# MINCO PLC

# CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND DECEMBER 31, 2013

(Expressed in US$000's)

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# STATEMENT OF DIRECTORS' RESPONSIBILITIES OF MINCO PLC

Irish Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the Group and the Parent Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and comply with the Irish Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINCO PLC**

We have audited the financial statements of Minco plc for the year ended 31 December 2014 which comprise the Group Financial Statements: The Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Parent Company Financial Statements: the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is Irish 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 Acts 1963 to 2013.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2014 and of its loss for the year then ended ; and

- the parent company statement of financial position gives a true and fair view, in accordance with IFRSs, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2013, of the state of the company's affairs as at 31 December 2014; and

- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013 and as regards the group financial statements, Article 4 of the IAS Regulation.

**Emphasis of Matter – Realisation of Assets**

In forming our opinion on the financial statements which is not modified, we have considered the adequacy of the disclosures made in Note 12, 13 and 14 concerning the realisation of intangible assets of US$13,176,000 included in the Consolidated Statement of Financial Position and intangible assets of US$1,424,000, investments in associates of US$4,141,000 and investments in subsidiaries of US$6,851,000 in the Company Statement of Financial Position, which is dependent upon the discovery and successful development of economic resources, including the ability to raise finance to develop the projects. The financial statements do not include any adjustments relating to these uncertainties, and the ultimate outcome cannot at present be determined.

**Matters on which we are required to report by the Companies Acts 1963 to 2013**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the parent company.
- The parent company statement of financial position is in agreement with the books of account.
- In our opinion, the information given in the directors' report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements.
- The net assets of the parent company, as stated in the parent company statement of financial position are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which, under section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

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

We have nothing to report in respect of the provisions in the  Companies Acts 1963 to 2013 which requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Michael Bellew (FCCA)
for and on behalf of UHY Farrelly Dawe White Limited
Chartered Certified Accountants & Statutory Audit Firm
FDW House
Blackthorn Business Park
Coes Road
Dundalk
Co. Louth

30th April 2015

**MINCO PLC**
**CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**
**FOR THE YEAR ENDED 31 DECEMBER**

| Expressed in US$000's, except for per share amounts | Notes | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Continuing operations** | | | |
| General and administrative expenses | | (1,301) | (2,045) |
| Foreign exchange gain/(loss) | | 873 | (366) |
| Operating (loss)/profit | **7** | (428) | (2,411) |
| **Other Items** | | | |
| Finance income | **9** | 65 | 135 |
| Change in fair value of financial asset | | - | (271) |
| Share of loss of associate | **14** | (2,283) | (1,840) |
| Loss before taxation | | (2,646) | (4,387) |
| Income tax | **10** | (21) | (35) |
| Group (loss) for the period | | (2,667) | (4,422) |
| **Other Comprehensive Income** | | | |
| Exchange differences on translation of foreign operations | | (1,778) | 42 |
| Total comprehensive (loss) for the period | | (4,445) | (4,380) |
| | | **US Cents per share** | **US Cents per share** |
| **(Loss)/earnings per share** | | | |
| Basic | **11** | (0.56) | (0.92) |
| Diluted | **11** | (0.56) | (0.92) |

The financial statements were approved by the Board of Directors on 30 April 2015 and signed on its behalf by:

*"John F. Kearney"*
Director

*"Danesh K. Varma"*
Director

See accompanying notes to these financial statements

**MINCO PLC**
**CONSOLIDATED BALANCE SHEET**
**AS AT 31 DECEMBER 2014**

| Expressed in US$000's | Notes | 31/12/14 | 31/12/13 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | **12** | 13,176 | 11,410 |
| Investment in associate | **13/14** | - | 2,174 |
| Notes receivable | **14** | 392 | 120 |
| Prepaid expenses and other non-current assets | **14** | 2 | 86 |
| Total non-current assets | | 13,570 | 13,790 |
| **Current assets** | | | |
| Trade and other receivables | **16** | 147 | 185 |
| Cash and cash equivalents | **17** | 5,901 | 10,363 |
| Total current assets | | 6,048 | 10,548 |
| **Total assets** | | 19,618 | 24,338 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | **19** | 9,767 | 9,767 |
| Share premium | | 29,790 | 29,790 |
| Capital conversion reserve fund | | 39 | 39 |
| Foreign currency translation reserve | | (516) | 1,262 |
| Share-based payment reserve | **21** | 399 | 493 |
| Retained deficit | | (20,412) | (17,942) |
| Total equity | | 19,067 | 23,409 |
| **Current liabilities** | | | |
| Trade and other payables | **18** | 540 | 922 |
| Income taxes payable | **10** | 11 | 7 |
| Total current liabilities | | 551 | 929 |
| **Total equity and liabilities** | | 19,618 | 24,338 |

**COMMITMENTS AND CONTINGENCIES (Notes 14, 22)**

The financial statements were approved by the Board of Directors on 30 April 2015 and signed on its behalf by:

*"John F. Kearney"*
Director

*"Danesh K. Varma"*
Director

See accompanying notes to these financial statements

**MINCO PLC**
**COMPANY BALANCE SHEET**
**AS AT 31 DECEMBER 2014**

| | Notes | 31/12/14 | 31/12/13 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Non-current assets** | | | |
| Exploration and evaluation assets | **12** | 1,424 | 1,520 |
| Investment in subsidiaries | **13** | 6,851 | 7,506 |
| Investment in associate | **13/14** | 4,141 | 4,412 |
| Notes receivable | **14** | 393 | 120 |
| Total non-current assets | | 12,809 | 13,558 |
| **Current assets** | | | |
| Trade and other receivables | **16** | 8,949 | 7,281 |
| Cash and cash equivalents | **17** | 666 | 5,000 |
| Total current assets | | 9,615 | 12,281 |
| **Total assets** | | 22,424 | 25,839 |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Share capital | **19** | 9,767 | 9,767 |
| Share premium account | | 29,790 | 29,790 |
| Capital conversion reserve fund | | 39 | 39 |
| Foreign currency translation reserve | | (1,514) | 1,408 |
| Share-based payment reserve | **21** | 399 | 493 |
| Retained deficit | | (16,457) | (16,204) |
| Total equity | | 22,024 | 25,293 |
| **Current liabilities** | | | |
| Trade and other payables | **18** | 400 | 546 |
| **Total equity and liabilities** | | 22,424 | 25,839 |

**COMMITMENTS AND CONTINGENCIES (Notes 14, 22)**

The financial statements were approved by the Board of Directors on 30 April 2015 and signed on its behalf by:

*"John F. Kearney"*
Director

*"Danesh K. Varma"*
Director

See accompanying notes to these financial statements

**MINCO PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

| Expressed in US$000's | Share Capital $ | Share Premium $ | Capital Conversion Reserve Fund $ | Foreign Currency Translation Reserve $ | Share based payment Reserve $ | Retained Deficit $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2013** | **7,675** | **27,669** | **39** | **1,220** | **216** | **(13,520)** | **23,299** |
| Acquisition of Buchans | 2,034 | 1,964 | - | - | 158 | - | 4,156 |
| Shares issued for cash | 58 | 157 | - | - | - | - | 215 |
| Recognition of share-based payments | - | - | - | - | 119 | - | 119 |
| Total comprehensive loss for year | - | - | - | 42 | - | (4,422) | (4,380) |
| **Balance as at 31 December 2013** | **9,767** | **29,790** | **39** | **1,262** | **493** | **(17,942)** | **23,409** |
| Recognition of share-based payments | - | - | - | - | 103 | - | 103 |
| Share-based payments terminated | - | - | - | - | (17) | 17 | - |
| Share-based payments expired | - | - | - | - | (180) | 180 | - |
| Total comprehensive loss for period | - | - | - | (1,778) | - | (2,667) | (4,445) |
| **Balance as at 31 December 2014** | **9,767** | **29,790** | **39** | **(516)** | **399** | **(20,412)** | **19,067** |

***Share capital***
The share capital is comprised of share capital issued for cash and non cash considerations.

***Share premium***
The share premium is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued less cost of issue.

***Capital conversion reserve fund***
The ordinary shares of the Company were renominalized from €0.0126774 each to €0.0125 each in 2002 and the amount by which the issued share capital of the Company was reduced was transferred to the capital conversion reserve fund.

***Foreign currency translation reserve***
The foreign currency translation reserve arises on translation of balances into the presentation currency, US Dollar, from the functional currency. Statement of loss items have been re-translated at the average rate for the year and balance sheet items re-translated at the rate prevailing at the balance sheet date.

***Share-based payment reserve***
The share-based payment reserve represents the amount expensed to the statement of comprehensive loss in respect of share based payments granted which are not yet exercised or expired.

***Retained deficit***
Retained deficit comprises of accumulated profit and loss in the current and prior years. Retained deficit also includes the value of expired and terminated share-based payments.

See accompanying notes to these financial statements

**MINCO PLC**
**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Share Capital $ | Share Premium $ | Capital Conversion Reserve Fund $ | Foreign Currency Translation Reserve $ | Share based payment Reserve $ | Retained Deficit $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2013** | **7,675** | **27,669** | **39** | **1,032** | **216** | **(14,600)** | **22,031** |
| Shares issued on acquisition of Buchans | 2,034 | 1,964 | - | - | 158 | - | 4,156 |
| Shares issued for cash | 58 | 157 | - | - | - | - | 215 |
| Recognition of share-based payments | - | - | - | - | 119 | - | 119 |
| Total comprehensive loss for year | - | - | - | 376 | - | (1,604) | (1,228) |
| **Balance as at 31 December 2013** | **9,767** | **29,790** | **39** | **1,408** | **493** | **(16,204)** | **25,293** |
| Recognition of share-based payments | - | - | - | - | 103 | - | 103 |
| Share-based payments terminated | - | - | - | - | (17) | 17 | - |
| Share-based payments expired | - | - | - | - | (180) | 180 | - |
| Total comprehensive loss for period | - | - | - | (2,922) | - | (450) | (3,372) |
| **Balance as at 31 December 2014** | **9,767** | **29,790** | **39** | **(1,514)** | **399** | **(16,457)** | **22,024** |

***Share capital***
The share capital is comprised of share capital issued for cash and non cash considerations.

***Share premium***
The share premium is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued less cost of issue.

***Capital conversion reserve fund***
The ordinary shares of the Company were renominalized from €0.0126774 each to €0.0125 each in 2002 and the amount by which the issued share capital of the Company was reduced was transferred to the capital conversion reserve fund.

***Foreign currency translation reserve***
The foreign currency translation reserve arises on translation of balances into the presentation currency, US Dollar, from the functional currency, Euro. Statement of loss items have been re-translated at the average rate for the year and balance sheet items re-translated at the rate prevailing at the balance sheet date.

***Share-based payment reserve***
The share-based payment reserve represents the amount expensed to the statement of comprehensive loss in respect of share based payments granted which are not yet exercised or expired.

***Retained deficit***
Retained deficit comprises of accumulated profit and loss in the current and prior years. Retained deficit also includes the value of expired and terminated share-based payments.

See accompanying notes to these financial statements

**MINCO PLC**

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

| Expressed in US$000's | Notes | 31/12/14 | 31/12/13 |
|---|---|---|---|
| | | $ | $ |
| **Cash flow from operating activities** | | | |
| Loss for the period | | **(2,667)** | (4,422) |
| Share-based payments expense | | **103** | 119 |
| Change in fair value of financial asset | | **-** | 271 |
| Share of loss of associate | | **2,283** | 1,840 |
| Currency translation movements | | **(786)** | 42 |
| Income tax expense recognised in statement of comprehensive income | | **-** | 35 |
| Interest income | | **(65)** | (135) |
| | | **(1,132)** | (2,250) |
| **Movements in working capital** | | | |
| Increase in trade and other receivables | | **21** | 102 |
| (Decrease)/increase in trade and other payables | | **(378)** | 153 |
| Cash used in operating activities | | **(1,489)** | (1,995) |
| Income taxes paid | | **(21)** | (40) |
| Net cash used in operating activities | | **(1,510)** | (2,035) |
| | | | |
| **Cash flows from investing activities** | | | |
| Interest income | | **65** | 135 |
| Investment in financial assets | | **(255)** | (120) |
| Cash and cash equivalent received in Buchans transaction | | **-** | 301 |
| Payments for exploration and evaluation assets | | **(2,758)** | (3,257) |
| Net cash used in investing activities | | **(2,948)** | (2,941) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity shares in the parent | | **-** | 215 |
| Net cash generated by financing activities | | **-** | 215 |
| | | | |
| Net decrease in cash and cash equivalents | | **(4,458)** | (4,761) |
| Effect of exchange or changes on cash and cash equivalents | | **(4)** | - |
| Cash and cash equivalents at the beginning of the period | | **10,363** | 15,124 |
| Cash and cash equivalent at the end of the period | **17** | **5,901** | 10,363 |

See accompanying notes to these financial statements

**MINCO PLC**

**COMPANY CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

| Expressed in US$000's | **Notes** | **31/12/14** | **31/12/13** |
|---|---|---|---|
| | | **$** | **$** |
| **Cash flow from operating activities** | | | |
| (Loss)/profit before taxation for the year | | **(450)** | (1,604) |
| Share-based payments expense | | **103** | 119 |
| Change in fair value of financial asset | | **-** | 271 |
| Currency translation movements | | **(232)** | 214 |
| Interest income | | **(32)** | (50) |
| | | **(611)** | (1,050) |
| **Movements in working capital** | | | |
| (Increase)/decrease in trade and other receivables | | **(34)** | 15 |
| (Decrease)/increase in trade and other payables | | **(81)** | 246 |
| Net cash used in operating activities | | **(726)** | (789) |
| **Cash flows from investing activities** | | | |
| (Advances)/receipts from subsidiaries | | **(3,376)** | (4,368) |
| Investment in financial assets | | **(260)** | (115) |
| Interest income | | **32** | 50 |
| Net cash (used in)/generated by investing activities | | **(3,604)** | (4,433) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity shares in the parent | | **-** | 215 |
| Net cash generated by financing activities | | **-** | 215 |
| Net (decrease)/increase in cash and cash equivalents | | **(4,330)** | (5,007) |
| Effect of exchange or changes on cash and cash equivalents | | **(4)** | 0 |
| Cash and cash equivalents at the beginning of the financial year | | **5,000** | 10,007 |
| Cash and cash equivalent at the end of the financial year | **17** | **666** | 5,000 |

See accompanying notes to these financial statements

## 1. NATURE OF OPERATIONS

Minco plc (the "Company" or "Minco") and its subsidiaries and associate (collectively the "Group") have interests in exploration and evaluation properties located in Ireland, Canada, the United Kingdom, and Mexico. Substantially all efforts are devoted to financing and developing these properties. There has been no determination whether these interests in exploration and evaluation properties contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programmes will result in profitable mining operations. The recoverability of the carrying value of intangible assets and continued existence of the Company/Group is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability to raise additional financing, if necessary, or alternatively upon the ability to dispose of property interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. Exploration and evaluation assets are subject to the risks of investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

Although steps have been taken to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title. Properties may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and regulatory and environmental requirements.

These consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing or to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The significant accounting policies adopted by Group and Company are as follows:

### a) Basis of preparation
These financial statements, for the year ended 31 December 2014, for the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have also been prepared in accordance with IFRS as adopted by the European Union and in accordance with the Companies Acts, 1963 to 2013. The financial statements are presented in US Dollars, rounded to the nearest thousand (US$'000) except where otherwise indicated.

### b) Accounting convention
The financial statements are prepared under the historical cost convention except for derivative financial instruments which are measured at fair value.

### c) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive loss is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### c) Basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive loss in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

### d) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Direct costs incurred in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as incurred. The acquisition identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition.

### e) Investment in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, an allowance for impairment.

### f) Investment in Associates

**Group**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate).

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**Company**

Investments in associates are stated at cost less, where appropriate, allowances for impairment in the Company's Balance Sheet.

### g) Jointly controlled operations

The Group reports its interests in jointly controlled operations by recognising in its financial statements the assets that it controls, the liabilities that it incurs, the expenses that it incurs, and its share of the income from the sale of goods or services by the jointly controlled operation.

### h) Intangible assets

*Exploration and evaluation assets*

Exploration expenditure relates to the search for precious and base metals. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as intangible assets as part of exploration and evaluation assets.

Exploration costs are capitalised as an intangible asset until technical feasibility and commercial viability of extraction of reserves are demonstrable, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects.

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### h) Intangible assets (continued)

Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of profit or loss.

***Impairment of intangible assets***

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The Company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

- the period for which the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and this has resulted in the decision to discontinue such activities in the specific areas;
- sufficient data exists to indicate that although a development in the specific area is likely to proceed the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

### i) Asset retirement obligations

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of exploration and evaluation assets and property, plant and equipment. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration and evaluation assets and property, plant and equipment, and amortised over the useful life of these assets. Management is currently not aware of any existing significant asset retirement obligations or any legal or constructive obligations relating to the reclamation of its exploration and evaluation assets and property, plant and equipment at 31 December 2014 and 2013.

### j) Impairment of financial assets

Financial assets, other than those carried at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available for sale ("AFS"), a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income /loss are reclassified to profit or loss in the period.

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### j) Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income/loss.

### k) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company/Group becomes a party to the contractual provisions of the instrument.

*Cash and cash equivalents*
Cash and cash equivalents comprise cash held and short-term bank deposits with a maturity on acquisition of three months or less.

*Trade and other receivables and payables*
Recognised at inception at fair value and carried thereafter at amortised cost using the effective interest rate method.

*Financial assets at fair value through profit or loss*
Financial assets classified as held-for-trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in profit or loss.

*Financial liabilities*
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

*Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

*Equity instruments*
Equity capital issued is recorded at the value of proceeds received, net of direct issue costs.

*Derivative Financial Instruments*
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a noncurrent asset or a noncurrent liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### l) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted.

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

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### l) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and intent exists to settle its current tax assets and liabilities on a net basis.

### m) Foreign currencies

The functional currency of each Group entity is the currency of the primary economic environment in which it operates. The functional currency of the Company is Euros. However, due to the fact that all potential sales are US Dollar denominated, for the purpose of these consolidated financial statements, the results and financial position of each Group and company are presented in US Dollars (the Group's and Company's presentation currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of the consolidated financial statements, the assets and liabilities of foreign operations are translated in to US Dollars at the rate of exchange ruling at the balance sheet date, and income and expense items are translated at the average rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. The exchange differences arising on translation are taken directly to a separate component of equity (foreign currency translation reserve).

On the disposal of a foreign operation all of the accumulated exchange differences in respect of that operation and accumulated in foreign currency translation reserve are reclassified to profit or loss.

### n) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on the straight-line basis over the vesting period, based on an estimate of equity instruments that will eventually vest. At each balance sheet date, the estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions is revised. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

### o) Operating profit

Operating profit comprises of general administrative costs and foreign exchange movements incurred by the Company, which are not specific to evaluation and exploration projects, and include costs related to the share-based payments, provisions for trade receivables and all impairment charges relating to intangible assets and financial assets during the year. Operating profit is stated before other gains and losses.

### p) Critical accounting judgements

In the process of applying the Group's accounting policies above, the Directors have identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

*Intangible assets*

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management consider the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets. Costs which can be demonstrated as project related are included within exploration and evaluation assets. Intangible assets relate to prospecting, exploration and related expenditure. Exploration activities are subject to a number of significant and potential risks including:

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### p) Critical accounting judgements (continued)

*Intangible assets (continued)*

- exploration, development and operating risk
- no assurance of production
- failure to obtain additional financing
- environmental risks and hazards
- government regulation and permitting
- infrastructure
- price volatility of publicly traded securities
- fluctuating mineral prices
- foreign currency

The recoverability of these intangible assets is dependent on the discovery and successful development of economic reserves, including the ability to raise finance to develop future projects. Should this prove unsuccessful, the value included in the balance sheet would be written off to the statement of loss.

*Going concern*

For further information regarding going concern refer to Note 3.

*Contingencies*

See Note 21.

### q) Key sources of estimation uncertainty

Preparation of financial statements requires directors to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

*Share-based payments*

Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. Estimates have been made as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used is the Black-Scholes valuation model.

*Warrants*

The fair value of the warrants is estimated at the issue date using the Black-Scholes option pricing model with estimates of the volatility of company and/or associate shares, expected dividend yield and a risk-free interest rate.

*Investment in subsidiaries and associates*

At balance sheet date, the carrying amounts of its investments in subsidiaries and associates are reviewed to determine whether there was any indication that those assets have suffered an impairment loss. The recoverable amount of those assets was estimated in order to determine the extent of any impairment loss.

*Impairment of intangible assets*

The assessment of intangible assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined; future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

*Mineral reserve estimates*

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### q) Key sources of estimation uncertainty (continued)

*Estimation of asset retirement obligations and the timing of expenditure*

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

### r) Changes in accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions and did not result in any significant financial statement impact.

IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

IAS 36 – Impairments of Assets ("IAS 36") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

IFRS 2 – Share-based Payment ("IFRS 2") was amended to clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

### s) New standards and interpretations not yet adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2014 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The amendment is effective for annual periods beginning on or after July 1, 2014.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

## 2. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### s) New standards and interpretations not yet adopted (continued)

IAS 19 - Employee Benefits ("IAS 19") was amended by the IASB in November 2013 to simplify the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of service. The amendments to IAS 19 are effective for annual periods beginning on or after July 1, 2014. Earlier adoption is permitted.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

IAS 27 – Separate Financial Statements ("IAS 27") was amended in August 2014 to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

## 3. GOING CONCERN

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the Group and finance for the development of the Group's projects becoming available. Based on the assumptions that such finance will become available, the Directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the assets, in particular the intangible assets, to their realisable values. Such adjustments could be material.

For the year ended 31 December 2014, the Group recorded a loss of $2,667,000. At that date, the Group and the Company had positive cash balances of $5,901,000 and $666,000, respectively, and accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company and Group on a going concern basis.

## 4. EMPLOYEE INFORMATION

| | **31 December 2014 Number of employees** | 31 December 2013 Number of employees |
|---|---|---|
| Management and administration | 10 | 10 |
| Operatives | 7 | 7 |
| | 17 | 17 |
| Staff costs for the above persons: | **$** | $ |
| Wages and salaries | 908 | 509 |
| Social security costs | 37 | 14 |
| Share-based payments | 83 | 95 |
| | 1,028 | 618 |
| Capitalised as exploration and evaluation assets | 667 | 315 |
| Charged to the statement of loss | 361 | 303 |
| | 1,028 | 618 |

## 5. RELATED PARTY TRANSACTIONS

**Group**

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed for the Group but are disclosed below for the Company.

**Remuneration of key management personnel**

The remuneration of Directors, for the year ended 31 December 2014, who are the key management personnel of the Group, is set out below in aggregate in accordance with IAS 24 'Related Party Disclosures'.

| Directors' Remuneration | Salaries in cash | Fees in cash | Options | Total 2014 | Salaries in cash | Fees in cash | Options | Total 2013 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| John Kearney | - | - | 5 | 5 | - | - | 6 | 6 |
| Terence McKillen | - | - | 7 | 7 | - | 131 | 9 | 140 |
| Danesh Varma | 89 | - | 7 | 96 | 84 | - | 9 | 93 |
| Patrick D. Downey | - | - | 13 | 13 | - | - | 14 | 14 |
| Rowan N. Maule | - | 60 | 25 | 85 | - | 66 | 29 | 95 |
| Peter McParland | - | - | 13 | 13 | - | - | 14 | 14 |
| Michael Power | - | - | 13 | 13 | - | - | 14 | 14 |
| Dennis MacLeod | - | 42 | - | 42 | - | 22 | - | 22 |
| Warren MacLeod | 190 | - | - | 190 | 96 | - | - | 96 |
| Total | 279 | 102 | 83 | 464 | 180 | 219 | 95 | 494 |

No fees were paid by the Group to Directors, other than disclosed above, for their services as directors of the Company in the years ended 31 December 2014 or 31 December 2013. Professional fees in the amount of $60,000 were paid to Rowan Maule for management and consulting services, which have been capitalised within intangible assets.

No salaries were paid by the Company to any Directors of the Company in the years ended 31 December 2014 or 31 December 2013, other than to Danesh Varma, Finance Director and Secretary of the Company who was paid an amount of £4,500 ($7,400) per month, or $89,000 for the year ended 31 December 2014, and Warren MacLeod, President of Buchans Minerals Corp., who was paid an amount of Can$17,500 per month, or $190,000.

The option vesting expense in relation to options granted to directors for the year ended 31 December 2014 was $83,000. The option vesting expense included $64,000 expense in respect of 6,250,000 share options granted on 20 December 2012, the vesting period for these stock options is five years, vesting as to one third on issue, one third on 2 July 2013 and one third on 2 January 2014, and $19,000 in respect of 3,250,000 options which were granted in December 2007. The vesting period for these stock options is seven years, which expired in December 2014. No stock options were granted in 2014. Refer to Note 20 for further information on share options.

On 31 December 2014, Juno Limited, an existing substantial shareholder, held 20,545,454 shares. An amount of $81,000/€66,462 (2013: $91,000/€66,462) remained outstanding to Juno at 31 December 2014. This amount is due on demand, unsecured and non-interest bearing and there were no transactions during 2014 (2013: €Nil).

Amounts are advanced from the Company to subsidiary companies to finance exploration and evaluation costs and other operating expenses. These amounts are unsecured, non-interest bearing and repayable on demand.

## 6. SEGMENTAL ANALYSIS

Operating segments are identified on the basis of internal reports about the group that are regularly reviewed by the chief operating decision maker. The Board is deemed to be the chief operating decision maker within the Group. For management purposes, the Group is currently organised into four segements, Ireland, Canada, U.K. and Mexico.

Segment information about the Group's activities is presented below:

**Segment Result**

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| | **$** | $ |
| **Continuing Operations** | | |
| Ireland | **151** | (1,369) |
| Canada | **(423)** | (1,065) |
| U.K. | **(91)** | (113) |
| Mexico | **(2,283)** | (1,840) |
| Total for continuing operations | **(2,646)** | (4,387) |
| Income tax expense | **(21)** | (35) |
| Consolidated loss for the period | **(2,667)** | (4,422) |
| Consolidated loss | **(2,667)** | (4,422) |

There was no revenue from operations earned during 2014 and 2013.

**Segment assets and liabilities**

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **31 December 2014** | 31 December 2013 | **31 December 2014** | 31 December 2013 |
| | **$** | $ | **$** | $ |
| Ireland | **858** | 949 | **(436)** | (581) |
| Canada | **10,014** | 9,202 | **(29)** | (97) |
| U.K. | **2,453** | 1,529 | **(86)** | (251) |
| Mexico (investment in associate) | **392** | 2,295 | **-** | - |
| | **13,717** | 13,975 | **(551)** | (929) |
| Cash and cash equivalents | **5,901** | 10,363 | **-** | - |
| Consolidated total | **19,618** | 24,338 | **(551)** | (929) |

| | **Depreciation and amortisation** | | **Additions to non-current assets** | |
|---|---|---|---|---|
| | **31 December 2014** | 31 December 2013 | **31 December 2014** | 31 December 2013 |
| | **$** | $ | **$** | $ |
| Ireland | **-** | - | **-** | - |
| Canada | **-** | - | **808** | 6,418 |
| U.K. | **-** | - | **958** | 1,127 |
| Consolidated total | **-** | - | **1,766** | 7,545 |

## 7. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting) the following items:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| | **$** | $ |
| **General and administrative expenses of the Group comprise:** | | |
| Professional fees including audit and legal | (435) | (925) |
| Professional fees in connection to acquisition | - | (441) |
| Company Directors' remuneration | (141) | (95) |
| Share-based payments expense | (103) | (24) |
| Office expenses | (190) | (290) |
| Investor and public relations | (120) | (108) |
| Sundry expense | (312) | (162) |
| | (1,301) | (2,045) |
| **Foreign exchange gain** | 873 | (366) |
| **Operating loss before other items and income taxes** | (428) | (2,411) |

## 8. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Group** | | |
| Audit of group accounts | 71 | 100 |
| Other assurance | - | - |
| Tax advisory services | 49 | 20 |
| Other non audit services | 22 | - |
| Total | 142 | 120 |
| **Company** | | |
| Audit of company accounts | 71 | 50 |
| Other assurance | - | - |
| Tax advisory services | 30 | 20 |
| Other non audit services | 22 | - |
| Total | 123 | 70 |

## 9. FINANCE INCOME

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| | **$** | $ |
| Interest income | 65 | 135 |

## 10. INCOME TAX EXPENSE

a) Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the Ireland statutory rate of 12.5% (2013 – 12.5%) were as follows:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| (Loss) before income taxes | (2,646) | (4,387) |
| | 12.50% | 12.50% |
| Expected income tax recovery based on statutory rate | (331) | (548) |
| Adjustment to expected income tax benefit: | | |
| Acquisition of subsidiary | - | (2,193) |
| Non-deductible expenses | 252 | - |
| Other | 629 | (217) |
| Income subject to a higher rate of tax | (84) | (122) |
| Change in benefit of tax assets not recognised | (445) | 3,115 |
| Deferred income tax provision | 21 | 35 |

b) Deferred Income Taxes

Recognised deferred tax assets and liabilities:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Non-capital loss carry-forwards - Ireland | 98 | 98 |
| Intangible assets - Ireland | (98) | (98) |
| Non-capital loss carry-forwards - Canada | 813 | 610 |
| Intangible assets - Canada | (813) | (610) |
| Deferred income tax liability | - | - |

Deferred income tax assets have not been recognised in respect of the following deductible temporary differences as their recoverability is not considered probable:

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Non-capital loss carry-forwards - UK and Ireland | 4,582 | 8,766 |
| Non-capital loss carry-forwards - Canada | 6,531 | 6,983 |
| Share issue costs - Canada | 78 | 175 |
| Property, plant and equipment - Canada | 85 | 88 |

No deferred tax asset has been recognised on the temporary differences related to the Company's investment in its associate to the extent that the Company controls the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

No deferred tax asset has been recognised on accumulated tax losses of the Group of approximately $14.5 million (2013: $16.0 million) as the recoverability of any such assets is not considered likely in the foreseeable future.

The losses in Canada generally expire within 20 years, being from 2024 to 2034. The losses in the UK and Ireland do not generally expire.

## 11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated using the weighted average number of shares outstanding. Diluted (loss)/earnings per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings/(loss) per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As a result, all outstanding stock options and warrants at December 31, 2014 and 2013 have been excluded from diluted loss per share. The computation for basic and diluted (loss)/earnings per share is as follows:

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| | **$** | $ |
| **Numerator** | | |
| Loss for the period | (2,667) | (4,422) |

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| **Denominator** | **No. of Shares** | No. of Shares |
| Weighted average number of shares - basic | 478,142,180 | 478,142,180 |
| Weighted average number of shares - diluted | 478,142,180 | 478,142,180 |
| Basic loss per share (US cents per share) | (0.56) | (0.92) |
| Diluted loss per share (US cents per share) | (0.56) | (0.92) |

## 12. INTANGIBLE ASSETS

**Exploration and evaluation assets**

| | December 31, 2014 | Foreign Exchange | Additions | December 31, 2013 | Foreign Exchange | Additions | Acquisitions | December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Ireland | 800 | (77) | - | 877 | (14) | - | - | 891 |
| Woodstock | 2,617 | (474) | 643 | 2,448 | - | 1,239 | 129 | 1,080 |
| Buchans | 6,838 | (350) | 1,059 | 6,129 | (7) | 787 | 3,833 | 1,516 |
| Bobbys Pond | 537 | (93) | 179 | 451 | - | 20 | 431 | - |
| Pennines | 2,384 | (79) | 958 | 1,505 | (3) | 1,130 | - | 378 |
| Total | 13,176 | (1,073) | 2,839 | 11,410 | (24) | 3,176 | 4,393 | 3,865 |

All exploration and evaluation assets are carried at cost less any applicable impairment provision. The Directors have reviewed the exploration and evaluation assets at 31 December 2014 and are satisfied that the fair value is not less than the carrying amount and that the exploration projects have potential to achieve mine production and positive cash flows. No impairment provision has been recognised.

Exploration and evaluation activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company/Group believe its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. The Group's activities are also subject to a number of significant potential risks, see Note 2(p).

The realisation of the intangible assets is dependant on the successful development of economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the balance sheet would be written off. The Directors are aware that by its nature there is an inherent uncertainty in such expenditure as to the value of the asset.

**Ireland**
Minco holds a 21.5% interest in Prospecting License 1440R in Tatestown, Ireland, the subject of a joint venture between Westland Exploration Ltd. (100% Minco subsidiary) and Tara-Boliden Mines Limited. The Company also holds a 2% net smelter royalty on the Curraghinalt gold deposit in Northern Ireland.

**Pennines - UK**
During 2012, the Company commenced a new exploration initiative in the North Pennine Orefield located in the counties of Cumbria, Northumberland and Durham in northern England and has entered into various agreements, licences and options with certain owners of minerals rights in the area.

## 12. INTANGIBLE ASSETS (CONTINUED)

The Company, through its wholly owned subsidiary Minco Mining Limited, has entered into an Option Agreement with the Crown Commissioners on behalf of the Crown Estates pursuant to which, in consideration of the payment of an option fee of £5,000, the Company has been granted the option to take a lease of Crown Minerals, subject to having obtained planning permission, on any part of the option area which covers approximately 20,000 hectares in Northumberland and County Durham. The Lease would be subject to an annual rent of £20,000 pounds sterling and subject to a royalty of 4% of the Net Realisable Value of gold or silver mined from the area.

The Company, through its wholly owned subsidiary Minco Mining Limited, has entered into an Option Agreement and Prospecting Licence to take a Lease with the Church Commissioners for England on Demised Minerals, (including lead, zinc, pyrite, copper, fluorspar, bartyes and associated any intermingled minerals) owned by the Church Commissioners at West Weardale in County Durham subject to the rights of the surface owners. The Option is for a period of five years and subject to extension. The Lease would be subject to planning permission and subject to an annual rent of £25,000 and a royalty of 2.5% of the Net Smelter Return earned on the Demised Minerals.

The Company, through its wholly owned subsidiary Minco Mining Limited, has been granted mineral exploration licences or permissions by the Trustees of the Allendale Settled Estates in Northumberland and by the Trustees for Roman Catholic Purposes on the Alston Estate in Cumbria. Under these mineral exploration licences the Company has been granted the right to explore and test for minerals, subject to the rights of the surface owners, for various terms. The Company expects to enter into Option Agreements to take Mineral Leases with the Allendale Estate in Northumberland and with the Alston Estate in Cumbria which are expected to be on similar terms to the Option Agreement with the Church Commissioners in Durham.

**Woodstock – Canada**
The Company, through its wholly-owned subsidiary Canadian Manganese Corp., holds a 100% interest in the Woodstock project located northwest of the town of Woodstock, New Brunswick. A portion of the project is subject to a 1% gross sales royalty upon commencement of commercial production, with the Company retaining certain rights to buy back one half of the royalty. The Woodstock project was acquired during 2013 as part of the Buchan's transaction. Previously, Minco was earning an interest in the Buchans project via a 2012 earn-in agreement.

**Buchans – Canada**
Buchans is located in central Newfoundland and covers the former producing Buchans Mine. Certain of the claims and portions thereof are subject to net smelter royalties ranging from 1% to 3%, certain of which are subject to buy-back agreements. The Company, through its wholly-owned subsidiary, was granted two mining leases during 2013 each with a 25 year term, and requiring total annual lease payments of Cdn$103,000. The Buchans project was acquired during 2013 as part of the Buchan's transaction. Previously, Minco was earning an interest in the Buchans project via a 2012 earn-in agreement.

The Tulks North project is 100% owned by the Company, through its wholly-owned subsidiary, and is located in the Victoria Lake Mining district of west-central Newfoundland. The property is subject to a 1.5% net smelter royalty.

The Company, through its wholly-owned subsidiary Buchans Minerals Corp., has a 49% interest in the Tulks Hill project in central Newfoundland which is held under a joint exploration agreement with Prominex Resource Corp. which is the project operator. The property is subject to a 2% net smelter royalty.

The Long Range project is under a 50/50 joint exploration agreement with Benton Resources Inc. ("Benton") and is located in central Newfoundland and Labrador. The Company, through its wholly-owned subsidiary Buchans Minerals, is the project operator. Benton elected to not participate in certain work programmes on the Long Range Property and Benton and are subject to dilution. The property is subject to net smelter royalties of up to 2% of which 1% can be purchased for $1.0 million.

**Bobby's Pond – Canada**
During 2013, the Company, through its wholly-owned subsidiary Centrerock Mining Ltd., acquired a 75% interest in the Bobby's Pond project for a cash payment of $431,000 (CDN$450,000) and a 1% net smelter return royalty due to the vendors. The project is also subject to an underlying 2% net smelter royalty. On April 4, 2014, the Company acquired the remaining 25% of the property for a cash payment of S161,000 (Cdn$175,000).

## 13. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

| | **31 December 2014** | 31 December 2013 |
|---|---|---|
| | **$** | $ |
| **Company** | | |
| Investments at cost: | | |
| Opening shares | **11,918** | 7,332 |
| Acquisition of Buchans Minerals Corporation | **-** | 4,560 |
| Foreign exchange adjustment | **(926)** | 26 |
| Closing shares | **10,992** | 11,918 |
| Total investment in subsidiaries | **6,851** | 7,506 |
| Total investment in associates | **4,141** | 4,412 |

The recovery of the investment in subsidiaries is dependent on the successful realisation of intangible assets through the development of economic ore reserves, as outlined in Note 2(p). At the balance sheet date, the Company reviewed the carrying amounts of its subsidiary companies to determine whether there was any indication that those assets have suffered an impairment loss. No impairment was recognised during 2014 and 2013. Amounts due from subsidiaries have no repayment date and are non-interest bearing.

The principal subsidiaries of the Company at 31 December 2014 are as follows:

| Name of Company | Registered office | Effective Holding | Principal Activity |
|---|---|---|---|
| Minco Ireland Limited | 162 Clontarf Road, Dublin 3, Ireland | 100% | Exploration |
| Westland Exploration Limited | 162 Clontarf Road, Dublin 3, Ireland | 100% | Exploration |
| Norsub Limited | 1 Le Marchant Street<br>St. Peter Port, Guernsey, GY1 4HP | 100% | Investment |
| Minco Mining Limited | Painters' Hall Chambers, | 100% | Exploration |
| Zacatecas Exploration Limited | 9 Little Trinity Lane, London EC4V | 100% | Management services |
| Centrerock Mining Limited | 220 Bay Street, Suite 700<br>Toronto, ON M5J 2W4, Canada | 100% | Exploration |
| Buchans Minerals Corporation | | 100% | Exploration |
| Canadian Manganese Company Inc. | 220 Bay Street, Suite 700 | 100% | Exploration |
| 7980736 Canada Inc. | Toronto, ON M5J 2W4, Canada | 100% | Exploration |

## 14. INVESTMENT IN ASSOCIATE

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| **Investment in associate as at 1 January** | **2,174** | 4,106 |
| Foreign exchange movement | **109** | (92) |
| Group share of loss in Xtierra for the year | **(2,283)** | (1,840) |
| Value of Group share of net assets of the associate at 31 December 2014 | **-** | 2,174 |

| | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Fair value of Group's interest based on quoted market price of associate's quoted shares at 31 December 2014 and 2013 | | |
| Share price as per TSX Venture Exchange, Canadian dollars | **Cdn$0.01** | Cdn$0.10 |
| US Dollar foreign exchange value | **US$0.086** | US$0.935 |
| 30,000,003 shares | **258** | 2,805 |
| Values as shown in the accounts of the associate at 31 December 2014 and 31 December 2013: | | |
| Total assets | **11,389** | 21,358 |
| Total liabilities | **(2,232)** | (3,071) |
| Total net assets | **9,157** | 18,287 |
| Total loss of associate for the year * | **(10,248)** | (6,339) |

## 14. INVESTMENT IN ASSOCIATE (CONTINUED)

Xtierra's loss for the year ended 31 December 2014 included impairment and write down of exploration and evaluation assets in the amount of $10,139,000 (2013-$6,245,000).

The value of the Group share of net assets shown above is $nil as a result of the Company's accounting policy, see Note 2(f). The fair value of the 30 million shares in Xtierra as at 29 April 2015 was $350,000.

In December 2013, the Company agreed to provide working capital financing to Xtierra, and agreed to purchase $250,000 principal amount of 5% working capital notes due March 31, 2014. In April 2014, Minco agreed to provide a further working capital advance to Xtierra of $125,000 which together with the $254,000 working capital Notes, including $4,000 interest, were rolled into new non-convertible 5% secured notes (total $379,000) due April 30, 2015, secured, pari-passu with Pacific Road Group of Funds (another significant owner of Xtierra), by a pledge by Xtierra of its shares of the Orca Minerals Limited. On 29 April 2015, Pacific Road and the Company, both agreed, subject to execution of definitive documentation, to extend the due dates of the secured notes from 30 April 2015 to 31 August 2015, and to provide further advances up to $15,000 each to fund Xtierra's property maintenance costs and working capital, and provide Xtierra with additional time to assess its strategic alternatives.

The recovery of the investment in associate is dependent on the successful realisation of intangible assets through the development of economic ore reserves, as outlined in Note 2(p) or sale.

The associated undertakings of the Company at 31 December 2014 were as follows:

| Name of Company | Country of Incorporation | Effective Holding | Principal activity |
|---|---|---|---|
| Xtierra Inc. | Canada | 26% | Holding company for Orca Minerals Limited |
| Orca Minerals Limited | Canada | 26% | Holding company for Orca Gold International Limited |
| Orca Gold International Limited | Bahamas | 26% | Holding company for Mexican subsidiaries |
| Bilbao Resources S.A. de C.V. | Mexico | 26% | Exploration |
| Golden Dust S.A. de C.V. | Mexico | 26% | Exploration |
| Minera Orca S.A. de C.V. | Mexico | 26% | Exploration |
| Orca Mining Exploration S.A. de C.V. | Mexico | 26% | Exploration |
| Bilbao Mining S.A. de C.V. | Mexico | 26% | Exploration |

## 15. ACQUISITION OF BUCHANS MINERALS CORPORATION

On July 16, 2013, Minco acquired all the issued shares of Buchans Minerals Corporation pursuant to an arrangement agreement dated April 26, 2013 and a Plan of Arrangement (the "Arrangement") under the Canada Business Corporations Act (the "CBCA") (the "Transaction").

The acquisition of Buchans by Minco was recorded in accordance with IFRS 3 as a business combination. The purchase price consideration of $4,560 was valued and allocated to the estimated fair value of assets acquired and liabilities assumed as at July 16, 2013 based on management's best estimates of fair value and taking into account all available information at the time of acquisition.

## 16. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Trade receivables and prepayments | **21** | 32 | **-** | - |
| Sales taxes receivable | **126** | 153 | **38** | 72 |
| Receivable from subsidiaries | **-** | - | **8,911** | 7,209 |
| | **147** | 185 | **8,949** | 7,281 |

Trade receivables are non-interest bearing and generally receivable within 90 days. The carrying value of the receivables approximates to their fair value. In the opinion of the Directors the amounts above are considered to be fully recoverable.

## 17. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Cash | **474** | 369 | **314** | 81 |
| Cash equivalents | **5,427** | 9,994 | **352** | 4,919 |
| Immediately available without restriction | **5,901** | 10,363 | **666** | 5,000 |

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of investment. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates at floating rates.

The currency profile of cash and cash equivalents at the end of the period is as follows:

| **Group** | **2014** | 2013 |
|---|---|---|
| | **$** | $ |
| Euro | **136** | 66 |
| US Dollars | **5,652** | 10,101 |
| Canadian Dollars | **105** | 86 |
| Sterling | **8** | 110 |
| | **5,901** | 10,363 |
| **Company** | | |
| Euro | **91** | 64 |
| US Dollars | **514** | 4,919 |
| Canadian Dollars | **60** | 13 |
| Sterling | **1** | 4 |
| | **666** | 5,000 |

Refer to Note 22 for disclosure on credit risks on cash and cash equivalents.

## 18. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Trade creditors and accruals | **328** | 700 | **218** | 357 |
| Amounts due to related parties (Note 5) | **212** | 222 | **182** | 189 |
| | **540** | 922 | **400** | 546 |

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made as they fall due. The carrying value of the trade creditors and accruals approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. These amounts are paid within their respective payment terms, unsecured and non-interest bearing.

## 19. SHARE CAPITAL

| | Ordinary shares of €0.0125 each | | Deferred shares of €0.0625 each | | Total |
|---|---|---|---|---|---|
| | Number '000 | Nominal value '000 | Number '000 | Nominal value '000 | Nominal value '000 |
| **Authorised share capital** | | | | | |
| At 31 December 2013 | 700,000 | € 8,750 | 38,000 | € 2,375 | € 11,125 |
| At 1 January 2014 and 31 December 2014 | **700,000** | **€ 8,750** | **38,000** | **€ 2,375** | **€ 11,125** |
| **Issued share capital** | | | | | |
| At 1 January 2014 and 31 December 2014 | **478,142** | **US$7,661** | **38,000** | **US$2,106** | **US$9,767** |

The deferred shares are non-voting, have no entitlements to dividends or repayment and no preferential right to a return on capital on a winding-up.

## 20. PARENT COMPANY, MINCO PLC, STATEMENT OF COMPREHENSIVE INCOME

In accordance with section 148(8) of the Companies' Act 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual Statement of Comprehensive Income to the Annual General Meeting and from filing it with the Registrar of Companies. The loss in the parent Company amounted to $450,000 (2013: $1,605,000). This includes a charge for share-based payment of $103,000 (2013: $119,000).

## 21. SHARE-BASED PAYMENTS

**Equity-settled share options**

The board of directors has granted share options to directors, officers, employees, consultants and service providers who perform ongoing services for the Group. The purpose of the options is to attract, retain and motivate these parties by providing them with the opportunity to acquire a proprietary interest in the Company and to benefit from its growth. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements. Options are forfeited if the optionee ceases to be associated with the Company before the options vest.

On 20 December 2012, the Company granted 8,250,000 share options at an exercise price of £0.05p per share, with a five year term expiring 20 December 2017, vesting as to one third on issue, one third on 2 July 2013 and one third on 2 January 2014, to non-executive directors and consultants. The grant date fair value of these options was estimated at $269,000 (£165,000).

On 17 July 2013, pursuant to the Arrangement referred to in Note 15, 12,336,500 outstanding fully vested stock options of Buchans became exercisable to purchase 10,189,949 ordinary shares of Minco upon the basis of 0.826 ordinary shares of Minco for each common share of Buchans. The exercise price of these Buchans stock options is CDN$0.10 per Buchans share or CDN$0.121 per Minco share, and these may be exercised prior to the expiry dates as shown in the schedule below. For presentation purposes, the exercise price has been recorded as £0.078 per Minco share. The fair value of these options was estimated at $154,000 using the Black Scholes option pricing model and was recorded part of the $4,560,000 acquisition price of Buchans.

The following is a continuity of outstanding share options:

| | **31 December 2014** Number of share options | **Weighted average exercise price (in Stg pence)** | 31 December 2013 Number of share options | Weighted average exercise price (in Stg pence) |
|---|---|---|---|---|
| Outstanding at beginning of the year | 21,111,749 | 6.35 | 11,500,000 | 5.14 |
| Granted during the period: | | | | |
| Directors | - | - | 3,824,380 | 7.80 |
| Consultants and employees | - | - | 6,365,569 | 7.80 |
| Expired | (3,250,000) | 5.50 | - | - |
| Terminated | (1,116,339) | 7.80 | (578,200) | 7.80 |
| Outstanding at end of the period | 16,745,410 | 5.97 | 21,111,749 | 6.35 |
| Exercisable at the end of the period | 16,745,410 | 5.97 | 18,361,749 | 6.55 |

## 21. SHARE-BASED PAYMENTS (CONTINUED)

Outstanding options at 31 December 2014 were as follows:

| | Number of Options Granted and Exercisable at 31 December 2014 | Share-based Payment Reserve | Exercise Price | Expiry Date |
|---|---|---|---|---|
| | | $ | | |
| | 3,700,480 | 57 | £0.078 | 09 May 2015 |
| | 330,400 | 5 | £0.078 | 22 September 2015 |
| | 2,994,250 | 47 | £0.078 | 19 December 2016 |
| | 804,524 | 13 | £0.078 | 21 June 2017 |
| | 8,250,000 | 267 | £0.050 | 20 December 2017 |
| | 665,756 | 10 | £0.078 | 07 January 2018 |
| Total | 16,745,410 | 399 | | |

The total number of options over ordinary shares outstanding at 31 December 2014 was 16,745,410 (2013: 21,111,749). The options held by Directors are detailed in the Directors' report.

The total share based payment expense in the current year amounted to $103,000 (2013: $119,000).

On 14 December 2014, 3,250,000 options expired unexercised. The options outstanding at 31 December 2014 had a weighted average exercise price of £0.0624, and a weighted average remaining contractual life of 1.90 years.

## 22. LEGAL PROCEEDINGS

In November 2013, the Company and two of its directors, Terence McKillen and Danesh Varma, were served with a Claim in the English High Court of Justice, Chancery Division, by John Bennington Sears of Maidenhead, England and Sippdeal Trustees Limited of Chester Road, Manchester, England on behalf of the legal holder of some of the shares held by that shareholder (Sears) claiming damages for misrepresentation. Sears alleges that he caused shares in the Company to be purchased or retained for his benefit induced by alleged misrepresentations made by the Company and the two directors about the terms of the Joint Venture Agreement between the Company and Xstrata regarding the Pallas Green project near Limerick Ireland and the 2011 exploration budget for Pallas Green. Sears had participated in two share placements completed by the Company in 2010 and 2011, with such placements made by Barclays on his behalf, and alleges that he suffered loss and damage because the shares that he purchased, or were purchased by Barclays on his behalf in such share placements, were overvalued. During the period April 2010 to April 2011 Sears claims to have purchased a total 7,965,157 shares at various times for a total investment of £344,433. Sears claims that he has suffered losses amounting to approximately £500,000 (compromising lost capital and profits thereon that he would have obtained had those monies which he invested in the Company been available to make alternative investments), the precise quantum of loss will be matter of evidence to be adduced at trial. The Company and the two directors consider such claims to be wholly without merit, have filed a Defence and intend to vigorously defend this action. The Company has determined, based on legal advice, that the likelihood of any potential damages being awarded against the Company is remote and no provision has been made in the consolidated financial statements.

## 23. FINANCIAL INSTRUMENTS

Financial instruments comprise cash balances and various items such as trade receivables and trade payables which arise directly from trading operations. The Company also enters into derivative transactions, primarily warrants and convertible notes. The main purpose of these financial instruments is to provide working capital to finance operations. The Group and Company undertake certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Cash balances are held in Euro, Sterling and in US and Canadian Dollars. The strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of expected expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditures. The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures regularly and may consider the use of currency hedges in the future.

**Interest rate risk**
Operations are financed through the issue of equity shares. There are no fixed interest rate agreements. The Group had $5,901,000 in cash and cash equivalents at 31 December 2014. A one percent change in interest rates will result in a corresponding change in interest income of approximately $59,010 based on cash equivalent balances existing at 31 December 2014.

**Liquidity risk**
Liquidity exposure is confined to meeting obligations under short term trade creditor agreements. This exposure is financed from a combination of cash, additional issues of ordinary equity shares and other financing arrangements.

**Capital management**
The primary objective of capital management is to ensure that it maintains an adequate capital ratio in order to support its business and enhance shareholder value. The capital structure of the Group consists of issued share capital and reserves. The Group manages its structure and makes adjustments to it, in light of the changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. The Group's only capital requirement is its authorised minimum capital as a plc.

**Foreign currency risk**
Although the Group is based in Europe and Canada, and has significant investments in Mexico, none of which presently generate cash from operations, and holds monies from investors in Euros, Sterling, Canadian or US Dollars. The functional currencies of the majority of the Group's operations are UK Sterling, the Euro and the Canadian Dollar; the reporting currency of the Group is the US Dollar. However, the expense is not considered to be a monetary asset, and has been translated to the functional currency at the rates of exchange ruling at the dates of the original transactions. The Group also has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates. The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities may be used where appropriate in the future. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are set out below. The net currency exposure of the gross monetary assets of the Group was as follows:

| Date | Sterling | US$ | Canadian | Euro | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| 31 December 2014 | (9) | 5,652 | 96 | (251) | 5,488 |
| 31 December 2013 | (116) | 10,101 | 65 | (442) | 9,608 |

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2014. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from payables and receivables, and adjusts their translation at the period-end for a 5% change in foreign currency rates. A five percent change in the US Dollar exchange rate could result in a foreign exchange impact to the net income of approximately $283,000 based on monetary assets and liability balances existing at 31 December 2014.

## 23. FINANCIAL INSTRUMENTS (CONTINUED)

**Credit risk**

With respect to credit risk arising from financial assets of the Group, which comprise of cash and cash equivalents, cash deposits give risk to credit risks on the amounts due from counter-parties. The Company controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2014 all cash, short term deposits had a maturity date of 30 days or less. Credit risk is actively managed across the portfolio of institutions by ensuring that material surplus funds are placed with counter-parties that are either covered by Government guarantee schemes or have a credit rating of at least BBB-.

## 24. NON CASH TRANSACTIONS

There were no significant non cash transactions during the year ended 31 December 2014 and 2013 other than share-based payments, warrants, and the additional impairment on receivables and amounts from subsidiaries.