Registered number: 07353748

KERAS RESOURCES PLC
ANNUAL REPORT 2017

Contents

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

Company information

Directors:	B Moritz D Reeves R Lamming
Company secretary:	Cargil Management Services Limited
Company number:	07353748
Registered office:	27/28 Eastcastle Street London W1W 8DH
Nominated advisor:	Northland Capital Partners Limited 4th Floor, 60 Gresham Street London EC2V 7BB
Joint brokers:	Shard Capital Partners LLP 23rd Floor, 20 Fenchurch St. London EC3M 3BY SVS Securities Plc 20 Ropemaker Street London EC2Y 9AR
Solicitor:	Memery Crystal LLP 44 Southampton Buildings London WC2A 1AP
Auditor:	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD

Chairman's Statement

During the year under review the Company has successfully capitalised its Australian gold interests, primarily the Klondyke Gold Project ('Klondyke') in Western Australia by reversing Klondyke into a company listed on the Australian Stock Exchange ('ASX'), Calidus Resources Limited ('Calidus'). Under the rules of the ASX the Company's ordinary shares in Calidus ('Calidus Shares') are held in escrow for a two year period which ends in June 2019, and the intention of the Directors is to distribute those Calidus Shares to Keras shareholders at that time, subject to any Calidus Shares which may be realised to provide working capital.

Calidus acquired the Klondyke assets from Keras in June 2017 for the following consideration:

(i) 225,000,000 Calidus Shares were issued to Keras upon completion of the transaction ('Completion'); and

(ii) 525,000,000 shares upon Completion, which are to be converted to fully paid Calidus Shares following the achievement of certain milestones ('Performance Shares'), namely:

   a. 250,000,000 Performance Shares to be converted into the same number of Calidus Shares upon the announcement, within 18 months of Completion, of a JORC compliant Indicated or Measured Resource of at least 500,000oz of gold at Klondyke; and

   b. 275,000,000 Performance Shares to be converted into the same number of Calidus Shares upon the announcement, within 36 months of Completion, of a positive pre-feasibility study, which demonstrates the Klondyke Project is commercially viable.

3.5% of these shares will be transferred to Keras' financial advisers in respect of fees relating to the transaction, leaving 96.5% owned by Keras.

The first milestone was met in December 2017 when Calidus announced a 74% increase in the high grade Warrawoona Resource to 712,000 oz, at which time the first tranche of Performance Shares was converted to Calidus Shares, subject to the escrow arrangements set out above. Calidus has stated its intention to announce a pre-feasibility study before the end of 2018, which is expected to trigger the second milestone. By the end of the escrow period, therefore, Keras expects that it will own 723,750,000 Calidus Shares. The Calidus Shares are included in the financial Statements at fair value, as further set out in Note 19.

Aside from our investment in Calidus, we have an 85% interest in the Nayega Manganese Project in Togo, West Africa, which we believe offers significant upside due to its low capex, open pit, near-term production of 250,000 tonnes per annum of export potential manganese. Whilst we remain optimistic about the future development potential of this project, especially given the positive price performance of manganese, we continue to await the award of a mining licence.

As part of our commitment to mining in Togo, during the year we also obtained five exploration licences, covering 854.3 square kilometres of ground in Togo that cover previously discovered cobalt and nickel mineralisation. Initial exploration on the licences has commenced, and Keras is currently considering how best to advance this project.

The iron ore interests in Gabon have been sold for a nominal value to our partners in Gabon, as they are not economic at the current iron ore price. Assets in South Africa have been fully impaired, and the remaining subsidiary company will be liquidated as soon as regulatory approvals are obtained.

Board changes

During the year, Peter Hepburn-Brown resigned as director of Keras. Peter introduced the initial toll milling Australian gold projects to Keras and as part of the process of separating the two companies, Peter was appointed as a director of Calidus. I would like to thank Peter for his contribution to the Company.

Financial review

Due primarily to the disposal of the Klondyke assets in exchange for Calidus shares, the Income Statement shows a total consolidated profit for the year of £3,895,000 (2016 – loss £2,239,000). Taking into account the increased value of the Calidus Shares, the net assets at 30 September 2017 are £21,293,000 (2016 – £333,000). The net assets at 30 September 2017 represented 0.97p per share. Furthermore, the Group is now debt free.

Notwithstanding these improvements, the Directors continue to seek to preserve the Group's cash resources, in preparation for the grant of the mining licence in Togo. Overhead costs have been reduced to minimum levels, and each of the Directors has reduced his remuneration by at least 50%. The total being paid to the three directors is currently at a rate of £39,000 per annum, compared with total directors remuneration in the year under review of £214,000 and in the previous year £438,000.

Outlook

This has been a transformational year for Keras, with the capitalisation of our gold assets in Australia into Calidus Shares.

Keras intends to proceed to develop the manganese assets in Togo into a producing mine as soon as the mining licence is issued. However, this has been the situation for some considerable time. The cobalt exploration licences will be evaluated as part of the general strategy in Togo.

The directors are actively seeking other mineral opportunities and look forward to providing shareholders with further updates as appropriate.

Finally, I would like to take this opportunity to thank the rest of the board and our management team for their hard work, and shareholders for their support through what has proved to be a successful period of transition.

Brian Moritz
Chairman

28 February 2018

Strategic Report

The Directors present their Strategic Report for the year ended 30 September 2017.

Operating Review

Principal Activities

The principal activity of the Group during the reporting period has been the exchange of the Group's Australian gold mining interests for shares in Calidus Resources Limited ("Calidus"), a company listed on the Australian Securities Exchange. Following this transaction the Group no longer mines in Australia and does not seek to exercise influence over the activities of Calidus, and holds its shares as a passive investor.

The main areas of activity during the reporting period were consequently in Australia, with some limited exploration work at the Group's manganese and cobalt projects in Togo.

In the upcoming year the Directors will focus on identifying new projects for the Group, as well as seeking to obtain the mining licence for the Nayega manganese mine in Togo.

Organisation Overview

The Group's business is directed by the Board and has been managed by David Reeves. The Group's previous senior management team was transferred to Calidus in June 2017. To date, the Group has mainly engaged the services of external contractors and consultants to provide services to its various projects such as mining and drilling services, metallurgical testwork, engineering design, and environmental studies. The structure reflects the relatively small scale nature of the Group's activities, which necessitates a balance between managing cash expenditure and achieving the Group's work programmes in a professional and timely manner.

Strategy and Business Plan

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

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

During the reporting period the Group was focussed on the transaction by which the Group's Australian gold assets were sold to Calidus, the consideration being Calidus shares. This transaction was completed in June 2017, and the Calidus shares are in escrow under the rules of ASX until June 2019, when it is intended that they will be distributed to Keras shareholders.

In Togo, while minimal work was undertaken at the Nayega Manganese project pending the award of a mining licence from the Togolese government, further exploration licences were obtained over areas known to host cobalt mineralisation and initial exploration was undertaken. Positive discussions with the Togolese Government continue, but with the current focus in Togo more on political issues, timing remains unclear.

A definitive feasibility study was previously completed for Nayega and the project still represents significant value potential for the Group.

In exploring and developing mineral deposits, the Group accepts that not all its exploration will be successful but also that the rewards for success can be high. It therefore expects that its shareholders will be invested for potential capital growth, taking a long-term view of management's good track record in mineral discovery and development. The Directors have increased their holdings in the Company by 257,416,546 shares and currently hold approximately 20% of the issued shares in Keras. We believe this stake provides further evidence of the Board's belief in and commitment to its strategy.

To date, the Group has financed its activities through equity and debt raisings. As the Group's projects become more advanced, the Board will seek mining finance, as well as investigating strategic opportunities to obtain funding for projects from future customers via production sharing, royalty and other marketing arrangements.

Strategic Report

continued

Financial and Performance Review

Turnover in the year under review derives from gold mining activities in Australia which have now been transferred to Calidus. Revenue for the period was £1.0 million (2016 – £1.9 million).

The results of the Group are set out in detail in the financial statements. The Group reports a profit for the year of £3.9 million (2016: loss £2.2 million). This profit arises from the gain on sale of the Australian gold assets as set out above.

The financial statements show that, at 30 September 2017, the Group had total assets of £21.6 million (2016: £3.1 million), and net assets of £21.3 million (2016: £0.3 million). The huge increase is primarily due to the fair value of Calidus shares, which amounted to £20.4 million at 30 September 2017. The basis of valuation is set out in note 19 to the financial statements. Intangible assets total £1.2 million (2016: £2.0 million) which now comprises exploration, evaluation and development expenditure on the Group's projects in Togo.

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

The Directors have assessed the carrying value of the Group's assets, and no impairment has been made to the carrying value of the Nayega manganese project in Togo. Other African assets have either been disposed of or fully impaired.

Key Performance Indicators (KPIs)

During the year the Board monitored the following KPIs:

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

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

African Portfolio

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

Having defined a JORC Code compliant Indicated and Measured Resource of 11.0Mt @ 13.1% manganese, the Group has completed the majority of the Phase 1 Definitive Feasibility Study to develop an initial open-pit, 250,000tpa manganese operation. To support this proposed development, we have applied for a Mining Permit. The Group continues to await the award of this, and consequently we have not undertaken any significant activities during the year. However, we would like to assure shareholders that we have all the relevant documents, government assurances and local support in place so that we are well positioned to deliver first production within approximately nine months from a development decision, subject to the availability of mining finance.

With the manganese price performing well this year we remain unchanged in our view that Nayega offers significant value for Keras and we are currently assessing the best ways in which to realise this.

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

Gabon – Mebaga Iron Ore (previously 78% owned)
The Mebaga iron ore project has been disposed of to our partner in Gabon for nominal consideration.

South Africa – Leinster Manganese (74% owned)
The Company has discontinued this project and the licence holding subsidiary will be liquidated as soon as regulatory approval is received. The cost has been fully impaired in previous years.

Risk Management

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

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

Exploration Risk

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

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

Resource Risk

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

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

Development Risk

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

Mining and Processing Technical Risk

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

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

Environmental Risk

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

The Group is currently in the exploration stage. Any disturbance to the environment during this phase is minimal and is rehabilitated in accordance with the prevailing regulations of the countries in which we operate.

Financing & Liquidity Risk

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

Political Risk

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

Partner Risk

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

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

Bribery Risk

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

Financial Instruments

Details of risks associated with the Group's financial instruments are given in Note 29 to the financial statements. Given the nature of the Group's activities, Keras does not utilise any complex or derivative financial instruments.

Insurance Coverage

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

Internal Controls and Risk Management

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

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

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

The Board takes account of the significance of social, environmental and ethical matters affecting the business of the Group. At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of Keras' stakeholders through individual policies and through ethical and transparent actions.

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

Shareholders

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

Environment

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

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

Employees

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

The Group has operated projects in South Africa, Gabon and Togo and Australia. We have recruited locally as many of our employees and contractors as practicable.

Suppliers and Contractors

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

Health and Safety

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

Brexit

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

This Strategic Report was approved by the Board of Directors on 28 February 2018.

Brian Moritz
Director

28 February 2018.

Directors' Report

The Directors present their report together with the audited financial statements of the Group for the year ended 30 September 2017.

The Group's projects are set out in the Strategic Report.

Review of business and financial performance

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

Results

The Group reports a profit for the year of £3,895,000 (2016: loss £2,239,000).

Major events after the balance sheet date

On 18 October 2017 the Company announced a placing to raise £250,000 by the issue of new ordinary shares.

On 18 December 2017 Calidus Resources announced an increase in its measured resources to 712,000 oz au, which triggered the conversion of 241,250,000 performance shares in Calidus to Ordinary shares. The valuation of the Company's holding of Calidus shares is set out in note 19 to the Financial Statements.

Dividends

The Directors do not recommend payment of a dividend for the year ended 30 September 2017 (2016: £nil).

Political donations

There were no political donations during the year (2016: £nil).

Going concern

The Directors continue to adopt the going concern basis in preparing the financial statements. The Board is confident that external funding can be raised to finance the Group's planned activities. Should a decision to mine be made, any external funding arrangements for the development of the Nayega project will be obtained prior to any commitment for such development.

Directors' indemnities

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

Corporate governance statement

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

Audit Committee

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

Remuneration Committee

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

Directors

The following Directors held office during the period:

B Moritz
D Reeves
R Lamming
P Hepburn-Brown – resigned 28 September 2017.

Directors' interests

The beneficial interests of the Directors holding office on 30 September 2017 in the issued share capital of the Company were as follows:

	30 September 2017		30 September 2016	
	Number of ordinary shares of 0.01p each	**Percentage of issued ordinary share capital**	**Number of ordinary shares of 0.01p each**	**Percentage of issued ordinary share capital**
B Moritz	25,833,333	1.18%	25,833,333	1.92%
D Reeves[1]	332,591,718	15.15%	128,577,867	9.54%
R Lamming[2]	56,219,961	2.56%	41,944,444	3.11%

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

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

Since 30 September 2017:

B Moritz has purchased a further 16,793,845 shares and now holds 42,627,178 shares.

D Reeves has purchased a further 22,333,333 shares and now holds 354,925,051 shares.

Directors' remuneration and service contracts

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

	Remuneration £'000	Share-based payments £'000	2017 Total £'000	2016 Total £'000
B Moritz	28	8	36	38
D Reeves	98	23	121	148
J Carter	–	–	–	117
R Lamming	26	11	37	66
R Pitchford	–	–	–	23
P Hepburn-Brown	9	11	20	46
	161	53	214	438

Fees payable to B Moritz amounting to £102,500 (2016 : £102,500) have not been paid and are included within Trade and Other Payables.

The Company has established a share appreciation rights scheme to incentivise Directors and senior management Further details of this scheme can be found in note 26.

Statement of Directors' responsibilities

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

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

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

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

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

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

Statement of disclosure to auditor

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

So far as they are aware,

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

Auditor

Moore Stephens LLP resigned as auditor since the last Annual General Meeting, and PKF Littlejohn LLP was appointed in their place. A resolution to re-appoint PKF Littlejohn LLP as auditor will be proposed at the Annual General Meeting.

By order of the Board

Brian Moritz
Director

28 February 2018

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

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

Opinion

We have audited the financial statements of Keras Resources Plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 30 September 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 30 September 2017 and of the group’s and parent company’s profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

continued

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group materiality was £65,000 based upon the result before tax and discontinued operations. The parent company has no trading activity and materiality was £65,000 based upon net assets and the result before tax. For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the Directors and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. Of the reporting components of the Group, we selected 5 components covering entities which represent the principal business activities within the Group. Of the 5 components selected, a full scope audit was performed on the complete financial information and, for the remainder, we performed audit procedures on significant areas based on size or risk profile, or in response to potential risks of material misstatement to the Group.

Key audit matters

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

Key Audit Matter	How the scope of our audit responded to the key audit matter
Calculation of gain from discontinued operations and fair value measurement of available-for-sale assets	
Part of the disposal consideration of subsidiary undertaking Keras (Gold) Australia Pty Limited, comprising Performance Shares in Calidus Resources Limited, is contingent upon the purchaser reaching certain milestones within 18 months and 36 months from the date of disposal. The determination of the quantity of Performance Shares expected to be receivable requires judgement by management.	We reviewed the key terms within the Sale Agreement to identify and understand the key criteria to be met under the milestones. We reviewed publicly available information released by ASX listed Calidus Resources Limited in connection with progress on the exploration project subsequent to the date of disposal. We discussed and considered the basis upon which management estimated the probability that the milestones would be fully met within the timescales. We re-performed the calculation of the gain from discontinued operations. We agreed the fair value at the reporting date and re-performed the gain in fair value as recognised in other comprehensive income.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Recoverability of intangible assets	
The Group has intangible assets of £1.164 million as at 30 September 2017, comprising prospecting and exploration rights, which is tested annually for impairment.	We confirmed the Group held good title to the underlying exploration licenses, and assessed whether any indicators of impairment exist. Where applicable, we reviewed management's value in use calculations to include the key assumptions therein. We performed sensitivity analysis on the headroom to probable changes in key assumptions. The remaining early stage exploration and evaluation assets were assessed with reference to the criteria listed within IFRS 6, to include whether: • The licence is not expected to be renewed upon expiry; • Substantive expenditure on further exploration and evaluation is not budgeted or planned; • Exploration and evaluation work to date indicates that the carrying amount is unlikely to be recovered from further development or sale.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

continued

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

1 Westferry Circus
Canary Wharf
London E14 4HD

28 February 2018

Consolidated statement of comprehensive income

for the year ended 30 September 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	9	–	–
Cost of sales		–	–
Gross loss		–	–
Administrative and exploration expenses		(938)	(775)
Loss from operating activities		(938)	(775)
Finance costs	13	(309)	(462)
Net finance costs		(309)	(462)
Results from operating activities after finance costs		(1,247)	(1,237)
Impairment of assets	16	–	(10)
Loss before tax		(1,247)	(1,247)
Tax	14	–	–
Loss for the year from continuing operations		(1,247)	(1,247)
Discontinued operations			
Profit/(loss) from discontinued operation, net of tax	8	5,142	(992)
Profit/(loss) for the year		3,895	(2,239)
Other comprehensive income – items that may be subsequently reclassified to profit or loss			
Exchange translation on foreign operations		(160)	95
Change in fair value of available-for–sale financial assets		13,915	–
Total comprehensive income/(loss) for the year		17,650	(2,144)
Profit/(Loss) attributable to:			
Owners of the Company		3,300	(2,211)
Non-controlling interests		595	(28)
Profit/(loss) for the year		3,895	(2,239)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		17,055	(2,075)
Non-controlling interests		595	(69)
Total comprehensive income/(loss) for the year		17,650	(2,144)
Earnings per share from continuing and discontinued operations			
Basic and diluted earnings/(loss) per share (pence)	25	0.183	(0.176)
From continuing operations			
Basic and diluted loss per share (pence)	25	(0.103)	(0.097)
From discontinued operations			
Basic and diluted earnings/(loss) per share (pence)	25	0.286	(0.079)

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Assets			
Property, plant and equipment	15	6	51
Intangible assets	16	1,164	2,041
Trade and other receivables	22	–	29
Other investments	19	20,379	–
Non-current assets		21,549	2,121
Inventory	21	–	604
Trade and other receivables	22	31	200
Cash and cash equivalents	23	60	134
Current assets		91	938
Total assets		21,640	3,059
Equity			
Share capital	24	6,970	6,123
Share premium		10,107	7,666
Other reserves		13,779	(339)
Retained deficit		(9,446)	(12,387)
Equity attributable to owners of the Company		21,410	1,063
Non-controlling interests		(117)	(730)
Total equity		21,293	333
Liabilities			
Loans and borrowings	27	–	1,136
Trade and other payables	28	347	1,590
Current liabilities		347	2,726
Total liabilities		347	2,726
Total equity and liabilities		21,640	3,059

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2018. They were signed on its behalf by:

Brian Moritz
Director

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2017

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

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 September 2016

	Attributable to owners of the Company							
	Share capital £'000	Share premium £'000	Share option reserve £'000	Exchange reserve £'000	Retained deficit £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 October 2015	5,504	6,371	250	273	(11,275)	1,123	(661)	462
Loss for the year	–	–	–	(839)	(1,372)	(2,211)	(28)	(2,239)
Other comprehensive income	–	–	–	161	(25)	136	(41)	95
Total comprehensive loss for the year	–	–	–	(678)	(1,397)	(2,075)	(69)	(2,144)
Issue of ordinary shares	619	1,306	–	–	–	1,925	–	1,925
Costs of share issue	–	(11)	–	–	–	(11)	–	(11)
Transfer reserve on cancellation of options	–	–	(250)	–	250	–	–	–
Warrants issued in lieu of finance costs	–	–	101	–	–	101	–	101
Transfer in respect of warrants exercised	–	–	(35)	–	35	–	–	–
Total transactions with owners, recognised directly in equity	619	1,295	(184)	–	285	2,015	–	2,015
Balance at 30 September 2016	6,123	7,666	66	(405)	(12,387)	1,063	(730)	333

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 September 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss from operating activities		(938)	(775)
Loss from discontinued operating activities	8	(504)	(875)
Adjustments for:			
Depreciation and amortisation		4	107
Impairment		1,119	–
Foreign exchange differences		(490)	(90)
		(809)	(1,633)
Changes in:			
– inventories		558	(604)
– trade and other receivables		184	(177)
– trade and other payables		(307)	942
Cash used in operating activities		(374)	(1,472)
Finance costs		(21)	(320)
Taxes paid		(118)	–
Net cash used in operating activities		(513)	(1,792)
Cash flows from investing activities			
Cash disposed of with subsidiary		(11)	–
Acquisition of property, plant and equipment		(2)	(21)
Exploration and licence expenditure		(1,511)	(286)
Net cash used in investing activities		(1,524)	(307)
Cash flows from financing activities			
Net proceeds from issue of share capital		1,130	1,434
Proceeds from short term borrowings		833	735
Net cash flows from financing activities		1,963	2,169
Net (decrease)/increase in cash and cash equivalents		(74)	70
Cash and cash equivalents at beginning of year		134	64
Cash and cash equivalents at 30 September		60	134

Details of significant non-cash transactions are disclosed in note 24.

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Company statement of financial position

as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Assets			
Property, plant and equipment	15	–	–
Investments	18	–	465
Other investments	19	20,379	–
Non-current assets		20,379	465
Loans	20	1,414	2,434
Trade and other receivables	22	30	231
Cash and cash equivalents	23	48	82
Current assets		1,492	2,747
Total assets		21,871	3,212
Equity			
Share capital	24	6,970	6,123
Share premium		10,107	7,666
Other reserves		13,981	66
Retained deficit		(9,522)	(12,473)
Total equity attributable to owners of the Company		21,536	1,382
Liabilities			
Loans and borrowings	27	–	1,136
Trade and other payables	28	335	694
Current liabilities		335	1,830
Total liabilities		335	1,830
Total equity and liabilities		21,871	3,212

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account. The Parent Company profit for the period was £2,951,000 (2016: loss of £1,703,000).

The financial statements of Keras Resources PLC, company number 07353748, were approved by the Board of Directors and authorised for issue on 28 February 2018. They were signed on its behalf by:

Brian Moritz
Director

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Company statement of changes in equity

for the year ended 30 September 2017

	Share capital £'000	Share premium £'000	Share option/ warrant/ fair value reserve £'000	Available for sale assets £'000	Retained deficit £'000	Total equity £'000
Balance at 1 October 2015	5,504	6,371	250	–	(11,055)	1,070
Loss for the year	–	–	–	–	(1,703)	(1,703)
Total comprehensive loss for the year	–	–	–	–	(1,703)	(1,703)
Issue of ordinary shares	619	1,306	–	–	–	1,925
Costs of share issue	–	(11)	–	–	–	(11)
Transfer reserve on cancellation of options	–	–	(250)	–	250	–
Warrants issued in lieu of finance costs	–	–	101	–	–	101
Transfer in respect of warrants exercised	–	–	(35)	–	35	–
	619	1,295	(184)	–	285	2,015
Balance at 30 September 2016	6,123	7,666	66	–	(12,473)	1,382
Balance at 1 October 2016	6,123	7,666	66	–	(12,473)	1,382
Profit for the year	–	–	–	–	2,951	2,951
Other comprehensive income	–	–	–	13,915	–	13,915
Total comprehensive income for the year	–	–	–	13,915	2,951	16,866
Issue of ordinary shares	847	2,477	–	–	–	3,324
Costs of share issue	–	(36)	–	–	–	(36)
	847	2,441	–	–	–	3,288
Balance at 30 September 2017	6,970	10,107	66	13,915	(9,522)	21,536

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Company statement of cash flows

for the year ended 30 September 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Loss from operating activities	(4,222)	(1,228)
Adjustments for:		
Intercompany debt written off	–	607
Depreciation	–	1
	(4,222)	(620)
Changes in:		
– trade and other receivables	201	(202)
– trade and other payables	248	282
Cash used in operating activities	(3,773)	(540)
Finance costs	(308)	(334)
Net cash used in operating activities	(4,081)	(874)
Cash flows from financing activities		
Net proceeds from issue of share capital	1,130	1,434
Proceeds from short term borrowing	833	735
Loans (to)/repaid by subsidiaries	2,084	(1,270)
Net cash flows from financing activities	4,047	899
Net (decrease)/increase in cash and cash equivalents	(34)	25
Cash and cash equivalents at beginning of year	82	57
Cash and cash equivalents at 30 September	48	82

The notes on pages 27 to 54 are an intengral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2017

1. Reporting entity

Keras Resources PLC is a company domiciled in England and Wales. The address of the Company's registered office is 27/28 Eastcastle Street, London, W1W 8DH. The Group currently operates as an explorer and developer. It exchanged its Australian activities for shares in an ASX quoted company in June 2017.

2. Going concern

The Directors have adopted the going concern basis in preparing the Group and Company financial statements. The Group's and Company's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Strategic Report. In addition, note 29 to the Financial Statements includes the Group's policies and processes for managing its financial risk management objectives.

Although the Group's assets are not currently generating revenues, additional funds of £250,000 have been raised via a placing subsequent to the reporting date, and overhead costs have been reduced to minimum levels. The Directors consider that the Group and Company will be able to raise sufficient additional funds, if required, to meet its working capital requirements. The Group has minimal committed or contracted exploration and evaluation expenditure on its remaining licenses, and is currently debt free.

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

3. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

3. Basis of preparation continued

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

• Carrying value of intangible assets	– Notes 4(e)(i) and 16
• Intercompany receivables (Company only)	– Note 20
• Fair value of shares acquired following disposal of subsidiary and of performance shares	– Note 4(c)(i), 6(v) and 19

4. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On disposal of subsidiaries, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

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

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

(i) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

Loans and receivables

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

4. Significant accounting policies continued

Loans and receivables comprise trade and other receivables.

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

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

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

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

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

Other financial liabilities comprise trade and other payables.

(iii) Share capital

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

(d) Property, plant and equipment

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

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

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

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

(iii) Depreciation

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

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

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

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

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

(e) Intangible assets

(i) Prospecting and exploration rights

Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and evaluation expenditure are recognised at cost.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

The estimated useful lives are as follows:

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

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

Amortisation is included within administrative expenses (discontinued operations) in the statement of comprehensive income.

4. Significant accounting policies continued

(f) Inventories

Inventories are initially recognised at cost, and subsequently at lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Mining inventory includes run of mine stockpiles, minerals in circuit, finished goods and consumables. Stockpiles, minerals in circuit and finished goods are valued at their cost of production to their point in process using a weighted average cost of production, or net realisable value, whichever is the lower. Low grade stockpiles are only recognised as an asset when there is evidence to support the fact that some economic benefit will flow to the Group on the sale of such inventory. Consumables are valued at their cost of acquisition, or net realisable value, whichever is the lower.

(g) Impairment

(i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

Available-for-sale financial assets

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

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

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

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

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

(h) Employee benefits

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

The fair value of the amount payable to employees in respect of Share Appreciation Rights (SARs), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

(i) Compound financial instruments
Compound financial instruments comprise both liability and equity components. At issue date the fair value of the liability component is estimated by discounting its future cashflows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option. The liability component is accounted for as a financial liability. The difference between the net issue proceeds and the liability component, at the time of issue, is the residual, or equity component, which is accounted for as an equity reserve.

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

4. Significant accounting policies continued

(j) Discontinued operations

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

– Represents a separate major line of business or geographic area of operations;

– Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

– Is a subsidiary acquired exclusively with a view to re-sale.

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

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

(k) Revenue

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

(l) Finance income and finance costs

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

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Taxation

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

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

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

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

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

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

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

(n) Segment reporting

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

(o) Equity reserves

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

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

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

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

5. New standards and interpretations

Amendments to the following International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been implemented by the Group and Company in the period ended 30 September 2017:

Amendments to IAS 1 Presentation of Financial Statements

Amendments to IFRS 7 Financial Instruments : Disclosures

Amendments to IAS 27 Separate Financial Statements

IFRS 11 Joint Arrangements

No new standards or amendments to standards have had a material impact on the Group or Company.

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning after 1 October 2016 or later periods, but which the Group has not early adopted.

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

Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)

Amendments to IAS 12 Income Taxes (effective 1 January 2017)

Amendments to IFRS 2 Share-Based Payments (effective 1 January 2018)

IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 16 Leases (effective 1 January 2019)

Annual Improvements to IFRS Standards 2014-2016 Cycle (effective 1 January 2018)

Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date to be determined following EU endorsement)

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

6. Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Intangible assets

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

(iii) Trade and other receivables

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

(iv) Share-based payments

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

(v) Investments – other

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

7. Operating segments

The Group considers that it now operates in one distinct business area, being that of manganese and cobalt exploration in West Africa. This business area forms the basis of the Group's operating segments. For each segment, the Group's Managing Director (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

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

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

Information about reportable segments

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

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

2016	Discontinued Gold £'000	Discontinued Iron Ore £'000	Manganese £'000	Other operations £'000	Total £'000
External revenue	1,936	–	–	–	1,936
Interest expense	(24)	–	–	(462)	(486)
Depreciation, amortisation and impairment	(93)	(15)	(8)	(1)	(117)
Loss before tax	(830)	(97)	(108)	(1,087)	(2,122)
Assets	1,941	22	575	521	3,059
Exploration and capital expenditure	794	10	8	5	817
Liabilities	1,111	4	13	1,598	2,726

Notes to the Consolidated Financial Statements

continued

7. Operating segments continued

Information about geographical segments

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

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

2016	Discontinued Australia £'000	Discontinued South Africa £'000	West Africa* £'000	Other operations £'000	Total £'000
External revenue	1,936	–	–	–	1,936
Interest expense	(24)	–	–	(462)	(486)
Depreciation, amortisation and impairment	(93)	–	(13)	(11)	(117)
Loss before tax	(830)	(12)	(184)	(1,096)	(2,122)
Assets	1,940	8	589	522	3,059
Exploration and capital expenditure	794	–	8	15	817
Liabilities	1,111	–	17	1,598	2,726

*Information regarding West Africa includes £85,000 loss before tax and £14,000 segment assets relating to discontinued activities.

8. Discontinued operations

On 17 February 2017 the Group applied to deregister its South African subsidiary, Moongate 218 (Pty) Limited. An application for deregistration of Southern Mn (Pty) Ltd will be made in due course. On 6 January 2017, the Group disposed of its entire 78.3% interest in Ressource Equatoriales SARL for nil consideration. These actions were taken by the Group as either the licences had expired or it was considered that the operations were no longer viable for the Group. The Group no longer holds iron ore assets. On 31 May 2017 the decision was taken to fully impair the subsidiary Keras Australia Pty Limited as its research and development activities have ceased and the Group is now looking to wind this company up.

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

The comparative consolidated statement of profit or loss has been represented to show the discontinued operations separately from continuing operations. Analysis of the result of discontinued operations is as follows:

		2017 £'000	2016 £'000
Revenue (external)		1,008	1,936
Expenses		(1,512)	(2,811)
Results from operating activities		(504)	(875)
Income tax		–	(117)
Results from operating activities, net of tax		(504)	(992)
Gain on sale of discontinued operation		5,646	–
Profit/(loss) from discontinued operations, net of tax		5,142	(992)

The discontinued operations did not have a tax impact.

Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (pence)	25	0.286	(0.079)

9. Revenue

	2017 £'000	2016 £'000
Discontinued activities (see note 8)		
Sales of precious metals – Mining and exploration	1,008	1,936
	1,008	1,936

10. Expenses

Expenses include:

	2017 £'000	2016 £'000
Depreciation and amortisation expense	3	107
Auditor's remuneration		
– Audit fee	25	35
– Other services	–	3
– Tax services	–	–
Foreign exchange differences	289	27

Auditor's remuneration in respect of the Company amounted to £10,000 (2016: £10,000).

11. Personnel expenses

	2017 £'000	2016 £'000
Wages and salaries	65	318
Fees	201	277
Equity-settled share-based payments	70	74
	336	669

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

Fees in respect of the services of R Lamming are payable to a third party, Parallel Resources Limited for part of the period, thereafter R Lamming is paid via payroll.

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

	2017	2016
Directors	4	6
Key management personnel	1	2
Other	3	5
	8	13

12. Directors' emoluments

2017	Executive directors £'000	Non-executive directors £'000	Total £'000
Wages and salaries (incl. fees)	107	54	161
Equity-settled share-based payments	34	19	53
	141	73	214

2016	Executive directors £'000	Non-executive directors £'000	Total £'000
Wages and salaries (incl. fees)	225	139	364
Equity-settled share-based payments	40	34	74
	265	173	438

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

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

	2017 £'000	2016 £'000
Emoluments for qualifying services	121	148

Key management personnel
Included in note 11 are emoluments paid to key management personnel in the year (including equity settled share based payments) which amounted to £88,000 (2016: £102,000).

13. Finance costs

Recognised in loss for period

	2017 £'000	2016 £'000
Interest on loans	20	429
Other	289	33
Finance costs	309	462

14. Taxation

Current tax expense

	2017 £'000	2016 £'000
Tax recognised in profit or loss		
Current tax expense		
Current period (2016 related to discontinued activities)	–	117
Deferred tax expense		
Origination and reversal of temporary differences	–	–
Total tax expense	–	117

Reconciliation of effective tax rate

	2016 £'000	2016 £'000 Including discontinued operations
Loss before tax	(1,247)	(2,122)
Tax using the Company's domestic tax rate of 19.50% (2016: 20.0%)	(243)	(424)
Effects of:		
Expenses not deductible for tax purposes	–	136
Overseas losses	15	189
Equity-settled share-based payments	14	15
Tax repaid on research and development expenditure	–	117
Tax losses carried forward not recognised as a deferred tax asset	214	84
	–	117

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

Factors that may affect future tax charges

At the year end, the Group had unused tax losses available for offset against suitable future profits of approximately £4,508,000 (2016: £3,413,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

15. Property, plant and equipment

Group	Plant and equipment £'000	Office and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 October 2015	27	48	21	96
Additions	19	8	–	27
Effect of movements in exchange rates	6	6	4	16
Balance at 30 September 2016	52	62	25	139
Balance at 1 October 2016	52	62	25	139
Additions	9	1	–	10
Disposals	(60)	(23)	–	
Effect of movements in exchange rates	1	–	1	2
Balance at 30 September 2017	2	40	26	68
Depreciation and impairment provisions				
Balance at 1 October 2015	12	33	16	61
Depreciation for the year	4	9	6	19
Effect of movements in exchange rates	2	3	3	8
Balance at 30 September 2016	18	45	25	88
Balance at 1 October 2016	18	45	25	88
Depreciation for the year	–	3	–	3
Depreciation on disposals	(16)	(14)	–	(30)
Effect of movements in exchange rates	–	–	1	1
Balance at 30 September 2017	2	34	26	62
Carrying amounts				
At 30 September 2015	15	15	5	35
At 30 September 2016	34	17	–	51
At 30 September 2017	–	6	–	6

Company	Computer equipment £'000	Total £'000
Cost		
Balance at 1 October 2015	5	5
Additions	–	–
Balance at 30 September 2016	5	5
Balance at 1 October 2016	5	5
Additions	–	–
Balance at 30 September 2017	5	5
Depreciation and impairment provisions		
Balance at 1 October 2015	4	4
Depreciation for the year	1	1
Balance at 30 September 2016	5	5
Balance at 1 October 2016	5	5
Depreciation for the year	–	–
Balance at 30 September 2017	5	5
Carrying amounts		
At 30 September 2015	1	1
At 30 September 2016	–	–
At 30 September 2017	–	–

16. Intangible assets

	Prospecting and exploration rights £000
Cost	
Balance at 1 October 2015	5,590
Additions	790
Effect of movement in exchange rates	306
Balance at 30 September 2016	6,686
Balance at 1 October 2016	6,686
Additions	2,122
Disposals	(7,293)
Effect of movements in exchange rates	36
Balance at 30 September 2017	1,551
Amortisation and impairment losses	
Balance at 1 October 2015	4,419
Impairment	10
Amortisation	88
Effect of movements in exchange rates	128
Balance at 30 September 2016	4,645
Balance at 1 October 2016	4,645
Impairment	389
Amortisation	–
Disposals	(4,643)
Effect of movements in exchange rates	(4)
Balance at 30 September 2017	387
Carrying amounts	
Balance at 30 September 2015	1,171
Balance at 30 September 2016	2,041
Balance at 30 September 2017	1,164

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

17. Business combinations

On 5 October 2016, the Group acquired 100 per cent of the ordinary share capital of Arcadia Minerals Pty Limited (now renamed Keras (Pilbara) Gold Pty Limited), an Australian registered private company. The acquisition was settled by way of cash and a share issue. The acquisition related to the Klondyke Gold Project. As detailed in note 8 this asset was subsequently disposed of as part of the Calidus transaction.

The transaction has been accounted for using the acquisition method of accounting.

The details of the business combination are as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Mineral rights	266	1,145	1,411
Fixed assets	8	–	8
Bank balances and cash	1	–	1
	275	1,145	1,420

	£'000
Satisfied by:	
Cash	800
Share consideration	620
	1,420

18. Investment in subsidiaries

Company	2017 £'000	2016 £'000
Equity investments		
Balance at beginning of period	465	–
Additions	–	465
Disposals	(465)	–
Balance at 30 September	–	465

	Activity	Country of incorporation	Ownership interest 2017	Ownership interest 2016
Directly				
Keras West Africa Limited (formerly Ferrex Iron Ltd)	Investment	United Kingdom	100%	100%
Ferrex Manganese Limited	Investment	United Kingdom	100%	100%
Southern Iron Limited	Investment	Guernsey	100%	100%
Keras (Gold) Australia Pty Limited	Mining minerals	Australia	–	100%
Keras Australia Pty Limited	Exploration	Australia	100%	100%
Indirectly				
Moongate 218 (Pty) Limited	Exploration	South Africa	–	74%
Southern MN (Pty) Limited	Exploration	South Africa	74%	74%
Société Générale de Mine	Exploration	Togo	85%	85%
Ressources Equatoriales SARL	Exploration	Gabon	–	78.3%
Kamnico SARL	Exploration	Togo	100%	–

Although the investments in Keras Australia Pty Ltd and Southern Mn Pty Limited are still held, as detailed in note 8 their activities have been discontinued and are fully impaired.

18. Investment in subsidiaries continued

Registered offices of subsidiary companies are:

Keras West Africa Limited, 27/28 Eastcastle Street, London W1W 8DH
Ferrex Manganese Limited, 27/28 Eastcastle Street, London W1W 8DH
Southern Iron Limited, 1st Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey
Southern MN (Pty) Limited, 3rd Floor, Block D, Old Trafford House, Houghton 2198, South Africa.
Société Générale de Mine, Quartier Adidogome Apedokoe 02, BP 20022, Lome, Togo
Kamnico SARL, Quartier Agoenyive-Atchanve, BP 2936, Lome, Togo

19. Other investments

Group and company

	2017 £'000	2016 £'000
Equity securities – available for sale		
Shares acquired on disposal of subsidiary	6,661	–
Gain recognised in equity	13,718	–
	20,379	–

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

20. Loans

Group

	2017 £'000	2016 £'000
Balance at beginning of period	–	–
Provisions against loans at beginning of period	–	–
Balance at 30 September	–	–

Company

	2017 £'000	2016 £'000
Balance at beginning of period	2,434	1,770
Funds advanced to subsidiaries	2,171	1,270
Repaid/impaired	(3,191)	–
Provisions against loans	–	(606)
Balance at 30 September	1,414	2,434

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

21. Inventories

	2017 £'000	2016 £'000
Minerals held for sale	–	426
Production stockpiles	–	178
	–	604

Amount of inventory charged as an expense in discontinued activities was £606,000 (2016: £2,242,000).

22. Trade and other receivables

Group

	2017 £'000	2016 £'000
Other receivables	3	149
Prepayments	28	80
	31	229
Non current	–	29
Current	31	200
	31	229

Company

	2017 £'000	2016 £'000
Other receivables	2	194
Prepayments	28	37
	30	231

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

The Group and Company's exposure to credit and currency risk is disclosed in note 29.

23. Cash and cash equivalents

Group

	2017 £'000	2016 £'000
Bank balances	60	134
Cash and cash equivalents	60	134

Company

	2017 £'000	2016 £'000
Bank balances	48	82
Cash and cash equivalents	48	82

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

24. Capital and reserves

Share capital

	Number of ordinary shares of £0.001 each 2017	2016
In issue at beginning of year	1,347,969,623	1,100,794,390
Issued for cash	322,857,131	152,811,597
Issued in settlement of debt	424,306,684	1,363,636
Issued in connection with the acquisition of subsidiary	–	93,000,000
Issued in connection with the acquisition of Klondyke	100,000,000	–
In issue at 30 September – fully paid	2,195,133,438	1,347,969,623

	Number of deferred shares of £0.004 each 2017	2016
In issue at beginning of year	1,193,794,390	–
Issued on subdivision	–	1,193,794,390
	1,193,794,390	1,193,794,390

	Ordinary share capital 2017 £'000	2016 £'000
Balance at beginning of year	6,123	5,504
Share issues	847	619
Balance at 30 September	6,970	6,123

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

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

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

Issue of ordinary shares

On 5 October 2016, 100,000,000 ordinary shares were issued at £0.0062 per share as part of the acquisition of the Klondyke Gold Project.

On 26 January 2017, 171,428,571 ordinary shares were issued for cash at £0.0035 per share.

On 21 February 2017, 99,810,827 ordinary shares were issued at £0.0037 per share in part settlement of the unsecured loan notes with 8% redemption, the balance being settled in cash.

On 24 April 2017, 151,428,560 ordinary shares were issued at £0.0035 for cash and 4,285,714 ordinary shares were issued at £0.0035 to settle creditors.

On 26 May 2017, 205,937,977 ordinary shares were issued at £0.003736 to settle creditors.

On 16 June 2017, 54,666,623 ordinary shares were issued at £0.00352 to repay finance facilities and 59,605,543 shares were issued at £0.0038 to settle creditors.

Warrants

On 1 February 2016, 112,777,800 warrants were issued. These warrants are exercisable at £0.005 and are valid for two years from the date of issue.

	Number of warrants			
		2017		2016
In issue at beginning of year	0.5p	73,602,567		–
Cancelled in year		–		–
Issued in year	0.46p	59,542,743	0.5p	112,777,800
Issued in year	0.5p	75,714,280		–
Exercised in year		–		(39,175,233)
In issue at 30 September		208,859,590		73,602,567

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

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

The weighted average remaining contractual life of the warrants outstanding is 1 year 1 day.

Share option/warrant reserve

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

Exchange reserve

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

Fair value reserve

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

Notes to the Consolidated Financial Statements

25. Earnings/(loss) per share

Basic and diluted earnings/(loss) per share
The calculation of basic earnings/(loss) per share at 30 September 2017 is based on the following profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares in issue.

Profit/(loss) attributable to ordinary shareholders

	2017	2016
Continuing operations	(1,842,000)	(1,219,000)
Discontinued operations	5,142,000	(992,000)
Profit/(loss) attributable to ordinary shareholders	3,300,000	(2,211,000)

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at beginning of year	1,347,969,623	1,100,794,390
Effect of shares issued	447,744,087	152,820,260
Weighted average number of ordinary shares	1,795,713,710	1,253,614,650

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

26. Share-based payments

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

The Black Scholes pricing model was used to calculate the share based payment charge incorporating an annual volatility rate of 60%. The charge for the year ended 30 September 2017 amounted to £74,000 (2016: £74,000).

27. Loans and borrowings

Group and Company

	2017 £'000	2016 £'000
Unsecured loan notes – 10%	–	314
Unsecured loan notes – 8% redemption	–	556
Y A Global loan	–	266
	–	1,136

The loan notes carried interest at 10% per annum and were repayable on demand. This loan was provided by the Managing Director David Reeves and was repaid in the year.

The unsecured loan notes which carried an 8% redemption premium were repayable on demand. These loan notes also carried a 10% coupon payable upfront and received 1GBP worth of warrants to subscribe for new ordinary shares of £0.001 for every £1 nominal of the note. As detailed in note 24, the warrants are exercisable at £0.005 and are valid for two years from the date of issue. The loan was repaid during the year.

The YA Global Loan related to the closure of the equity swap agreement. It was unsecured and was repaid during the year.

28. Trade and other payables

Group

	2017 £'000	2016 £'000
Trade payables	1	496
Accrued expenses	138	579
Other payables	208	515
	347	1,590

Company

	2017 £'000	2016 £'000
Accrued expenses	138	347
Other payables	197	347
	335	694

There is no material difference between the fair value of trade and other payables and accruals and their book value. The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

29. Financial instruments

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

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

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

Group

	Carrying amount 2017 £'000	 2016 £'000
Trade and other receivables	31	229
Cash and cash equivalents	60	134
	91	363

Company

	Carrying amount 2017 £'000	 2016 £'000
Loans	1,414	2,434
Trade and other receivables	30	231
Cash and cash equivalents	48	82
	1,492	2,747

29. Financial instruments continued

Liquidity risk

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

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

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

Group
2017

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

Group
2016

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Loans and borrowings	1,136	(1,136)	(145)	(991)
Trade and other payables	1,590	(1,590)	(265)	(1,325)
	2,726	(2,726)	(410)	(2,316)

Company
2017

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

Company
2016

	Carrying amount £'000	Contractual cash flows £'000	2 months or less £'000	2-12 months £'000
Non-derivative financial liabilities				
Loans and borrowings	1,136	(1,136)	(145)	(991)
Trade and other payables	694	(694)	(116)	(578)
	1,830	(1,830)	(261)	(1,569)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

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

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

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

The Group considers its capital to be total shareholders' equity which at 30 September 2017 for the Group totalled £21,410,000 (2016: £1,063,000) and for the Company totalled £21,536,000 (2016: £1,382,000).

30. Related parties

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

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

D Reeves advanced monies to the group in previous periods, all have been repaid in this year. The total amount due to D Reeves at the year end was £nil (2016: £508,000). D Reeves also let a property to the company in Australia and received £28,000 (2016 : £21,000) in this respect.

Other related party transactions

Transactions with Group companies

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

	2017 £'000	2016 £'000
Southern Iron Limited		
– Loans and receivables (interest free)	1,261	1,155
Keras West Africa		
– Loans and receivables (interest free)	149	–
Ferrex Manganese Limited		
– Loans and receivables (interest free)	4	–
Keras Australia Pty Limited		
– Loans and receivables (interest free)	–	292
Keras (Gold) Australia Pty Limited		
– Loans and receivables	–	1,179

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

Moongate 218 (Pty) Limited		
– Loans and receivables (interest free)	–	1,196
Southern MN (Pty) Limited		
– Loans and receivables (interest free)	–	3
Société Générale de Mine SARL		
– Loans and receivables (interest free)	1,524	1,458

31. Subsequent events

On 18 October 2017 the Company announced a placing to raise £250,000 (before expenses) by the issue of new ordinary shares.

On 18 December 2017 Calidus Resources announced an increase in its measured resources to more than 500,000 oz au, which triggered the conversion of 241,250,000 Performance Shares into Calidus Shares. The valuation of the Company's holding of Calidus shares is set out in note 19 to the Financial Statements.

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

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