated loss of £1.849m) and a loss per share of £0.08 (2013: £0.08 (restated)).

**Outlook**

Notwithstanding the cost rationalisation measures implemented over the period and the reduction in head count, Ortac continues to possess a reasonable cash treasury and maintain a small, but core team, which has the capabilities to continue our development objectives, and enhance and build our portfolio of assets.

For the coming period, our team will be focussed on continuing with development of the initiatives implemented in Slovakia and assist Andiamo in completing the technical work required for an application for a mining permit to be granted at Yacob Dewar.

Finally and before thanking our shareholders for their valued support, I would like to express my personal thanks to the Ortac team and all those who have helped us, and been with us over the last year. As to our shareholders, despite the difficult global market conditions and the challenges faced by junior mining companies over the last few years, the support we have received is acknowledged and greatly appreciated and I would like to take this opportunity to thank you all and I look forward to updating you with further positive progress in the year ahead.

Anthony Balme

Chairman

11 August 2014

## DIRECTORS' REPORT

The Directors are pleased to present this year's annual report together with the audited consolidated financial statements for the year ended 31 March 2014.

### Principal Activities

The principal activities of the Group are the identification, evaluation, acquisition and development of natural resource projects.

### Business Review and Future Developments

A review of the current and future development of the Group's business is given in the Chairman's Statement, and Operations and Finance Review on pages 2 to 4.

### Results and Dividends

The loss on ordinary activities of the Group after taxation amounted to £1.768m (2013: restated loss of £1.849m). The Directors do not recommend payment of a dividend.

### Operational performance

During the year, applications to trial mine from surface as well as underground were submitted to the relevant authorities. These applications were subject to consultation between the District Mining Bureau ('DMB') and local interested parties, civic associations and other stakeholders, so that the DMB could satisfy itself and the stakeholders that all concerns connected to these applications were heard and either have been or will be addressed.

After a fair and transparent process- which included hearing various objections and appeals and consultations- in June 2014 Ortac was awarded a permit to commence trial underground mining activities. Shortly thereafter, underground mining activities started, marking a return to mining at Šturec after a break of over 20 years.

Sufficient material has now been extracted for testing and processing and this work has satisfied the terms of the Mining License Area, which has now been superseded with a Mining Permit that can be extended on application to the District Mining Bureau.

With regards to our surface mining application, a decision from the District Environmental Office is still pending although we expect this to be made during the coming year.

A Biodiversity Baseline Study ('BBS') was also completed during the year. The BBS covered an area of 50 km2 surrounding the Šturec deposit and was conducted by a team of renowned Slovak specialists and contains both qualitative and quantitative surveys of flora and fauna in the study area.

The continuation of the Group's local engagement initiatives has seen the Šturecland vision evolve into a concept that is being further developed and enhanced following feedback received. As part of these initiatives, an independent "not for profit" body ("Forum Kremnicko") was set up with financial and other support from Ortac. The development of the Forum came about as a result of the Group's recognition of the need for an independent and neutral platform created to cater for those who wished for better decision-making processes, but who did not have access to such a body.

Finally, the investment in Andiamo towards the end of the period has resulted in a current 25% shareholding in that company, who are using the invested funds to develop their advanced stage Yacob Dewar deposit. We envisage that Yacob Dewar will be of a size that could be brought into production relatively quickly, at low capital costs and provide a quick return on investment, and we will be working with Andiamo to move this project through feasibility stage, to enable it to apply for a Mining License for this deposit. At the same time Andiamo's large Haykota License exploration tenement area is, with the exception of Yacob Dewar, relatively unexplored. We believe therefore that the Haykota License area has the potential to yield further deposits of a similar natural to Yacob Dewar, and we will be working with Andiamo to develop programs to indentify other target deposits which can then be explored and developed.

## Events after the reporting period

On 3rd July 2014 Ortac announced that it had commenced underground mining at its Šturec deposit in Slovakia, which activity satisfied the Company's obligations to the Slovak Republic, for maintaining the validity of its Mining License Area.

Other than the above, at the date these financial statements were approved, being 11 August 2014, the Directors were not aware of any other significant events after the reporting period.

## Directors

The names of the Directors who served during the year are set out below:

| Director | Date of Resignation |
|---|---|
| **Executive Directors:** | |
| Anthony Balme | - |
| Vassilios Carellas | - |
| Charles Wood | 31-Jan-14 |
| **Non-Executive Directors** | |
| David Paxton | - |
| Paul Heber | - |

## Directors' Remuneration

The Group remunerates the Directors at levels commensurate with its size and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes the levels uphold these objectives. Details of the Directors' emoluments and payments made for professional services rendered are set out in note 9 to the financial statements.

## Directors' Interests

The beneficial interests of the serving Directors in the shares and options of the Company during the year to 31 March 2014 were as follows:

| | 31 March 2014 | | 1 April 2013 | |
|---|---|---|---|---|
| **Director** | Shares | Options (1) | Shares | Options (1) |
| Anthony Balme | **176,373,463** | **26,000,000** | 163,373,463 | 28,000,000 |
| Charles Wood | **-** | - | - | 49,200,000 |
| David Paxton | **29,022,220** | **17,500,000** | 29,022,220 | 10,000,000 |
| Paul Heber | **5,000,000** | **15,000,000** | 2,600,000 | - |
| Vassilios Carellas | **35,462,440** | **45,000,000** | 33,355,983 | 40,000,000 |

1) The Options issued to Directors are detailed in note 9 to the financial statements

2) Anthony Balme's shares are held as follows (a) Carter Capital Ltd holds 67,988,088 Ordinary Shares (b) Anthony Balme holds 55,878,158 Ordinary Shares (c) AMC Ltd holds 36,803,004 Ordinary Shares, (d) Anne Louise Balme (spouse) holds 5,204,213 Ordinary Shares, and Carter Capital Ltd Pension Scheme holds 10,500,000 Ordinary Shares.

3) 19,382,274 of David Paxton's shares are held by Adit Investment Ltd, a company controlled by Mr Paxton. The balance of shares is held by him personally.

None of the Directors exercised any share options during the year.

Between 31 March 2014 and 11 August 2014 there have been no changes in the interests set out above.

## Corporate Governance

A statement on Corporate Governance is set out on pages 10 to 16.

## Principal Risks and Uncertainties

A Statement on Principal Risks and Uncertainties is set out as part of the report on Corporate Governance and is also addressed in note 22 to the financial statements.

## Environmental Responsibility

The Group is aware of the potential impact that its subsidiary and associated companies may have on the environment. Accordingly, the Group ensures that with regard to the environment, it and its subsidiaries at a minimum comply with applicable European Union and local regulatory requirements, as well as the revised Equator Principles.

## Employment Policy

The Group is committed to promoting policies to ensure that high calibre employees are attracted, motivated and retained for the ongoing success of the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

## Health and Safety

The Group's aim is to maintain a high standard of workplace safety. In order to achieve this, the Group provides training and support to employees and sets demanding standards for workplace safety.

## Insurance

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company and the Group. The Group maintains insurance in respect of its exploration and development and operational programs in the Slovak Republic.

A section on uninsured risks is included as part of the Strategic Report.

## Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement, provided the supplier has met the terms and conditions. Trade payables as at 31 March 2014 were equivalent to 23 days costs (2013: 69 days).

## Political Contributions and Charitable Donations

During the year, the Group did not pay any political contributions, but paid charitable donations of £43,199 (2013: £14,864) in support of a number of local community causes in Slovakia, and of this amount £24,561 (2013: £nil ) was paid to Forum Kremnicko, which was founded to develop impartial dialogue amongst the inhabitants of the Kremnicko region about the development of natural resources associated with Sturec- see further details at http://forumkremnicko.blogspot.sk/p/what-is-forum-kremnicko.html.

## Annual General Meeting ("AGM")

The annual report and financial statements will be presented to shareholders for their approval at the AGM. Notice of the AGM will be distributed to shareholders in the near future.

## Future developments

Our focus in 2014 will be:

a) Slovakia: Submission of a Preliminary Environmental Report to the appropriate authorities and commencement of the environmental and social impact assessment to international standards; and

b). Eritrea: complete technical work required to submit an application for a mining license for the Haykota Exploration Project.

## Statement of Disclosure of Information to the Auditor

As at the date of this report the serving Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group's auditor are unaware, and

- The Directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group's auditor are aware of that information.

### Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

### Going Concern

Notwithstanding the loss incurred during the year under review, the Directors are of the opinion that ongoing evaluations of the Group's interests, together with its cash resources, support the preparation of the Group's Financial Statements on a going concern basis.

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of their loss attributable to equity holders of the Company and Group for that year. The Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group s transactions and disclose with reasonable accuracy at any time the financial position of the company and the group. 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. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market ("AIM").

### Electronic Communication

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the British Virgin Islands governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

This report was approved by the Board and was signed on its behalf:

Vassilios Carellas

Chief Executive Officer

11 August 2014

# GROUP STRATEGIC REPORT

**Ortac Resources Limited**
**Company number:** 1396532
**Registered office:** Craigmuir Chambers, Road Town, Tortola, British Virgin Islands VG 1110

The Directors of Ortac Resources Limited present their strategic report on Ortac Resources Ltd and its subsidiaries ("the Group") for the year ended 31 March 2014.

## Organisation overview

The Board of Directors ("the Board") is responsible for providing strategic direction for the Group, setting objectives and management policies and agreement on performance criteria. The Board monitors compliance with these through regular reporting, budget updates and operational reviews.

As at 31 March 2014 the Board comprises a Chief Executive Officer, an Executive Chairman, and two Non-Executive Directors. The Board believes its present composition provides an appropriate mix to conduct the Group's affairs.

The Group's business is managed on a day to day basis by the Chief Executive Officer, based at the Company's offices in London, United Kingdom. The Group's exploration and development activities in Slovakia are managed by way of Slovak incorporated entities.

The Group's investment in Andiamo is overseen through the appointment of the Executive Chairman to the board of Andiamo (subsequent to the year end) and through Ortac's Technical Director who oversees the technical work program in Eritrea.

## Strategic Approach

*Aim*

The Group's aim is to maximize shareholder value through the advancement of economic mineral deposits through the various stages of development.

*Strategy*

The Group's strategy is to continue to progress the evolution of its 100%-owned Šturec project, to consolidate the Group's holdings in Slovakia and work on the enhancement of its interests in Eritrea, which arise out of its investment into Andiamo Exploration Limited.

With a view to further acquisitions, the Group will continue to seek consolidation opportunities at various stages of development which might increase Ortac's resource inventory and maximise shareholder value. Third party companies with advanced staged projects which can be fast-tracked to achieve near term production are also being actively sought and evaluated.

The Board will continuously monitor and review its investment strategies and will in certain circumstances entertain the introduction of joint-venture partners to minimise risk, reduce Company costs and to take projects through to production.

*Business Plans*

The Group's business plan for Slovakia is to progress the development of its Šturec project by way of an ESIA process, and in conjunction with a comprehensive engagement program, develop and finalise win- win solutions endorsed by the local community and Ortac. These will then be presented for an EIA. Once these stages are completed, the penultimate step would be to initiate and complete a Definitive Feasibility Study as a precursor to securing project financings for the build out of the final project. Once these steps have been successfully completed, an application for a mining permit would then be made.

As to the Group's interest in Eritrea –the plan is to define the extent of the copper and gold mineralisation at the Yacob Dewar deposit, thus enabling Andiamo to produce a JORC compliant resource estimate for the deposit, and having completed the technical work required, to submit an application for a mining permit in respect of the Haykota Exploration Project; thereby fulfilling our commitments to Andiamo under the terms of our subscription agreement.

The Board runs the Group with a low cost base, in order to maximise the amount that is spent on exploration and development, as this is where shareholder value can be added. To this extent, the corporate office is run by a small core team with specialist skills, with other activities outsourced as appropriate, both in the United Kingdom and in Slovakia.

The Group finances its activities through periodic capital raisings with share placings. As the Group continues to develop its projects, there may be opportunities to obtain funding through other financial instruments, including royalty, debt or other arrangements with strategic parties.

## Review of business

Three events stand out for the year. The first was obtaining a licence to commence underground mining at our Šturec deposit in Slovakia, which commenced subsequent to the year end, in June 2014, which marks the return of mining to Šturec after a break of nearly 20 years. Extracted ore will be used for further test work, which will help determine the longer term development of the Šturec deposit and the economy in the Kremnicko region. This mining activity also satisfied the Company's obligations to the Slovak Republic, for maintaining the validity of its Mining License Area.

Secondly, in January 2014 Ortac entered into a subscription agreement and by year end acquired 18.47% (subsequently 25.37%) of the enlarged share capital of Andiamo Exploration Limited ('Andiamo'), a private UK incorporated Eritrean focussed mineral exploration company. Under the terms of this strategic alliance, Ortac has until December 2015 an additional right to acquire an additional 21% of Andiamo.

Thirdly, in January 2014 we raised a further 200,000,000 ordinary shares of no par value, which were issued at a price of 0.25 pence per share, for a cash consideration of £500,000 before share issue costs.

## Financial review

*Loss for the year*

The results of the Group for the year ended 31 March 2014 are set out in the Financial Statements on pages 25 to 32). The loss for the year was £1.768m, which compares with a restated loss in 2013 of £1.849m.

**Cash flows**

Cash balances during the year were augmented by a private placement concluded in January 2014 which raised £500,000 before expenses.

Total exploration costs in the year were £1,174,000 (2013: £1,390,000) net of exchange differences and amortisation).

Cash and cash equivalents as at 31 March 2014 were £2,253,000 (2013: £5,165,000).

**Net assets**

Net assets at 31 March 2014 were £15,460,000 (2013: £16,632,000) a decrease of £1,172,000.

Exploration assets increased by £947,000 (2013: £1,383,000).

## Key performance indicators

The Group is not yet producing minerals and so has no income other than bank interest and sundry activities. Consequently the Group is not expected to report profits until it disposes of or is able to profitably develop or otherwise turn to account its exploration and development projects.

The Board monitors the activities and performance of the Group on a regular basis and uses both financial and non financial indicators to assess the Group's performance. The indicators set out below were used by the Board during the year ended 31 March 2014 and will continue to be used to assess performance during the year to 31 March 2015.

The financial KPIs monitored by the Board concern levels and usage of cash. Three main financial KPIs for the Group allow it to monitor costs and plan future exploration and development activities. The Board monitors the following KPI's on a regular basis:

Finance related:

- Cash and Cash Equivalents
- Admin expenses as a percentage of total assets
- Exploration costs capitalised as intangible assets
- Share price versus its peer group

| **Financial KPIs** | **Measure** | 2014 | 2013 |
|---|---|---|---|
| Cash and cash equivalents | £ 000's | **2,253** | 5,165 |
| Administrative expenses as a % of total assets | % | **-10%** | -9% |
| Exploration costs capitalised | £ 000's | **1,174** | 1,390 |

During the year, and in line with budget, cash decreased by £2,912m (2013: £2,513m); of this approximately 40% (2013: 55%) was associated with the financing of exploration work capitalised in connection with the Šturec project. To date, the acquisition of an investment stake into Andiamo Exploration Limited ("Andiamo") has contributed to a net outflow of funds of £0.1m.

Administration expenses are those costs that are not directly related to exploration, but rather the operations of the Group. Such costs also include depreciation and Loss/gains on foreign exchange. These expenses increased in the year by 5%, largely as a result of losses incurred on Foreign exchange.

Net exploration costs capitalised as intangible assets in the year were £947,000 (2013: £1,383,000) representing continued work in Slovakia, in particular engagement, preparation and submission of the application for trial underground mining.

At 31 December 2013 the Group's intangible assets had a carrying value of £12,354,000 (2013: £11,407,000).

**Non-Financial KPIs**

The Board monitors the following key non-financial KPIs on a regular basis:

**Health and safety – number of reported incidents**

| Health & Safety | Measure | 2014 | 2013 |
|---|---|---|---|
| | No of Incidents | - | - |

There were no reportable incidents in the current or prior year.

## Principal Risks and Uncertainties

Set out below are the principal risks and uncertainties facing the Group:

### General and Economic Risks

- Contractions in the world's major economies or increases in the rate of inflation in the United Kingdom and Slovakia;
- Movements in the equity and share markets in the United Kingdom and throughout the world and particularly the UK AIM Listed market and its natural resource sector;
- Weakness in global equity and share markets in the United Kingdom, and particularly the UK AIM Listed market and adverse changes in market sentiment towards the natural resource industry in general, and particularly gold exploration and companies in that sector;
- Currency exchange rate fluctuations and, in particular, the relative prices of the UK Pound, Euro and the US dollar;
- Exposure to interest rate fluctuations in the United Kingdom in particular and specifically those connected with Sterling deposits;
- Adverse changes affecting the success of exploration and development programmes in Slovakia such as: changes in government policy and further local regulation of the industry as well as emanating from the European Union);
- Operational issues such as: increases in expenses, the availability of skilled people with the appropriate skills in Slovakia; unforeseen major failure, breakdowns or

repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; variations in grades and unforeseen adverse geological factors or prolonged weather conditions.

### Funding Risk

- The successful exploration of natural resources on any project will require very significant capital investment. The only sources of financing currently available to the Group are through the issue of additional equity capital in the Company or through bringing in partners to fund exploration and development costs. The Group's ability to raise further funds will depend on the success of its investment strategy and acquired operations. The Group, or the companies in which it has invested, may not be able to raise, either by debt or by further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

### Exploration and Development Risks

- Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs.
- Success in identifying economically recoverable reserves can never be guaranteed. The Group also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects.
- The countries in which the Group operates have native title laws that could affect exploration and development activities. The companies in which the Group has an interest may be required to undertake clean-up programmes on any contamination from their operations or to participate in site rehabilitation programmes that may vary from country to country. The Group's policy is to follow all applicable laws and regulations and the Group is not currently aware of any material issues in this regard.

### Commodity Risk

- Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Group, including global demand and supply, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices, over the long term, may adversely impact the returns of the Group's exploration projects.
- A significant reduction in global demand for gold, leading to a fall in gold prices, could lead to a significant fall in the cash flow of the Group and/or a delay in exploration and production or even abandonment of a project should it prove

uneconomical to develop, which may have a material adverse impact on the operating results and financial condition of the Group.

- Mining, processing and transportation costs also depend on many factors, including commodity prices, capital and operating costs in relation to any operational site.

### Reserve and resource estimate risk

- The Group's future reported reserves and resources are only estimates. No assurance can be given that the estimated reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral and metal reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral and metal reserve and resource estimates may require revision (either up or down) based on actual production experience.
- Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources that the Group may discover or invest in could render reserves containing relatively lower grades of these resources uneconomic to recover.

### License and permit risk

- The Group's activities will be dependent upon the grant of appropriate licences, concessions, leases, permits, and regulatory consents that may be withdrawn or made subject to limitations. There can be no assurance that they will be granted or renewed or, if so, on what terms. There is also the possibility that the terms of any licence may be changed or other than as represented or expected.

### Country risk

- The licences and operations of the Group are outside the United Kingdom and accordingly there will be a number of risks which the Group will be unable to control. Whilst the Group will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Group's activities will be adversely affected by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences and changes to the laws governing mineral exploration and operations.
- Both the Slovak Republic- the principle focus of the Group's current activity, and Eritrea – the focus of Andiamo's exploration and development projects, offer stable political frameworks.

### Environmental risk

- The environmental impact of the Group's projects to date is largely limited to activities associated with exploration activities. The ultimate development of any project will inevitably impact considerably on the local landscape and communities. The projects sit in areas of considerable natural beauty; therefore, there is likely to be opposition to mining by some parties. This may impact on the cost and/or Group's ability to sell or move these projects into production.

- While the Group believes that its operations and future projects are currently, and will be, in compliance with all relevant material environmental and health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to, or stringent enforcement of, existing laws and regulations will not be introduced.

### Key personnel risk

- The Group and Company is dependent upon the executive management team and various technical consultants. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on their ability to recruit and retain high quality and experienced staff. The loss of the services of key personnel, or the inability to attract additional qualified personnel as the Group grows, could have an adverse effect on future business and financial conditions.

### Financial risks

- The Group's operations expose it to a variety of financial risks, particularly relating to foreign currency exchange rates as a result of the Group's foreign operations. Details of the Group's financial risk management objectives are set out in Note 22 to the Financial Statements.

### Uninsured risk

- The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

This Strategic Report was approved by the Board of Directors on 11 August 2014.

Hugo Green

Company Secretary

# CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Group is not required to comply with the UK Corporate Governance Code, the Group's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Corporate Governance in relation to the size and the stage of development of the Group. However, it should not be considered that the Group has voluntarily complied with the Code.

## Board of Directors

The Board of Directors currently comprises two Executive Directors and two Non-Executive Directors. The Directors are of the opinion that the Board composition contains a suitable balance. The Board maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of shareholders about the Group.

## Board Meetings

The Board meets regularly throughout the year. For the year ended 31 March 2014, the Board met nine times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the parent Company's solicitors. Necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Group's expense, as and when required.

## Board Committees

The Board has established the following committees, each of which has its own terms of reference:

### Audit Committee

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises two non executive Directors: Paul Heber (Chairman) and David Paxton, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on and in this capacity interacts as needed with the Group's External Auditors.

### Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior executives. It comprises two non executive Directors: David Paxton (Chairman) and Paul Heber. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board.

Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee also gives regard to the terms that may be required to attract equivalent experienced executives to join the Board from other companies.

### Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are adequate and effective.

### Risk Management

The Board considers risk assessment important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management who compare actual progress to forecasts. Project milestones and timelines are regularly reviewed.

### Risks and uncertainties

Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system. The principal risks facing the Group are set out in the Strategic Report.

### Risk Management and Treasury Policy

The Board considers risk assessment to be important in achieving its strategic objectives, with the Board regularly reviewing its projects and activities in this regard.

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Please refer to note 22 to the financial statements below.

### Securities Trading

The Board has adopted a Share Dealing Code that applies to Directors, senior management and any employee who is in possession of "inside information". All such persons are prohibited from trading in the Company's securities if they are in possession of "inside information". Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

### Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company's website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

# INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORTAC RESOURCES LIMITED**

We have audited the Financial Statements of Ortac Resources Limited for the year ended 31 March 2014 which comprise the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Cash Flows, the Group and Company Statements of Changes in Equity 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.

This report is made solely to the Company's members, as a body. 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, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 March 2014 and of their respective losses for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

**PKF Littlejohn LLP**
**Chartered Accountants and Registered Auditor**

1 Westferry Circus
Canary Wharf
London E14 4HD

11 August 2014

# FINANCIAL STATEMENT

## Group Statement of Comprehensive Income for the Year ended 31 March 2014

| | Notes | **Year to 31 March 2014 £ 000s** | (Restated) Year to 31 March 2013 £ 000s |
|---|---|---|---|
| **Revenue** | | **-** | **-** |
| Other Income | **3** | **24** | 32 |
| Administrative expenses | **4** | **(1,546)** | (1,463) |
| Share-based payments | **9, 20, 27** | **(258)** | (103) |
| Impairment of available for sale financial asset | **15** | **-** | (240) |
| Impairment of intangible assets | **5, 12** | **-** | (105) |
| **Group loss** | | **(1,780)** | (1,879) |
| Finance Income | **11** | **12** | 30 |
| **Loss before income tax** | | **(1,768)** | (1,849) |
| Income tax expense | **7** | **-** | - |
| **Loss for the year from continuing operations** | | **(1,768)** | (1,849) |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Currency translation differences | | **(162)** | 83 |
| **Other comprehensive income for the year, net of tax** | | **-** | - |
| **Total comprehensive income for the year** | | **(1,930)** | (1,766) |
| **Attributable to:** | | | |
| Owners of the parent | | **(1,930)** | **(1,766)** |
| **There are no discontinued activities** | | | |
| **Loss per share from continuing and discontinued operations attributable to owners of the parent during the year** | | | |
| - Basic & diluted (pence per share) | **10** | (0.08) | (0.08) |

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

## Company Statement of Comprehensive Income for the Year ended 31 March 2014

| | Notes | Year to 31 March 2014 £ 000s | (Restated) Year to 31 March 2013 £ 000s |
|---|---|---|---|
| **Revenue** | | **-** | **-** |
| Administrative expenses | **4** | **(868)** | (680) |
| Share-based payments | **9, 20, 27** | **(258)** | (103) |
| Impairment of available for sale financial asset | **15** | **-** | (240) |
| **Operating loss** | | **(1,126)** | (1,023) |
| Finance Income | **11** | **12** | 30 |
| **Loss before income tax** | | **(1,114)** | (993) |
| Income tax expense | **7** | **-** | - |
| **Loss for the year** | | **(1,114)** | (993) |
| **Other comprehensive income** | | | |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| Currency translation differences | | - | - |
| **Other comprehensive income for the year** | | **-** | - |
| **Total comprehensive income for the year, net of tax** | | **(1,114)** | (993) |

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

## Group Balance Sheet as at 31 March 2014

| | Note | 31 March 2014<br>£ 000s | (Restated)<br>31 March 2013<br>£ 000s |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | **12** | **12,354** | 11,407 |
| Property, plant and equipment | **13** | **273** | 326 |
| **Total non-current assets** | | **12,627** | 11,733 |
| **Current assets** | | | |
| Inventories | **16** | **5** | 9 |
| Trade and other receivables | **17** | **195** | 142 |
| Available for sale financial assets | **15** | **604** | 70 |
| Cash & cash equivalents | **22** | **2,253** | 5,165 |
| **Total current assets** | | **3,057** | 5,386 |
| **TOTAL ASSETS** | | **15,684** | 17,119 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and Other payables | **18** | **(224)** | (487) |
| **TOTAL LIABILITIES** | | **(224)** | (487) |
| **NET ASSETS** | | **15,460** | 16,632 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | |
| Share capital | **19** | **-** | - |
| Share premium | **21** | **30,411** | 29,911 |
| Share based payments reserve | | **2,301** | 2,043 |
| Foreign exchange reserve | | **(39)** | 133 |
| Retained earnings | | **(17,213)** | (15,455) |
| **TOTAL EQUITY** | | **15,460** | 16,632 |

These financial statements were approved by the Board of Directors on 11 August 2014 and signed on its behalf by:

| Anthony Balme | Vassilios Carellas |
|---|---|
| **Executive Chairman** | **Chief Executive Officer** |

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

## Company Balance Sheet as at 31 March 2014

| | Notes | 31 March 2014<br>£ 000s | (Restated)<br>31 March 2013<br>£ 000s |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 6 | 12 |
| Investment in subsidiaries | 14 | 7,485 | 7,485 |
| Trade and other receivables | 17 | 7,951 | 6,013 |
| **Total non-current assets** | | 15,442 | 13,510 |
| **Current assets** | | | |
| Trade and other receivables | 17 | 17 | 17 |
| Available for sale financial assets | 15 | 605 | 70 |
| Cash and cash equivalents | | 2,199 | 5,006 |
| **Total Current Assets** | | 2,821 | 5,093 |
| **TOTAL ASSETS** | | 18,263 | 18,603 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 18 | (38) | (22) |
| **TOTAL LIABILITIES** | | (38) | (22) |
| **NET ASSETS** | | 18,225 | 18,581 |
| **EQUITY ATTRIBUTABLE TO SHAREHOLDERS** | | | |
| Share capital | 19 | - | - |
| Share premium | 21 | 30,411 | 29,911 |
| Share based payments reserve | | 2,301 | 2,043 |
| Retained earnings | | (14,487) | (13,373) |
| **TOTAL EQUITY** | | 18,225 | 18,581 |

These financial statements were approved by the Board of Directors on 11 August 2014 and signed on its behalf by:

Anthony Balme — **Executive Chairman**

Vassilios Carellas — **Chief Executive Officer**

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

## Group Statement of Cash Flows for the Year ended 31 March 2014

| | Notes | Year to 31-Mar-14 £ 000s | (Restated) Year to 31-Mar-13 £ 000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | **(1,768)** | (1,849) |
| Finance income | | **(12)** | (30) |
| Share based payments | **9, 19** | **258** | 103 |
| Impairment of available for sale financial asset | | **-** | 240 |
| Impairment of intangibles | | **-** | 105 |
| Loss on sale of available for sale financial asset | **15** | **32** | - |
| Exchange difference | | **70** | (52) |
| Depreciation | **12, 13** | **28** | 79 |
| **Operating loss before changes in working capital** | | **(1,392)** | (1,404) |
| | | | |
| Decrease/(Increase) in inventories | **16** | **4** | (2) |
| Increase in trade and other receivables | **17** | **(53)** | (3) |
| (Decrease)/Increase in trade and other payables | **18** | **(263)** | 303 |
| **Net cash used in operating activities** | | **(1,704)** | (1,106) |
| | | | |
| **Cash flows used in investing activities** | | | |
| Purchase of intangible assets | **12** | **(1,174)** | (1,390) |
| Proceeds/(purchases) of property, plant, and machinery | **13** | **21** | (47) |
| Purchase of available-for-sale financial assets | **15** | **(605)** | - |
| Proceeds from sale of available for sale investments | **15** | **38** | - |
| | | | |
| Interest received | **11** | **12** | 30 |
| **Net cash used in investing activities** | | **(1,708)** | (1,407) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | **19** | **500** | **-** |
| **Net cash from financing activities** | | **500** | - |
| | | | |
| **Net decrease in cash and cash equivalents** | | **(2,912)** | (2,513) |
| Cash and cash equivalents at beginning of year | | **5,165** | 7,678 |
| **Cash and cash equivalents at end of the year** | **22** | **2,253** | 5,165 |

There were no material non-cash items.

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

## Company Statement of Cash Flows for the Year Ended 31 March 2014

| | Notes | Year to 31-Mar-14 £ 000s | (Restated) Year to 31-Mar-13 £ 000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before taxation | | **(1,114)** | (993) |
| Finance income | | **(12)** | (30) |
| Share-based payments | **9, 19** | **258** | 103 |
| Impairment of available for sale financial asset | **15** | **-** | 240 |
| Loss on sale of available for sale financial asset | **15** | **32** | - |
| Depreciation | **12, 13** | **6** | 5 |
| **Operating loss before changes in working capital** | | **(830)** | (675) |
| (Increase)/decrease in trade and other receivables | **17** | **-** | (13) |
| Increase/(decrease) in trade and other payables | **18** | **16** | (13) |
| **Net cash used in operating activities** | | **(814)** | (701) |
| **Cash flows used in investing activities** | | | |
| Loans to subsidiaries | **17** | **(1,938)** | (1,901) |
| Proceeds from sale of property, plant and equipment | **13** | **-** | (3) |
| Purchase of available-for-sale financial assets | **15** | **(605)** | - |
| Proceeds from sale of available for sale financial assets | **15** | **38** | - |
| Interest received | **11** | **12** | 30 |
| **Net cash used in investing activities** | | **(2,493)** | (1,874) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | **19** | **500** | - |
| **Net cash from financing activities** | | **500** | - |
| **Net decrease in cash and cash equivalents** | | **(2,807)** | (2,575) |
| Cash and cash equivalents at beginning of year | | **5,006** | 7,581 |
| **Cash and cash equivalents at end of the year** | | **2,199** | 5,006 |

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

## Group Statement of Changes in Equity for the Year ended 31 March 2014

| | Attributable to the owners of the parent | | | | | |
|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Foreign exchange reserve** | **Share based payment reserve** | **Retained earnings** | **Total equity** |
| | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s |
| **Balance as at 1 April 2012 (as previously reported)** | - | 29,994 | (58) | 1,857 | (13,498) | 18,295 |
| Loss for the year (Restated) | - | - | - | - | (1,849) | (1,849) |
| Items that may be subsequently reclassified to profit or loss | | | | | | |
| Currency translation differences (Restated) | - | - | 191 | - | (108) | 83 |
| Other comprehensive income for the year (Restated) | - | - | 191 | - | (108) | 83 |
| **Total comprehensive income for the year (Restated)** | - | - | 191 | - | (1,957) | (1,766) |
| **Balance as at 31 March 2013 (Restated)** | **-** | **29,994** | **133** | **1,857** | **(15,455)** | **16,529** |
| Issue of warrants (Restated) | - | **(83)** | - | **83** | - | - |
| Share based payments (Restated) | - | - | - | **103** | **-** | **103** |
| **Total transactions with owners, recognised directly in equity (Restated)** | **-** | **(83)** | **-** | **186** | **-** | **103** |
| **Balance as at 31 March 2013 (Restated)** | **-** | **29,911** | **133** | **2,043** | **(15,455)** | **16,632** |
| **Balance as at 1 April 2013** | **-** | **29,911** | **133** | **2,043** | **(15,455)** | **16,632** |
| Loss for the year | **-** | **-** | **-** | | **(1,768)** | **(1,768)** |
| Items that may be subsequently reclassified to profit or loss | | | | | | |
| Currency translation differences | - | - | (172) | - | 10 | (162) |
| Other comprehensive income for the year | **-** | **-** | **(172)** | **-** | **10** | **(162)** |
| **Total comprehensive income** | **-** | **-** | **(172)** | **-** | **(1,758)** | **(1,930)** |
| Share capital issued | **-** | **500** | **-** | **-** | **-** | **500** |
| Share based payments | **-** | **-** | **-** | **258** | **-** | **258** |
| **Total transactions with owners, recognised directly in equity** | **-** | **500** | **-** | **258** | **-** | **758** |
| **Balance as at 31 March 2014** | **-** | **30,411** | **(39)** | **2,301** | **(17,213)** | **15,460** |

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

### Company Statement of Changes in Equity for the Year ended 31 March 2014

| | Attributable to equity shareholders | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Share based payment reserve** | **Retained earnings** | **Total equity** |
| | £ 000s | £ 000s | £ 000s | £ 000s | £ 000s |
| **Balance as at 1 April 2012 (as previously reported)** | - | 29,994 | 1,857 | (12,380) | 19,471 |
| Loss for the year (Restated) | - | - | - | (993) | (993) |
| **Total comprehensive income for the year (Restated)** | - | - | - | (993) | (993) |
| **Balance as at 31 March 2013 (Restated)** | **-** | **29,994** | **1,857** | **(13,373)** | **18,478** |
| Issue of warrants (Restated) | **-** | **(83)** | **83** | **-** | **-** |
| Share based payments (Restated) | **-** | **-** | **103** | **-** | **103** |
| **Total transactions with owners, recognised directly in equity (Restated)** | **-** | **(83)** | **186** | **-** | **103** |
| **Balance as at 31 March 2013 (Restated)** | **-** | **29,911** | **2,043** | **(13,373)** | **18,581** |
| **Balance as at 1 April 2013** | **-** | **29,911** | **2,043** | **(13,373)** | **18,581** |
| Loss for the year | - | - | 258 | **(1,114)** | **(856)** |
| **Total comprehensive income for the year** | **-** | **-** | **258** | **(1,114)** | **(856)** |
| Share capital issued | - | **500** | - | - | **500** |
| **Total transactions with owners, recognised directly in equity** | **-** | **500** | **-** | **-** | **500** |
| **Balance as at 31 March 2014** | **-** | **30,411** | **2,301** | **(14,487)** | **18,225** |

The notes on pages 33 to 57 are an integral part of these consolidated financial statements

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Summary of Significant Accounting Policies

### a. General Information and Authorisation of Financial Statements

The Company is registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1396532. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The Group Financial Statements of Ortac Resources Limited for the year ended 31 March 2014 were authorised for issue by the Board on 11 August 2014 and the Balance Sheets were signed on the Board's behalf by Mr. Anthony Balme and Mr. Charles Wood.

### b. Statement of Compliance with IFRS

The following new IFRS standards and/or amendments to IFRS standards are mandatory for the first time for the Group. Except as otherwise noted as being irrelevant to the Group, the implementation of these standards did not have a material effect on the Group:

| Standard | | Effective date |
|---|---|---|
| IAS 12 | Amendment to IAS 12 – Deferred tax: Recovery of underlying assets | I January 2012*4 |
| IAS 19 | Amendment to IAS 19 – Employee benefits (corridor method) | 1 January 2013 |
| IFRIC 20 | Stripping costs in the production phase of surface mine | 1 January 2013 |
| IAS 1 | Amendments to IAS 1 "Presentation of Financial Statements" – presentation of items of Other Comprehensive Income | 1 July 2012*4 |
| IFRS 1 | Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Government Loans | 1 January 2013*2 |
| IFRS 7 | Amendments to IFRS 7 "Financial Instruments: Disclosures" – offsetting financial assets and financial liabilities | 1 January 2013 |
| IFRS 13 | Fair value measurement | 1 January 2013 |
| Annual Improvements (Issued May 2012) | Annual Improvements to IFRSs 2009–2011 Cycle (Amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) | 1 January 2013 |

Standards, amendments and interpretations that have been issued, but are not yet effective or have not yet been EU-endorsed and have not been early adopted are as follows:

| Standard | | Effective date |
|---|---|---|
| IFRS 10 | Consolidated financial statements | 1 January 2013*1 |
| IFRS 11 | Joint arrangements | 1 January 2013*1 |
| IFRS 12 | Disclosure of interest in other entities | 1 January 2013*1 |
| IAS 27 | Separate financial statements | I January 2013*1 |
| IAS 28 | Investments in associates and joint ventures | 1 January 2013*1 |
| IAS 19 (Amendment 2011) | Employee benefits – Defined benefit plans: employee contributions | 1 July 2014*3 |
| IAS 27 (Amendment 2011) | Separate financial statements – investment entities | 1 January 2013*1 |
| IAS 28 (Amendment 2011) | Investments in associates and joint ventures | 1 January 2013*1 |

| Standard | | Effective date |
|---|---|---|
| IFRS 10,IFRS12 and IAS 27 (Amendments issued October 2012) | Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27) | 1 January 2014 |
| IAS 32 (Amendment 2011) | Offsetting financial assets and financial liabilities | 1 January 2014 |
| IAS 36 (Amendments issued May 2013) | Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| IAS 39 (Amendments issued June 2013) | Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IAS 39, IFRS 7 and IFRS 9 (amendment November 2013) | Hedge accounting | No mandatory effective date |
| IFRS 7 and 9 (amendment December 2011) | Mandatory effective date and transition disclosures | No mandatory effective date |
| IFRS 10, IFRS 11, and IFRS 12 (Amendments) | Amendments re Transition guidance | 1 January 2014 |
| IFRIC 21 | IFRIC Interpretation 21 “Levies” | 1 January 2014 |
| IFRS 9 | Financial instruments | No mandatory effective date |
| IAS 16 and IAS 38 (Amendments) | Clarification of acceptable methods of depreciation and amortization | 1 January 2016*[3] |
| IFRS 11 (Amendment) | Accounting for acquisition of interests in joint operations | 1 January 2016*[3] |
| IFRS 14 | Regulatory deferral accounts | 1 January 2016*[3] |
| IFRS 15 | Revenue from contracts with customers | 1 January 2017*[3] |
| Annual Improvements | Annual Improvements to IFRSs 2010–2012 Cycle (Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38) | 1 July 2014*[3] |
| Annual Improvements | Annual Improvements to IFRSs 2011–2013 Cycle (Amendments to IFRS 1, IFRS 3, IFRS 13, IAS 40) | 1 July 2014*[3] |
| IAS 16 and IAS 41 (Amendments) | Property, plant and equipment and Agriculture: Bearer Plants | 1 January 2016*[3] |

1. Effective date 1 January 2014 for the EU.
2. Not relevant to the Group
3. Not yet endorsed by the EU.
4. Effective date 1 January 2013 for the EU.
5. Effective date 1 July 2014 for the EU.

The Group has not early adopted these amendments and new standards and is currently assessing the impact that these items will have on the consolidated financial statements.

### c. Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of available-for-sale financial assets as described in the accounting policies below, and they have also been prepared on a going concern basis.

The financial information is presented in Pounds Sterling (£) and all values are rounded to the nearest thousand Pounds Sterling (£ 000’s) unless otherwise stated.

The financial statements of the year ended 31 March 2013 have been restated as per Note 27 to correct a prior period error resulting from the cost of warrants and options issued and expiring in 2013 not being charged to the financial statements.

**d. Basis of Consolidation**

The consolidated financial statements incorporate the results of the Company and its subsidiaries (the "Group") using the acquisition method. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. In the Group Balance Sheet, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. The results of acquired or disposed operations are included in the Group Statement of Comprehensive Income from the date on which control is obtained, or up to the date of disposal. Inter-company transactions and balances between Group companies are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**e. Going Concern**

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 2 and 4; in addition note 22 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors consider that the Group has sufficient funds to undertake its operating activities for a period of at least the next 12 months following approval of the consolidated financial statements, including any additional payments required in relation to its current exploration projects. The Group has financial resources which will be sufficient to fund the Group's committed expenditure both operationally and on its exploration projects for the foreseeable future. However, as additional projects are identified and the projects moves towards production, additional funding will be required. The amount of funding is unforeseen at the point of approval of these Financial Statements and the Group will be required to raise additional funds either via an issue of equity or through the issuance of debt.

The Directors are confident that funds will be forthcoming if and when they are required and therefore have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these Financial Statements.

**f. Business combinations**

The acquisition of subsidiaries in a business combination is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *"Non Current*

*Assets Held for Sale and Discontinued Operations*", which are recognised and measured at fair value less costs to sell.

Where there is a difference between the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the business combination, any excess cost is recognised as goodwill under intangibles within the Group Balance Sheet and any excess net fair value is recognised immediately in the Income Statement as negative goodwill on acquisitions of subsidiaries.

Any interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. There are no minority/non- controlling shareholders of subsidiaries.

**g. Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, the Group's chief operating decision-maker.

**h. Contingent consideration**

Contingent consideration is chargeable to the profit and loss in the period in which it is recognised as payable. See note 25 below.

**i. Revenue**

The Group and Company had no revenue during the years ended 31 March 2014 and 31 March 2013.

**j. Foreign currencies**

The Group and Company's functional currency is Pounds Sterling. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. At present the functional currency of all of the Slovakian subsidiaries is Euro.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- non-monetary assets and liabilities for each balance sheet presented are translated at the historic rate at the date of that transaction;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates; and all resulting exchange differences are recognised in other comprehensive income where material.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such cumulative exchange differences are subsequently reclassified in the income statement as part of the gain or loss on sale.

**k. Taxation**

Tax is recognised in the Income Statement/Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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 and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets and liabilities are not discounted.

There has been no tax credit or expense for the period relating to current or deferred tax.

**l. Intangible Assets**

Goodwill

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

Exploration and evaluation assets

Exploration and development costs are carried forward in respect of areas of interest where the consolidated entity’s rights to tenure are current and where these costs are expected to be recouped through successful development and exploration, or by sale. Alternatively, these costs are carried forward while active and significant operations are continuing in relation to the areas of interest and it is too early to make reasonable assessment of the existence or otherwise of economically recoverable reserves. When the area of interest is abandoned, exploration and evaluation costs previously capitalised are amortised to the Income Statement.

In accordance with the full cost method, costs incurred by the Company on behalf of its subsidiaries and associated with mining development and investment 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 a mining development project is successful, the related expenditures will be written-off over the estimated life (useful economic life) of the commercial ore reserves on a unit of production basis. Impairment reviews are carried out regularly by the Directors of the Company. Where a project is abandoned, or is considered to be of no further commercial value, the related costs will be written off to the Income Statement.

The recoverability of deferred mining costs and mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposal of recoverable reserves.

**m. Significant Accounting Judgements, Estimates and Assumptions**

*Critical Accounting Estimates and Judgements*

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

*Critical accounting estimates*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

i) Impairment of Intangible assets

**Exploration and evaluation** costs have a carrying value at 31 March 2014 of £12,084,000 (2013: £11,137,000). Management tests annually whether exploration projects have future economic value in accordance with the accounting policy stated in note aa. below). Each exploration project is subject to an annual review. When there are indications that an asset may be impaired, the Group is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell.

Determining the value in use requires the Group to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. If this proves to be incorrect and the project does not have any value, the exploration and evaluation costs will be written off to the Income Statement.

**Goodwill** has a carrying value at have a carrying value at 31 March 2014 of £ 270,000 (2013: £270,000). The Group tests annually whether goodwill has suffered any impairment. Management has concluded that there is no impairment charge necessary to the carrying value of goodwill.

Further information as to the impairment review carried out by the Directors can be found in notes 5 and 12.

ii) Available for sale financial assets

Available-for-sale financial assets consist of equity investments that are neither classified as held for trading nor designated at fair value through profit or loss. After initial recognition whereby these are recognised at cost being their initial fair value, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the Income Statement within finance costs.

During the year, Ortac Resources Limited made an investment in Andiamo Exploration Limited of £605,000 (2013: £nil), which is treated as an available for sale financial asset. Given it is an unquoted company, the available for sale financial assets is categorised as Level 3, which is described in more detail within Note 22.

iii) Share-based payments

The Directors are required to make certain estimates when determining the fair value of share options and warrants issued (“awards”), and the number of awards that are expected to vest. These estimates affect the amount recognized as share based payments in the Income Statement in respect of share based payments. The assumptions made have been described in more detail in accounting policy x), cc) and note 20 below.

Were the actual number of awards that vest to differ by 10% from management’s estimates the overall option charge would increase/decrease by £26,000 (2013 as restated: £10,300).

iv) Contingent Liability

As referred to in note 25, the contingent consideration arrangement requires Ortac Resources UK Limited to pay vendor royalties of up to US$3,750,000 -£2,253,335 at 31 March 2014- (2013: -£2,440,940) in either shares or cash-being $15 per ounce on the first 250,000 ounces of gold equivalent (gold plus silver) resource defined as proven and probable reserve in the bankable feasibility study. This will become payable within 60 days of all required permits being obtained to allow commercial production at the Kremnica property.

The fair value of the above have been determined on the basis that the Directors are confident that the resource threshold referred to above will be exceeded, and in which case the carrying value is the maximum vendor royalties payable, as translated at year end US$/ Sterling exchange rates.

The Directors estimate that the carrying value of contingent consideration would be £ 65,726 lower or £ 65,726 higher if the US$ exchange rate was to change by 5% from its year end rate.

**n. Finance Income**

Finance income consists of bank interest on cash and cash equivalents which is recognised as accruing on a straight line basis, over the period of the deposit.

There is no finance income in respect of the available for sale financial assets.

**o. Cash and Cash Equivalents**

Cash and Cash Equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**p. Inventories**

Inventories largely consist of operational and maintenance consumables held and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method, and the Directors are of the opinion that there is no significant difference between cost and net realisable value, and no provisions are required.

**q. Trade and Other Receivables**

Trade receivables, which generally have 15-day terms, are recognised initially at cost, being their initial fair value. These are classified as loans and receivables, and so are subsequently carried at cost using the effective interest method. The Directors are of the view that such items are collectible and no provisions are required.

**r. Investments**

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

**s. Financial Instruments**

The Group's financial instruments are classified as loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and comprise trade and other receivables and cash and cash equivalents (see separate accounting policies for these items).

Available-for-sale financial assets are non-derivatives that are not included in any other category, and comprise current asset investments. They are initially recognised at fair value plus transaction costs, and are subsequently carried at fair value with changes in fair value being recognised in other comprehensive income, except where impaired as per note m) ii)

Trade and other payables are classified as financial liabilities, and are initially recognised a cost, being its fair value, and subsequently measured at amortised cost using the effective interest method. Any interest is recognised as a finance cost within the Income Statement.

There is no material difference between the carrying values and fair value of the Group's financial instruments.

**t. Share capital:**

This represents the nominal value of the equity shares in issue.

**u. Share premium:**

When shares are issued, any premium paid above the nominal value is credited to the share premium reserve.

**v. Retained earnings:**

This records the accumulated profits and losses of the Group since inception of the business and adjustments relating to options and warrants.

**w. Available for sale investment reserve.**

This reserve is used to record the fair value movements in available for sale financial assets as per note m (ii) and s).

**x. Share-based payments reserve**

This reserve is used to record the value of share-based payments provided to employees and Directors as part of their remuneration and provided to consultants and advisors hired by the Group from time to time as part of the consideration paid. The reserve represents the fair value of options and performance share rights recognised as an expense. Upon exercise of options or performance share rights, any proceeds received are credited to share capital and share premium.

**y. Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the retranslation of monetary items forming part of the net investment in those subsidiaries.

**z. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Property 20% or straight line over the period of the lease- whichever is the lesser;
- Plant and Equipment – between 5% and 25%

All assets are subject to annual impairment reviews.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

The asset's residual value and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the Income Statement.

**aa. Impairment of Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**bb. Trade and Other Payables**

Trade and other payables are carried at amortised cost under the effective interest method and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**cc. Share-based payments**

The Group provides benefits to senior personnel, consultants and advisors of the Group in the form of share-based payments, whereby such parties render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with such parties is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ortac Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired and;

(ii) the Group’s best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date. The charge to the Income Statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings/(loss) per share.

**dd. Operating leases**

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the Income Statement on a straight-line basis over the period of the respective leases.

**ee. Earnings per share**

Basic Earnings per share is calculated as total comprehensive income attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted Earnings per share are calculated as total comprehensive income for the period attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, such as share based payments;
- All divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## 2. Segmental Analysis

Segment information has been determined based on the information reviewed by the Board, being the Group's chief operating decision-maker, for the purposes of allocating resources and assessing performance. No revenue is currently being generated.

There are no transactions occurring during the year, or comparative year, between reportable segments, that affect the Income Statement.

Head office activities are mainly administrative in nature and are located in the UK/BVI whilst the activities in Slovakia relate to exploration and evaluation work.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**By geographical area**

| **31 March 2014** | UK/BVI<br>£ 000's | Slovakia<br>£ 000's | Total<br>£ 000's |
|---|---|---|---|
| **Result** | | | |
| Operating loss | (1,652) | (128) | **(1,780)** |
| Impairment Provision | - | - | **-** |
| Finance income | 12 | - | **12** |
| Loss on available for sale financial assets | - | - | **-** |
| **Loss before & after taxation** | **(1,640)** | **(128)** | **(1,768)** |
| | | | |
| **Other information** | | | |
| Depreciation | 1 | 27 | **28** |
| Capital additions | - | (1,153) | **(1,153)** |
| | | | |
| **Assets** | | | |
| Non current Assets | 27 | 12,600 | **12,627** |
| Non cash current assets | 717 | 87 | **804** |
| Cash and equivalent | 2,208 | 45 | **2,253** |
| Consolidated total assets | **2,952** | **12,732** | **15,684** |
| | | | |
| **Liabilities** | | | |
| Non current liabilities | - | - | **-** |
| Current liabilities | (129) | (95) | **(224)** |
| Consolidated total liabilities | **(129)** | **(95)** | **(224)** |

**By geographical area**

| **31 March 2013** | UK/BVI | Slovakia | Total |
|---|---|---|---|
| | £ 000's | £ 000's | £ 000's |
| **Result** | | | |
| Operating loss (Restated) | (1,565) | (314) | (1,879) |
| Impairment Provision | - | (105) | (105) |
| Finance income | 30 | - | 30 |
| Loss on available for sale financial assets | (240) | - | (240) |
| **Loss before & after taxation (Restated)** | (1,775) | (419) | (2,194) |
| | | | |
| **Other information** | | | |
| Depreciation | (118) | 156 | 38 |
| Capital additions | (6) | (1,431) | (1,437) |
| | | | |
| **Assets** | | | |
| Non current Assets | 50 | 11,683 | 11,733 |
| Non cash current assets | 159 | 62 | 221 |
| Cash and equivalent | 5,019 | 146 | 5,165 |
| Consolidated total assets | 5,228 | 11,891 | 17,119 |
| | | | |
| **Liabilities** | | | |
| Non current liabilities | - | - | - |
| Current liabilities | (237) | (250) | (487) |
| Consolidated total liabilities | (237) | (250) | (487) |

## 3. Other income

| | 2014 | 2013 |
|---|---|---|
| | £ 000's | £ 000's |
| Rental income | **18** | 32 |
| Other sundry income | **6** | - |
| | **24** | 32 |

## 4. Expenses by nature

| | **Group** | **Company** | Group | Company |
|---|---|---|---|---|
| | 2014 | 2014 | 2013 | 2013 |
| | £ 000's | £ 000's | £ 000's | £ 000's |
| Directors' fees | **296** | **202** | 320 | 201 |
| Wages and salaries | **268** | **98** | 231 | 88 |
| Establishment expenses | **126** | **20** | 125 | 17 |
| Loss/(gain) on foreign exchange | **164** | **103** | (29) | - |
| Travel and subsistence expenses | **147** | **78** | 158 | 25 |
| Legal and professional fees | **175** | **124** | 216 | 133 |
| AIM related costs including Public Relations | **193** | **181** | 212 | 192 |
| Auditor's remuneration – audit | **45** | **21** | 42 | 18 |
| Loss on sale of Quoted investment | **32** | **32** | - | - |
| Donations and Sponsorship | **44** | **-** | 15 | - |
| Depreciation and amortization | **28** | **6** | 143 | 5 |
| Impairment | **-** | **-** | - | - |
| Other expenses | **28** | **3** | 30 | 1 |
| Total operating expenses | **1,546** | **868** | 1,463 | 680 |

Establishment expenses includes £46,780 (2013: £49,413) relating to operating lease payments in connection with the Group's rental of office space in London.

Auditor's remuneration includes £24,000 (2013: £24,000) relating to the audit of the subsidiary companies. Professional fee's include £3,375 (2013: £4,279) relating to non audit related fees paid to the Group's auditors.

## 5. Impairment

An impairment review of exploration and evaluation assets is carried on out an annual basis in order to ensure that it is valued at the lower of cost and recoverable amount. Following their assessment the Directors concluded that no impairment of exploration and evaluation assets was necessary as at 31 March 2014 (2013: £105,000) and that no impairment of goodwill was required either (2013: £nil).

## 6. Employee Information

The average number of persons employed in the Group, including Executive Directors, was:

| | 2014 | 2013 |
|---|---|---|
| **Staff Costs comprised:** | £ 000's | £ 000's |
| Wages and salaries | **486** | 458 |
| Less: capitalised exploration expenditure | **(218)** | (227) |
| Charge to the Income Statement | **268** | 231 |

| | 2014 | 2013 |
|---|---|---|
| **Average number of persons employed:** | Number | Number |
| Operations | **16** | 14 |
| Administration | **4** | 4 |
| | **20** | 18 |

## 7. Taxation

The taxation charge on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses of the consolidated entities as follows:

| | **2014** | **2013** |
|---|---|---|
| | | (Restated) |
| | £ 000's | £ 000's |
| Loss on ordinary activities before tax | **(1,769)** | (1,849) |
| Current tax at 8.74% (2013:12.21%) | **(155)** | (226) |
| Effects of: | | |
| Permanent difference | **9** | 84 |
| Fixed asset timing differences | **4** | (9) |
| Unutilised losses | **143** | 151 |
| Total tax | - | - |

No taxation has been provided due to losses in the year.

The weighted average applicable tax rate of 8.74% (2013: 12.21%) used is a combination of the 24% standard rate of corporation tax in the UK, 22% Slovakian corporation tax and 0%

BVI corporation tax. There is a minor change this year, due to the UK standard rate of corporation tax falling to 24% and Slovakian standard taxation rate reducing to 22%.

There are tax losses in the Group of £4,421,000 (2013 Restated: £3,757,000) which are carried forward for relief in future periods. The potential deferred tax asset of £926,000 (2013 Restated: £884,000) has not been recognised in respect of these losses as there is presently insufficient evidence of the timing of suitable future profits against which they can be recovered.

**Factors that may affect future tax charges:**

The UK government legislated during 2012 to reduce the main rate of corporation tax to 23%, applicable from 1 April 2013. On 17 July 2013, legislation was enacted to further reduce the UK corporation tax rate. The new tax rates are 21% for income earned from 1 April 2014 and 20% from 1 April 2015. The effect of the reduction to 20% is reflected in the deferred tax balance disclosure note. No further changes are foreseen to the future tax rates in the Slovak Republic or the BVI.

## 8. Dividends

No dividends were paid or are proposed.

## 9. Directors' Remuneration

| | 2014<br>£ 000's | 2013<br>£ 000's |
|---|---|---|
| Directors' remuneration | **408** | 467 |

| **2014** | Directors Fees<br>£ 000's | Consultancy Fees<br>£ 000's | Shares/ Options<br>£ 000's | Total<br>£ 000's |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Anthony Balme | 42 | - | 21 | **63** |
| Vassilios Carellas | 127 | - | 40 | **167** |
| Charles Wood | 87 | - | 10 | **97** |
| | | | | |
| **Non-Executive Directors** | | | | |
| Paul Heber | 20 | - | 21 | **41** |
| David Paxton | 20 | - | 20 | **40** |
| | **296** | **-** | **112** | **408** |

| **2013** | Directors Fees<br>£ 000's | Consultancy Fees<br>£ 000's | Shares/ Options (Restated)<br>£ 000's | Total (Restated)<br>£ 000's |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Anthony Balme | 48 | - | 38 | 86 |
| Charles Wood | 84 | - | 38 | 122 |
| Vassilios Carellas | 151 | - | 47 | 198 |
| | | | | |
| **Non-Executive Directors** | | | | |
| Paul Heber | 16 | - | - | 16 |
| David Paxton | 21 | - | 24 | 45 |
| | 320 | - | 147 | 467 |

No pension benefits are provided for any Directors.

## 10. Earnings per share

The calculation of Earnings per share is based on the loss attributable to equity holders divided by the weighted average number of share in issue during the year.

| | 2014 | (Restated) 2013 |
|---|---|---|
| | £ 000's | £ 000's |
| Loss attributable to equity holders | **(1,768)** | (1,849) |
| Weighted average number of ordinary shares used in calculating basic earnings per share (millions) | **2,350.2** | 2,315.7 |
| Basic earnings per share for continuing activities (expressed in pence) | **(0.08)** | (0.08) |

As the inclusion of potential Ordinary shares would result in a decrease in the earnings per share, they are considered to be anti-dilutive. As such, diluted and basic earnings per share are the same.

## 11. Finance Income

| | 2014 | 2013 |
|---|---|---|
| | £ 000's | £ 000's |
| Bank interest receivable | **12** | 30 |

## 12. Intangible Assets

| | Total | Goodwill | Exploration and evaluation costs |
|---|---|---|---|
| **Group** | £ 000's | £ 000's | £ 000's |
| **Cost** | | | |
| **At 1 April 2012** | 10,024 | 270 | 9,754 |
| Additions | 1,390 | | 1,390 |
| Currency translation adjustments | 131 | | 131 |
| Amortisation & Impairments | (138) | | (138) |
| **Net book value as at 31 March 2013** | 11,407 | 270 | 11,137 |
| **At 1 April 2013** | **11,407** | **270** | **11,137** |
| Additions | **1,174** | | **1,174** |
| Currency translation adjustments | **(226)** | | **(226)** |
| Amortisation | **(1)** | | **(1)** |
| **Net book value as at 31 March 2014** | **12,354** | **270** | **12,084** |

Exploration projects carried out by the subsidiaries are at an early stage of development and can be split into two categories:

1. Those based upon JORC or JORC compliant resource estimates which enable value in use calculations to be prepared: A reclassification of resource estimates undertaken in 2012 by a leading group of mining consultants led to the announcement of maiden JORC Ore Reserves for the Šturec Deposit with 13.97Mt of ore at a grade of 1.70g/t Au and 14.22g/t Ag (1.90g/t Au Equivalent) classified in the Proven and Probable categories, giving an open pit Ore Reserve of 873,000oz of gold equivalent (28 tonnes). Subsequently, a Pre-Feasibility Study, carried out by a leading practice of

mining consultants, of the Šturec Project announced on 8 April 2013 further confirmed the economic feasibility of the Šturec project: which based upon a metals price of (at US$1,343/oz Au Eq net price) and a discount rate of 8% gave an NPV of US$195m (post tax US$145m) and Internal Rate of Return ('IRR') of 30%. Gold prices are presently close to this price.

As regards the status of the mining license, in June 2014 and following an application which was approved by the Slovak Authorities, a program of trial underground mining was started, which plans to extract 4,000 tonnes of ore over the next three years. The commencement of this activity has satisfied the Company's obligations to the Slovak Republic, for maintaining the validity of its Mining License Area.

At the same time the relevant authorities have recently confirmed that Ortac s.r.o continues to hold both underground and surface mining rights to the Kremnica Mining License Area.

2. Those other projects, for which no JORC or non-JORC compliant resource estimates are available to enable value in use calculations to be prepared. Given that these projects are at an early stage, and are unlikely to be pursued and with preliminary results indicating modest returns, the Directors have continued with the policy of expensing the exploration costs incurred on these projects during the year.

An impairment review of exploration and evaluation assets and goodwill is carried on out an annual basis in order to ensure that each is valued at the lower of cost and recoverable amount. Following their assessment the Directors concluded that no impairment of exploration and evaluation assets was necessary as at 31 March 2014 (2013: £105,000) and that no impairment of goodwill was required either (2013: £nil).

## 13. Property, Plant and Equipment

| **Group** | Office Equipment | Field Equipment | Total |
|---|---|---|---|
| **Property, Plant and Equipment** | £ 000's | £ 000's | £ 000's |
| **Cost** | | | |
| As at 1 April 2012 | 96 | 256 | 352 |
| Additions | 6 | 41 | 47 |
| Currency translation adjustment | - | 7 | 7 |
| **As at 31 March 2013** | 102 | 304 | 406 |
| | | | |
| **As at 1 April 2013** | 102 | 304 | 406 |
| Disposals | **-** | **(21)** | **(21)** |
| Currency translation adjustment | **-** | **(10)** | **(10)** |
| **As at 31 March 2014** | **102** | **273** | **375** |
| | | | |
| **Depreciation** | | | |
| As at 1 April 2012 | (23) | (8) | (31) |
| Charge for the year | (29) | (17) | (46) |
| Currency translation adjustment | - | (3) | (3) |
| **As at 31 March 2013** | (52) | (28) | (80) |
| | | | |
| **As at 1 April 2013** | **(52)** | **(28)** | **(80)** |
| Charge for the year | **(23)** | **(4)** | **(27)** |
| Currency translation adjustment | **-** | **5** | **5** |
| **As at 31 March 2014** | **(75)** | **(27)** | **(102)** |

| | | | |
|---|---|---|---|
| **Net book value** | | | |
| At 31 March 2013 | 50 | 276 | 326 |
| **At 31 March 2014** | **27** | **246** | **273** |

Depreciation charges for the year ended 31 March 2014 of £27,000 (2013: £46,000) have been charged to "administrative expenses".

| **Company** | **Office Equipment** |
|---|---|
| **Property, Plant and Equipment** | £ 000's |
| Cost | |
| **As at 1 April 2012** | **14** |
| Additions | 3 |
| **As at 31 March 2013** | 17 |
| **As at 1 April 2013 and as at 31 March 2014** | **17** |
| **Depreciation** | |
| **As at 1 April 2012** | - |
| Charge for the year | (5) |
| Currency translation adjustment | - |
| **As at 31 March 2013** | (5) |
| **As at 1 April 2013** | **(5)** |
| Charge for the year | (6) |
| Currency translation adjustment | **-** |
| **As at 31 March 2014** | **(11)** |
| **Net book value** | |
| At 31 March 2013 | 12 |
| **At 31 March 2014** | **6** |

## 14. Investment in Subsidiaries

At 31 March 2014 the Company held 100% of the share capital of the following wholly owned subsidiary companies:

| **Company** | **Country of Registration** | **Proportion held** | **Nature of business** |
|---|---|---|---|
| Ortac Resources (UK) Limited | England and Wales | 100% | Holding Company |
| Bellmin s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| G.B.E. s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| St. Stephans Gold s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| Kremnica Gold s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| Ortac s.r.o * | Slovak Republic | 100% | Mineral Exploration |

* Wholly owned subsidiary of Ortac Resources (UK) Limited.

From 1 April 2014, Bellmin s.r.o. and G.B.E. s.r.o. have been merged into St. Stephans Gold s.r.o. In addition, Kremnica Gold s.r.o. has been merged into Ortac s.r.o. from this date.

## 15. Available for Sale Financial Assets

| Group and Company | 2014 £ 000's | 2013 £ 000's |
|---|---|---|
| As at 1 April | **70** | 310 |
| Additions | **605** | - |
| Disposal | **(38)** | - |
| Loss on disposals | **(32)** | - |
| Provisions for loss in market value | **-** | (240) |
| **As at 31 March** | **605** | 70 |

Available for sale investments at the beginning of the year comprised the United Kingdom listed equity securities in Vatukoula Gold Mines plc; these were sold during the year realising a loss on sale of £32,000.

Additions during the year relate to the acquisition, by way of subscription agreement, of 18.47% of the enlarged share capital of Andiamo, a private UK incorporated Eritrean focussed mineral exploration company. Under the terms of this strategic alliance, Ortac has, until December 2015, the right to acquire an additional 21% of Andiamo.

## 16. Inventories

| Inventories | Group 2014 £ 000's | Company 2014 £ 000's | Group 2013 £ 000's | Company 2013 £ 000's |
|---|---|---|---|---|
| Stocks and consumables | **5** | - | **9** | - |
| **Total** | **5** | **-** | **9** | **-** |

## 17. Trade and Other Receivables

| Current trade and other receivables | Group 2014 £ 000's | Company 2014 £ 000's | Group 2013 £ 000's | Company 2013 £ 000's |
|---|---|---|---|---|
| Other receivables | **83** | **-** | 61 | - |
| Prepayments | **112** | **17** | 81 | 17 |
| **Total** | **195** | **17** | 142 | 17 |

Current trade and other receivables are all due within one year.

| Company<br>Non current trade and other receivables | 2014 £ 000's | 2013 £ 000's |
|---|---|---|
| Loans advanced to subsidiaries | **7,951** | 6,013 |

Loans advanced to subsidiaries are unsecured, interest free and have no fixed repayment date.

The fair value of trade and other receivables is the same as their carrying values as stated above.

The carrying amounts of the Group's and Company's current and non current trade and other receivables are denominated in the following currencies:

| Current trade and other receivables | **Group 2014 £ 000's** | **Company 2014 £ 000's** | Group 2013 £ 000's | Company 2013 £ 000's |
|---|---|---|---|---|
| UK Pounds | **195** | **17** | 110 | 17 |
| Euros | **-** | **-** | 32 | - |
| **Total** | **195** | **17** | 142 | 17 |

| Non current trade and other receivables | **Group** 2014 £ 000's | **Company** 2014 £ 000's | Group 2013 £ 000's | Company 2013 £ 000's |
|---|---|---|---|---|
| Euros | - | **7,951** | - | 6,013 |
| **Total** | **-** | **7,951** | - | 6,013 |

Trade and other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## 18. Trade and Other Payables

| Current trade and other payables | **Group** 2014 £ 000's | **Company** 2014 £ 000's | Group 2013 £ 000's | Company 2013 £ 000's |
|---|---|---|---|---|
| Trade payables | **99** | **10** | 275 | 2 |
| Other payables | **48** | **7** | 50 | 3 |
| Accruals | **77** | **21** | 162 | 17 |
| **Total** | **224** | **38** | 487 | 22 |

The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

## 19. Share Capital

| **Authorised** | £ 000's |
|---|---|
| Unlimited Ordinary shares of no par value | - |

| **Called up, allotted, issued and fully paid** | Number of shares | Nominal value |
|---|---|---|
| As at 31 March 2013 | 2,315,679,020 | - |
| Additions | 200,000,000 | - |
| **As at 31 March 2014** | **2,515,679,020** | - |

On 24 January 2014, 200,000,000 ordinary shares of no par value were issued at a price of 0.25 pence per share, for a cash consideration of £500,000 before share issue costs.

## 20. Share Based Payments

### Total share options in issue

Movements on the number of share options and their exercise price are as follows:

| | No of Options 2014 | Weighted Average Exercise Price Pence | (Restated) No of Options 2013 | (Restated) Weighted Average Exercise Price Pence |
|---|---|---|---|---|
| **Outstanding at 1 April** | **209,800,000** | **1.10** | 164,800,000 | 1.24 |
| Lapsed | **-** | **-** | (10,000,000) | 5.00 |
| Cancelled | **-** | **-** | (5,000,000) | 1.00 |
| Modified | **(72,500,000)** | **1.19** | - | - |
| Granted | **142,000,000** | **0.83** | 60,000,000 | 1.35 |
| **Outstanding at 31 March** | **279,300,000** | **0.94** | 209,800,000 | 1.10 |

No options were exercised or forfeited in the years ended 31 March 2013 or 31 March 2014.

The options outstanding as at 31 March 2014 had a weighted average remaining contractual life of 4.90 years (2013: 4.98 years).

As at 31 March 2014 279,300,000 options were exercisable (2013: 209,800,000).

The fair value of the share options was determined using the Black-Scholes valuation model. The parameters used are detailed below:

| Group and Company | 2010 Options | 2010 Options | 2010 Options | 2010 Options | 2010 Options |
|---|---|---|---|---|---|
| Date of grant or reissue | 28-Jul-10 | 28-Jul-10 | 15-Sep-10 | 08-Oct-10 | 19-Oct-10 |
| Weighted average share price (pence) | 0.86 | 0.86 | 0.80 | 1.51 | 1.00 |
| Weighted average exercise price (pence) | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Expiry date | 22-Apr-19 | 08-Jun-19 | 31-Dec-20 | 31-Dec-20 | 31-Dec-20 |
| Options granted | 23,600,000 | 11,200,000 | 15,000,000 | 5,000,000 | 1,500,000 |
| Volatility | 113% | 113% | 111% | 135% | 124% |
| Dividend yield | Nil | Nil | Nil | Nil | Nil |
| Option life (Years) | 8.74 | 8.87 | 10.30 | 10.24 | 10.21 |
| Annual risk free interest rate | 3.50% | 3.50% | 3.30% | 3.10% | 3.20% |
| Forfeiture discount | Nil | Nil | Nil | Nil | Nil |
| Marketability discount | Nil | Nil | Nil | Nil | Nil |
| Total fair value of options granted £ | 350,625 | 216,082 | 111,525 | 73,905 | 14,396 |

| Group and Company | 2014 Options | 2014 Options | 2014 Options | 2014 Options | 2014 Options | 2014 Options | 2014 Options |
|---|---|---|---|---|---|---|---|
| Date of grant or reissue | 18-Feb-14 | 18-Feb-14 | 18-Feb-14 | 18-Feb-14 | 18-Feb-14 | 18-Feb-14 | 18-Feb-14 |
| Weighted average share price (pence) | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 |
| Weighted average exercise price (pence) | 0.35 | 0.30 | 0.38 | 0.30 | 0.48 | 0.38 | 0.48 |
| Expiry date | 15-Dec-15 | 30-Jun-17 | 31-Dec-17 | 30-Jun-18 | 31-Dec-18 | 31-Dec-19 | 31-Dec-20 |
| Options granted | 51,000,000 | 71,000,000 | 35,500,000 | 10,000,000 | 35,500,000 | 10,000,000 | 10,000,000 |
| Volatility | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Dividend yield | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Option life (Years) | 1.82 | 3.36 | 3.87 | 4.36 | 4.87 | 5.87 | 6.87 |
| Annual risk free interest rate | 0.60% | 1.20% | 1.40% | 1.60% | 1.70% | 2.00% | 2.30% |
| Forfeiture discount | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Marketability discount | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Total fair value of options granted £ | 756,760 | 258,859 | 128,483 | 27,760 | 131,975 | 30,440 | 31,780 |

**Total share warrants in issue**

20,000,000 share warrants over ordinary shares were recognised as having been granted during the year ended 31 March 2014 (2013: nil).

As at 31 March 2014, the unexercised warrants in issue were:

| Exercise Price | Vesting Date | Expiry Date | **Warrants** in Issue 31 March 2014 | Warrants in Issue 31 March 2013 (Restated) |
|---|---|---|---|---|
| 1p | 15-Sep-10 | 31-Dec-15 | **16,500,000** | 16,500,000 |
| 1.25p | 11-May-12 | 11-May-15 | **20,000,000** | 20,000,000 |
| | | | **36,500,000** | 36,500,000 |

Under IFRS 2 “Share-based Payments”, the Company determines the fair value of options issued to Directors, Employees and other parties as remuneration and recognises the amount as an expense in the Income Statement with a corresponding increase in equity.

The total number of options in issue during the year has given rise to a charge to the Income Statement for the year ended 31 March 2014 of £258,341 (2013 Restated: £103,000) based on the fair values at the time the options were granted.

## 21. Share Premium

| | 2014 | 2013 |
|---|---|---|
| | £ 000s | £ 000s |
| As at 31 March previously stated | **29,911** | 29,994 |
| Issue of warrants | **-** | (83) |
| As at 1 April restated | **29,911** | 29,911 |
| Additions | **500** | - |
| **As at 31 March** | **30,411** | 29,911 |

On 24 January 2014, 200,000,000 ordinary shares of no par value were issued at a price of 0.25 pence per share, for a cash consideration of £500,000 before share issue costs.

## 22. Financial Instruments and Capital Risk Management

### Financial Risk Management

Financial Risk Factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out by the Board of Directors under policies approved at Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

**a) Market Risk**

i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound sterling and Euro and the US Dollar. Foreign exchange risk arises from recognised monetary assets and liabilities, where they may be denominated in a currency that is not the Group’s functional currency. The exposure to this risk is not considered material to the Group's operations and thus the Directors consider that, for the time being, no hedging or other arrangements are necessary to mitigate this risk.

On the assumption that all other variables were held constant, and in respect of the Group and the Company's expenses the potential impact of a 5% increase/decrease in the UK Sterling/Euro Foreign exchange rate on the Group's loss for the year and on equity is as follows:

| **Potential impact on euro expenses: 2014** | | **Effect on loss before tax for the year ended** | | **Effect on equity before tax for the year ended** | |
|---|---|---|---|---|---|
| | | Group | Company | Group | Company |
| Increase/(decrease) in foreign exchange rate | | £ 000's | £ 000's | £ 000's | £ 000's |
| | 5% | **13** | **1** | **13** | **1** |
| | -5% | (13) | (1) | (13) | (1) |

ii) Price Risk

The Group was exposed to equity securities price risk because of investments held and classified in the Balance Sheet as available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group could diversify its portfolio. However, given the size of the Group's operations, the costs of managing exposure to securities price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group has exposure to commodity price risk as a result of changes in the price of gold, which impact on the valuation of the Groups mineral assets.

The Group had an investment in the equity of Vatukoula Gold Mines plc which is publicly traded and listed on the Alternative Investment Market of the London Stock Exchange. And now has 18.47% of the enlarged share capital of Andiamo. A part disposal of the shares held by the Group could have an impact on the realisable value of the remaining shares.

The table below summarises the potential impact of increases/decreases in market price on the Group's loss for the year and on equity. The analysis is based on the assumption that the share prices increase/decrease by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the market:

| | **Loss for the year** | | **Other components of equity** | |
|---|---|---|---|---|
| **Potential impact on:** | 2014 | 2013 | 2014 | 2013 |
| | £ 000's | £ 000's | £ 000's | £ 000's |
| Available-for-sale financial assets | **(30)** | (4) | - | - |

**b) Credit Risk**

Credit risk arises from cash and cash equivalents.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash and cash equivalents with institutions which have a minimum credit rating of 'A'.

The Group considers that it is not exposed to major concentrations of credit risk.

The Group holds cash as a liquid resource to fund its obligations. The Group's cash balances are held in Sterling and Euros. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

The currency profile of the group's cash and cash equivalent is as follows:

| | 2014 | 2013 |
|---|---|---|
| **Cash and cash equivalents** | £ 000's | £ 000's |
| Sterling | **2,208** | 5,019 |
| Euros | **45** | 146 |
| **At end of period** | **2,253** | 5,165 |

On the assumption that all other variables were held constant, and in respect of the Group's cash position, the potential impact of a 5% increase/decrease in the UK Sterling/Euro foreign exchange rate would have increased the Group's loss for the year and on equity as at 31 March 2014 as follows:

| **Potential impact on:** | **Loss for the year** | | **Other components of equity** | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £ 000's | £ 000's | £ 000's | £ 000's |
| Cash and cash equivalents | **3** | **9** | 3 | 9 |

### c) Liquidity Risk

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

The Group ensures that its liquidity is maintained by a management process which includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring Balance Sheet liquidity and maintaining funding sources and back-up facilities.

### Fair Value Estimation

Fair value measurements are disclosed according to the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2014.

| **Items at fair value as at 31 March 2014** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | £ 000's | £ 000's | £ 000's | £ 000's |
| Available-for-sale financial assets | | | | |
| -Equity securities | **-** | **-** | **605** | **605** |
| Total Assets | **-** | **-** | **605** | **605** |

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2013.

| **Items at fair value as at 31 March 2013** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | £ 000's | £ 000's | £ 000's | £ 000's |
| Available-for-sale financial assets | | | | |
| -Equity securities | 70 | - | - | 70 |
| Total Assets | 70 | - | - | 70 |

*Fair value hierarchy*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market

The movement in the levels during the year to 31 March 2014 are attributable to the disposal of the group's interest in VGM – an AIM listed company- and to the acquisition of shares in Andiamo, a non-listed private company.

**Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to position as a going concern and to continue its exploration and evaluation activities. The Group has no debt at 31 March 2014 and has capital, based on the total equity of the Group, of £15,460,000. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

## 23. Commitments

### Operating leases

| **Future aggregate minimum lease payments** | Group 2014 £ 000's | Company 2014 £ 000's | Group 2013 £ 000's | Company 2013 £ 000's |
|---|---|---|---|---|
| Not later than one year | **13** | - | 36 | - |
| Later than one year but not later than five years | **-** | - | 13 | - |
| **Total lease commitment** | **13** | - | 49 | - |

As at 31 March 2014, the Group has entered into only one material commitment, as follows:

- On the 16 August 2011, Ortac Resources (UK) Limited, at that time Ortac Resources plc entered into a 5-year lease agreement to rent space located at 96-97 Jermyn Street, at a rent payable of £36,000 per year, payable in 4 equal instalments in advance on a quarterly basis. The lease is terminable after 3 years, subject to six months notice.

**Exploration commitments**

Ongoing exploration expenditure is required to maintain title to the Group's mineral exploration permits. No provision has been made in the Group financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.

## 24. Principal subsidiaries

The Group has the following principal subsidiaries at 31 March 2014:

| Company | Country of Registration | Proportion held | Nature of business |
|---|---|---|---|
| Ortac Resources (UK) Limited | England and Wales | 100% | Holding Company |
| Bellmin s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| G.B.E. s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| St. Stephans Gold s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| Kremnica Gold s.r.o.* | Slovak Republic | 100% | Mineral Exploration |
| Ortac s.r.o * | Slovak Republic | 100% | Mineral Exploration |

* Wholly owned subsidiary of Ortac Resources (UK) Limited.

From 1 April 2014, Bellmin s.r.o. and G.B.E. s.r.o. have been merged into St. Stephans Gold s.r.o.

In addition, Kremnica Gold s.r.o. has been merged into Ortac s.r.o. from this date.

## 25. Contingent liability

As part of its acquisition of Kremnica Gold s.r.o. and Kremnica Gold Mining s.r.o., on 15 September 2010, the company agreed to pay:

a) Vendor royalties of up to US$3,750,000 in either shares or cash - being $15 per ounce on the first 250,000 ounces of gold equivalent (gold plus silver) resource defined as proven and probable reserve in the bankable feasibility study. Said royalty will become payable within 60 days of all required permits being obtained to allow commercial production at the Kremnica property; and

b) A 2 per cent Net Smelter Royalty ("NSR") on gold and silver production from the Kremnica Gold Project to a limit of the first 1,000,000 ounces produced, reduced to a 1 per cent NSR on the next 1,000,000 ounces and zero per cent thereafter. At any time prior to the reduction of the NSR percentage to 1 per cent, Ortac may acquire half of the 2 per cent NSR for US$1,000,000. After the reduction of the NSR to 1 per cent, the Purchaser may acquire all of the Vendor NSR for US$1,000,000.

On the basis of the updated third party resource study, the Directors are confident that proven and probable reserves will significantly exceed 250,000 ounces of gold equivalent (gold plus silver) resource. Notwithstanding this, until such time as it is clear that all the required permits to achieve commercial production will be secured, no provision for such amounts can be included in the Group financial statements.

The maximum contingent liability as at 31 March 2014 is £2,253,335 (2013: £2,440,940) in each case being the pounds sterling equivalent of US$3,750,000 at rates of exchange prevailing at the respective year ends.

## 26. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Balances owed to the Company by Ortac Resources (UK) Limited as at 31 March 2014 were £7,951,000 (2013: £6,013,000).

The following transactions took place with subsidiaries in the year to 31 March 2014 and 31 March 2013:

Amounts totalling £1,938,000 (2013: £1,901,000) were lent by the Company to Ortac Resources (UK) Limited, which, in turn and after meeting its own costs, then provided funding to the Group's subsidiaries in Slovakia.

*Remuneration of Key Management Personnel*

The remuneration of the Directors, and other key management personnel of the Group, is set out in Note 9.

## 27. Restatement of prior period results

During the present reporting period, it was identified that the cost of warrants and options issued and expiring in 2013 had not been charged to the financial statements of that year. The financial statements of the year ended 31 March 2013 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect in 2014.

| | Effect on 2013<br>£ 000's |
|---|---|
| Decrease in Profit | (103) |
| Effect on Equity | Nil |

## 28. Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

## 29. Events after the reporting period

On 3rd July 2014 Ortac announced that it had commenced underground mining at its Šturec deposit in Slovakia, which activity satisfied the Company's obligations to the Slovak Republic, for maintaining the validity of its Mining License Area.

Other than the above, there have been no post balance sheet events to disclose.

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered number** | **1396532 registered in British Virgin Islands** |
| **Directors** | **Anthony Balme** - Executive Chairman<br>**Vassilios Carellas** – Chief Executive Officer<br>**David Paxton** – Non Executive Director<br>**Paul Heber**– Non Executive Director |
| **Company Secretary** | **H Green** |
| **Registered Office** | **Craigmuir Chambers**<br>Road Town, Tortola<br>British Virgin Islands VG 1110<br>Email: info@ortacresources.com<br>Website: www.ortacresources.com |
| **Independent Auditors** | **PKF Littlejohn LLP**<br><br>**Registered Auditor**<br>1 Westferry Circus<br>Canary Wharf<br>London E14 4HD United Kingdom |
| **Solicitors** | **Kerman & Co LLP**<br>200 The Strand<br>Strand, London WC2R 1DJ<br>United Kingdom |
| **Nominated Advisor and Broker** | **Cantor Fitzgerald Europe**<br>1 Churchill Place,<br>Canary Wharf,<br>London E14 5RB<br>United Kingdom |
| **Registrars** | **Computershare Investor Services (Channel Islands) Ltd**<br>PO Box 83<br>Ordnance House, 31 Pier Road<br>St Helier JE4 8PW<br>Channel Islands |
| **Principal Bankers** | **Bank of Scotland**<br>33 Old Broad Street<br>London EC2H 1HZ<br>United Kingdom |