Company Registration No. 03896382 (England and Wales)

PREMIER GOLD RESOURCES PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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COMPANY INFORMATION

Directors	Colonel Robert Stewart Richard Nolan Dr Reza Tabrizi Gerry Desler FCA Christian Schaffalitzky Garth Earls
Secretary	Gerry Desler FCA
Company number	03896382
Registered office	Stonebridge House Chelmsford Road Hatfield Heath Essex CM22 7BD
Auditors	Adler Shine LLP Chartered Accountants and Statutory Auditor Aston House Cornwall Avenue London N3 1LF
Bankers	Royal Bank of Scotland Plc London Blackfriars Branch 36 – 37 New Bridge Street London EC4V 6BJ
Solicitors	Nabarro LLP Lacon House Theobald's Road London WC1X 8RW
Nominated Adviser and Sole Broker	W H Ireland Limited 24 Martin Lane London EC4 0DR
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S REPORT

2013 was a frustrating year for Premier Gold as we were prevented from engaging in any activity in the field. The Company had substantially laid all the groundwork to commence drilling operations during the 2013 field season only to be thwarted by resistance from factions of local groups seeking to hold up the work programme at Cholokkaindy illegally. Even more frustrating than having a highly attractive asset but being unable to progress its development, is the absence of any logical reason for being prevented from doing so. At this stage the board considers the local resistance which continues to prevent Premier Gold and certain other operators from working safely in the Kyrgyz Republic at present is as a result of a fundamental lack of understanding as to the impact that the development of mining operations would have upon local communities.

Notwithstanding Premier Gold's legal right, and support from the government, to progress its work programme on Cholokkaindy, such obstruction has caused us to delay the commencement of our work programme several times. The Company's first priority must be the safety of its employees and contractors and the board is doing everything it can to work through the issues being encountered in the Kyrgyz Republic in order to get the teams back out in the field to progress the development of the asset.

The board's attention is focused on working with representatives at all three of the relevant levels within Kyrgyz Government:

i. at leadership level through the office of the First Deputy Prime Minister;

ii. at a regional level through the governor of Chui Valley (the region in which the Company's licence is situated); and

iii. through the head of the local administration of Panfilov (the immediate surrounding area of the Company's licence).

Progress, however, has been inhibited by changes in Government at all three levels. In March 2014 the Ata-Meken party announced its withdrawal from the Kyrgyz Government coalition, thereby effectively dissolving the Government; while the positions of both governor of Chui Valley and head of the local administration of Panfilov were also unfilled for several weeks during the early part of 2014.

I am pleased to observe that political progress in the Kyrgyz Republic has since been made at all three levels pertinent to the Company's situation, with a viable new Government having recently been formed; and the appointments in February 2014 of a new governor of Chui Valley and a new head of the local administration of Panfilov (the "Akim"). The political transitions were, however, highly disruptive to Premier Gold's efforts to resolve its local issues.

What is apparent is the extent of the local influence held by the disruptive factions within their community; and indeed the unwillingness of the Panfilov-Akim to simply ignore their objections. Equally it is apparent that the governor's office is cautious as to the extent to which it exerts political influence over local communities.

We continue to press our case so that Premier Gold can implement an exploration programme that will be of benefit to all stakeholders. To achieve this objective the Company continues working with a broad range of professionals in the Kyrgyz Republic and in the United Kingdom.

Licence Developments

In February 2013, Premier Gold was successful in achieving a licence extension on Cholokkaindy through to 31 December 2017; and in May 2013 the Company also announced the award of an 8 square kilometre extension of the Cholokkaindy licence boundary, into an area in which we believe the mineralised zone further extends. This has obvious beneficial impacts on the size of the future potential resource at Cholokkaindy.

During the year, London and Bishkek-based staff continued to work on the geological information and databases. In addition, visits were made to the accredited laboratories where facilities for drill core sampling and storage were reserved. Procedural protocols for quality control of drilling, logging, sampling, analysis, health and safety were also updated. The exploration team is ready to implement the drill programme within two weeks of returning to operations in the field.

Corporate Developments

In July 2013 Premier Gold entered into a convertible loan agreement (the "Convertible Loan") with Tridevi Capital Partners (I) L.P. ("Tridevi Capital") for the provision of £1 million to advance the Company's exploration programme at the Cholokkaindy gold licence in the Kyrgyz Republic.

In September 2013 the Company raised gross funds of £200,000 by way of a subscription for a total of 100,000,000 new ordinary shares at a price of 0.2 pence per ordinary share.

In December 2013 the Company raised gross funds of £260,000 by way of an equity swap agreement with an existing institutional shareholder for a total of 200,000,000 new ordinary shares at a price of 0.13 pence per share.

The board stated its intention in December 2012 to simplify the share structure of the Company by cancelling all warrants. In January 2013 approximately 84 per cent. of the warrants in issue were purchased by the Company for a nominal consideration and duly cancelled. In October 2013 the remaining warrants expired and were duly cancelled.

Financial Results

Premier Gold is an early-stage exploration company and, as such, has no revenues. The Company's expenditure relates predominantly to the exploration-related costs and general and administrative overhead. The Company recorded a loss before tax for the period of £1,531,593 (2012: £1,528,360). The Company had cash and cash equivalents at 31 December 2013 of £274,539 (2012: £181,857).

Outlook

The Kyrgyz Government continues to indicate its commitment to helping Premier Gold through to a resolution of its local issues, such that the Company can resume operations. The new Government's preferred approach is one of engagement and public dialogue with local communities who, it seems, simply do not understand the implication or future impact of a development such as Cholokkaindy. The Company continues to express to the Government its dissatisfaction with the pace at which it is progressing a resolution. In parallel with the Government's efforts, Premier Gold is proactively working with local communities to overcome the educational barrier.

At the same time, the Company continues to consider assets beyond Cholokkaindy where the Company believes it can deploy its considerable geological expertise to create value for shareholders in a shorter time frame than the Company may be able to achieve at Cholokkaindy. The Company will report on any such developments as and when appropriate.

I am acutely aware that the disruption caused at Cholokkaindy is immensely frustrating for shareholders. We must however remind ourselves of the prospective anomalies and structures already recognised at Cholokkaindy which bear the hallmarks of a substantial gold deposit which would, if developed, be a highly valuable asset.

Colonel Robert Stewart DSO MP
Chairman

30 May 2014

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2013.

Principal activities

The principal activity of the Group during the year ended 31 December 2013 was related to mineral exploration for gold and precious metals. The Group operates in Kyrgyzstan.

Strategy

Premier Gold Resources plc is a gold exploration and development company quoted on the AIM market of the London Stock Exchange. It is focused on gold opportunities in Central Asia, in particular Kyrgyzstan, where the Group's Cholokkaindy project, on the highly prospective Tien Shan gold belt, has numerous targets ready for drilling.

Premier Gold Resources plc has a highly experienced board with a combination of gold and precious metal mining expertise, local political knowledge and corporate finance experience.

Business review

The Group is not yet producing minerals and so has no income other than a small amount of bank interest.

A review of the development and performance of the Group, including important events, progress during the year and likely future developments, can be found in the Chairman's Statement.

In summary:

- administrative expenses for the year fell to £873,310 (2012: £1,232,234);
- loss on disposal of Alji subsidiary totalled £150,724 after writing off its intercompany debt of £391,339 due to the Group;
- fair value loss on the derivative financial assets £473,833 (2012: £193,750);
- net loss after taxation was £1,531,593 (2012: £1,528,360);
- as at 31 December 2013, the Group had cash and cash equivalents of £274,539 (2012: £181,857);
- the Group has successfully raised or secured £1.446m of additional cash resource over the last year through the issue of equity and convertible loan notes, to strengthen its balance sheet and to enable it to continue its exploration work programme.

Key performance indicators

The business Key Performance Indicators ('KPI') monitored by the Board are focussed on managing the activities of the Group in the exploration and appraisal of mineral reserves. The financial KPI is to ensure that there is adequate funding in place to cover the Group's exploration expenditure and holding company costs.

Principal risks and uncertainties

The Board regularly reviews the risks to which the Group is exposed and seeks to minimise the effects of these risks through careful monitoring of the risks on an ongoing basis.

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

Operational

In common with other businesses operating in minerals exploration, the Group's activities are speculative and are inherently subject to a high degree of risk.

The Group's operational work involves geological exploration and the implementation of geological work programmes. Interpretation of the results of these programmes is dependent upon judgements and assessments that by their very nature are speculative; these interpretations are applied in designing further work programmes to which the Group can commit significant resources.

Work programmes may involve drilling operations and other geological work that present significant engineering challenges which are subject to unexpected operational problems. The actual cost of programmed operations can vary significantly from planned levels as a result of such unexpected issues arising.

Political, economic, legal, regulatory and social

The Group operates in Kyrgyzstan and may be subject to political, economic and other uncertainties, including but not limited to terrorism, war or unrest, changes in national laws and energy policies and exposure to its legal system.

The Group assesses legal and political risks as part of its evaluation of potential projects. It actively monitors legal and political developments in Kyrgyzstan where its operation is located. The Group actively engages in dialogue with the local government and legal policy makers to discuss all key legal and regulatory developments applicable to its operations.

Commodity Prices

The demand for, and price of, precious metals and other minerals is dependent on global and local supply and demand, actions of governments or cartels and general global economic and political developments. Gold prices have fluctuated widely in recent years and any decline in its price may have a negative impact on the Group. The market price of commodities is volatile and is affected by numerous factors beyond the Group's control. These other factors include delivery uncertainties related to the proximity of resources to processing facilities and government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and precious metals and many other aspects of the mining business. The impact of the price of minerals and precious metals on the economics of the Group's project is kept under close review.

Climate

The Group's activities generally take place in remote locations that can be subject to severe climate events, particularly during the winter season. Severe winter weather can cause delays in implementation of planned programmes and can have cost consequences in recovering from damage caused by climatic events.

Environmental

Exploration and development of a project can be adversely affected by environmental legislation. The Group makes assessment of the environmental impact at the time it applies for permits and licences which are subject to such assessment.

Financing and liquidity risk

The Group has ongoing requirements to fund its activities through the equity markets. There is no certainty such funds will be available when needed.

Foreign exchange

The Group operates internationally and therefore is exposed to the effects of changes in currency exchange rates. The Group has cash resources principally denominated in Pounds Sterling but the majority of its expenditure is denominated in other currencies. The Group does not currently hedge this risk, but it regularly reviews the impact of foreign exchange movements.

Organisational

The Company is highly dependent on the Directors. Whilst the board will continue to ensure that the Directors are appropriately incentivised, their services cannot be guaranteed, and the loss of their services to the Company may have a material adverse effect on the performance of the Company and the Group. In addition, the competition for qualified personnel in the mining industry can be intense and there can be no assurance that the Company will be able to attract and retain all personnel necessary in the required jurisdictions for the future development and operation of its business.

Corporate governance

Given the current size of the Company, it is not considered practical nor appropriate by the Directors that the Company should adopt all of the recommendations on Corporate Governance contained in the Combined Code. However, the Company has adopted a code of corporate governance practice embodying those principal tenets of the Combined Code which are relevant to the Company. The following committees deal with specific aspects of the Company's affairs:-

Remuneration committee

The Remuneration Committee consists of Christian Schaffalitzky, Reza Tabrizi and Gerald Desler, who also chairs the committee, and is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for any executive directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive directors.

Audit committee

The Audit Committee consists of Christian Schaffalitzky, Reza Tabrizi and Gerald Desler, who also chairs the committee, and provides a forum for reporting by the Company's external auditors. The Committee is responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors.

Corporate responsibility

Our people

Premier Gold is committed to conducting its affairs in a manner which minimises the risk to the health and safety of its employees and contractors; and to the local populace. Premier Gold is committed to the welfare of all those working on its projects. Our team is almost entirely Kyrgyz and, as much as possible, we aim to source Kyrgyz materials and contractors.

Exploratory work

At this stage in our development we are seeking to undertake further exploration and analysis work with a small team of local experts. During the exploration season, which typically runs from May through to November, Premier Gold's team (of 10-12 local experts) would carry out exploratory work over an area of approximately 20 square kilometres of unpopulated land, digging trenches and taking small samples for analysis by Kyrgyz laboratories.

Deeper exploratory drilling involves small bore holes of typically 100mm. To achieve this we create a pathway up the hillside to provide safe access for drilling equipment.

During the exploration season Premier Gold's team establishes a base camp at the foot of the hills where power is supplied by a small generator and fresh water is obtained from a river running alongside. Great care and attention is paid to maintaining the area.

Environment and rehabilitation

Premier Gold is determined to keep to a minimum the impact of its activities on the local environment. To that end we aim not simply to comply with national and international laws and standards but to become an exemplar of good practice. Premier Gold complies fully with its obligations to rehabilitate trenches in a reasonable time scale so that the long-term character of the area is unaffected by the process of exploration.

Richard Nolan
Chief Executive Officer

30 May 2014

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The results for the year are set out on page 20.

The directors do not recommend payment of an ordinary dividend.

Financial instruments

The company's financial risk management objectives and policies are set out in note 26 to the financial statements.

Going concern

In common with many exploration groups, the Group raises finance for its exploration and appraisal activities in discrete tranches, as and when required.

The Directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. These projections include the proceeds of future fundraising and planned expenditure necessary to maintain the Group and the Company as going concerns. Although the Company has been successful in raising funds in the past, there is no assurance that it will obtain adequate finance in the future.

The directors are engaging with the Kyrgyz Government at the highest level in connection with gaining access to the licence area and they are confident the issue will be resolved in the near future so that the company can resume operations.

The outcome of this matter cannot presently be determined with certainty and should the Group not be granted access the drilling programme will be delayed for the second consecutive year which may restrict the company's ability to raise further funds for working capital purposes. If such a situation arises the assets relating to the licence areas may need to be impaired and it also indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

However, the Directors have a reasonable expectation that, having regard to the matter mentioned above, they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future. It is for this reason that they have continued to adopt the going concern basis.

Directors

The following Directors held office during the period:

Colonel Robert Stewart
Richard Nolan
Dr Reza Tabrizi
Gerry Desler FCA
Christian Schaffalitzky
Garth Earls

Directors' interests

Share interests

The Directors of the Company held the following beneficial interests in the ordinary shares of the Company:

	31 December 2013	*1 January 2013*
Colonel Robert Stewart	3,000,000	3,000,000
Richard Nolan	10,000,000	5,000,000
Dr Reza Tabrizi	21,666,667	21,666,667
Gerry Desler	8,984,672	5,488,169
Christian Schaffalitzky	23,177,341	9,166,667
Garth Earls	5,000,000	5,000,000
	71,828,680	49,321,503

Share options

The Directors of the Company held share options granted under the Company share option scheme, as indicated below. No share options were exercised during the year.

	31 December 2013 No. of shares	*1 January 2013 No. of shares*
Colonel Robert Stewart	2,000,000	2,000,000
Richard Nolan	10,000,000	10,000,000
Dr Reza Tabrizi	10,000,000	10,000,000
Gerry Desler	14,250,000	14,250,000
Christian Schaffalitzky	10,000,000	10,000,000
Garth Earls	10,000,000	10,000,000
	56,250,000	56,250,000

Directors' insurance

The Directors and officers of the Company are insured against any claims against them for any wrongful act in their capacity as a Director, officer or employee of the Group, subject to the terms and conditions of the policy.

Substantial shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital are as follows:

	Number of ordinary shares	*% of issued share capital*
Lanstead Capital L.P.	385,051,118	28.27%
John McKeon	147,689,063	10.84%

The market value of the Company's shares at 31 December 2013 was 0.14p and the high and low share prices during the period were 0.43p and 0.12p respectively.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

– settle the terms of payment with suppliers when agreeing the terms of each transaction;

– ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

– pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 56 days' purchases.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Adler Shine LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of disclosure to auditor

So far as each person serving as a Director of the Company at the date this report is approved is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, as required by the AIM Rules of the London Stock exchange, the Directors have chosen to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgments and accounting estimates that are reasonable and prudent;

– state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Website publication

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This report was approved by the board of directors and signed on its behalf by:

Richard Nolan
Director

30 May 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PREMIER GOLD RESOURCES PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Premier Gold Resources Plc for the year ended 31 December 2013 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

– give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;

– have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and

– have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – uncertain outcome with regards to access to the licence areas and its impact on going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1.2 to the financial statements concerning the ability of the Group to gain access to the licence areas and its impact on the Company's ability to continue as a going concern.

The directors are engaging with the Kyrgyz Government at the highest level in connection with gaining access to the licence area and they are confident the issue will be resolved in the near future so that the company can resume operations.

The outcome of this matter cannot presently be determined. Should the Group not be granted access the drilling programme will be delayed for the second consecutive year and it may restrict the company's ability to raise further funds for working capital purposes. If such a situation arises the assets relating to the licence areas may need to be impaired and it also indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result from the impairment of the assets or if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Christopher Taylor	
(Senior Statutory Auditor)	....
for and on behalf of Adler Shine LLP	Aston House
Chartered Accountants	Cornwall Avenue
Statutory Auditor	London
	N3 1LF

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	*2013* £	*2012* £
Administrative expenses	4	(873,310)	(1,232,234)
Share based payments	19	(24,666)	(69,655)
Operating loss	5	(897,976)	(1,301,889)
Loss on disposal of subsidiary	12	(150,724)	—
Finance income	6	190	1,802
Fair value loss on derivative financial assets	15	(473,833)	(193,750)
Finance expense	7	(9,250)	(34,523)
Loss before income taxation		(1,531,593)	(1,528,360)
Income tax expense	8	—	—
Loss on ordinary activities after taxation		(1,531,593)	(1,528,360)
Non-controlling interests		52,771	54,618
Loss for the year and total comprehensive income attributable to owners of the parent		(1,478,822)	(1,473,742)
Loss per share – basic and diluted	9		
From continuing operations		(0.14)p	(0.22)p

The notes on pages 22 – 43 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes		2013 £		2012 £
ASSETS					
Non current assets					
Intangible assets	10		3,752,241		3,780,831
Tangible assets	11		14,628		23,789
Derivative financial assets	15		126,875		436,719
			3,893,744		4,241,339
Current assets					
Inventories	13	—		68	
Trade and other receivables	14	16,445		117,699	
Derivative financial assets	15	236,250		369,531	
Cash and cash equivalents	16	274,539		181,857	
		527,234		669,155	
LIABILITIES					
Current liabilities					
Trade and other payables	17	(240,207)		(218,145)	
Borrowings	18	(410,717)		—	
Net current assets			(123,690)		451,010
Net assets			3,770,054		4,692,349
EQUITY					
Share capital	20		2,288,898		1,951,415
Share premium account			6,059,750		5,932,983
Equity component – convertible loan note			89,283		—
Capital redemption reserve			43,333		43,333
Merger reserve			2,416,667		2,416,667
Profit and loss account			(7,722,515)		(6,268,359)
Foreign currency reserve			(3,874)		26,230
			3,171,542		4,102,269
Non-controlling interests			598,512		590,080
Total equity			3,770,054		4,692,349

Approved by the Board and authorised for issue on 30 May 2014.

Richard Nolan	**Dr Reza Tabrizi**
Director	*Director*

Company Registration No. 03896382

The notes on pages 22 – 43 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes		*2013* £		*2012* £
ASSETS					
Non current assets					
Investments	12		2,503,170		2,503,170
Derivative financial assets	15		126,875		436,719
			2,630,045		2,939,889
Current assets					
Trade and other receivables	14	1,383,471		1,099,789	
Derivative financial assets	15	236,250		369,531	
Cash and cash equivalents	16	269,935		170,304	
		1,889,656		1,639,624	
LIABILITIES					
Current liabilities					
Trade and other payables	17	(209,557)		(199,956)	
Borrowings	18	(410,717)		—	
Net current assets			1,269,382		1,439,668
Net assets			3,899,427		4,379,557
EQUITY					
Share capital	20		2,288,898		1,951,415
Share premium account			6,059,750		5,932,983
Equity component – convertible loan note			89,283		—
Capital redemption reserve			43,333		43,333
Merger reserve			2,416,667		2,416,667
Profit and loss account			(6,998,504)		(5,964,841)
Total shareholders' equity			3,899,427		4,379,557

The financial statements were approved by the Board on 30 May 2014.

Richard Nolan	**Dr Reza Tabrizi**
Director	*Director*

Company Registration No. 03896382

The notes on pages 22 – 43 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	*Share capital* £	*Share premium* £	*Retained earnings* £	*Foreign currency reserve* £	*Capital redemption reserve* £	*Merger reserve* £	*Non controlling interests* £	*Convertible loan note* £	*Total* £
Balance at 1 January 2012		1,471,207	4,821,530	(4,864,272)	—	43,333	—	—	—	1,471,798
Changes in equity for 2011										
Total comprehensive income for the year		—	—	(1,473,742)	—	—	—	(54,618)	—	(1,528,360)
On acquisition of subsidiaries		—	—	—	—	—	—	642,950	—	642,950
Issue of shares		480,208	1,260,625	—	—	—	—	—	—	1,740,833
Costs in respect of shares issued		—	(149,172)	—	—	—	—	—	—	(149,172)
On issue of shares for acquisition of Central Asia Resources Limited		—	—	—	—	—	2,416,667	—	—	2,416,667
Equity-settled share-based payments	19	—	—	69,655	—	—	—	—	—	69,655
Currency translation differences on foreign currency net investments		—	—	—	26,230	—	—	1,748	—	27,978
Balance at 31 December 2012		1,951,415	5,932,983	(6,268,359)	26,230	43,333	2,416,667	590,080	—	4,692,349
Changes in equity in 2012										
Total comprehensive income for the year		—	—	(1,478,822)	—	—	—	(52,771)	—	(1,531,593)
On disposal of subsidiaries		—	—	—	—	—	—	54,210	—	54,210
Issue of shares	20	337,483	147,517	—	—	—	—	—	—	485,000
Costs in respect of shares issued		—	(20,750)	—	—	—	—	—	—	(20,750)
Convertible loan note - equity component	18	—	—	—	—	—	—	—	89,283	89,283
Equity-settled share-based payments	19	—	—	24,666	—	—	—	—	—	24,666
Currency translation differences on foreign currency net investments		—	—	—	(30,104)	—	—	6,993	—	(23,111)
Balance at 31 December 2013		2,288,898	6,059,750	(7,722,515)	(3,874)	43,333	2,416,667	598,512	89,283	3,770,054

Merger reserve

The merger reserve has been created as a result of the acquisition of the whole of the issued share capital of Central Asia Resources Limited (‘CAR’) by the Company in exchange for shares in the Company. It represents the difference between the fair value of the share capital issued by the Company and nominal value.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	*Share capital* £	*Share premium* £	*Retained earnings* £	*Capital redemption reserve* £	*Merger reserve* £	*Convertible loan note* £	*Total* £
Balance at 1 January 2012		1,471,207	4,821,530	(4,864,272)	43,333	—	—	1,471,798
Changes in equity for 2012								
Total comprehensive income for the year		—	—	(1,170,224)	—	—	—	(1,170,224)
Issue of shares		480,208	1,260,625	—	—	—	—	1,740,833
Costs in respect of shares issued		—	(149,172)	—	—	—	—	(149,172)
On issue of shares for acquisition of Central Asia Resources Limited		—	—	—	—	2,416,667	—	2,416,667
Equity-settled share-based payments	19	—	—	69,655	—	—	—	69,655
Balance at 31 December 2012		1,951,415	5,932,983	(5,964,841)	43,333	2,416,667	—	4,379,557
Changes in equity in 2013								
Total comprehensive income for the year		—	—	(1,058,329)	—	—	—	(1,058,329)
Issue of shares	20	337,483	147,517	—	—	—	—	485,000
Costs in respect of shares issued		—	(20,750)	—	—	—	—	(20,750)
Equity-settled share-based payments	19	—	—	24,666	—	—	—	24,666
Convertible loan note - equity component	18	—	—	—	—	—	89,283	89,283
Balance at 31 December 2013		2,288,898	6,059,750	(6,998,504)	43,333	2,416,667	89,283	3,899,427

Merger reserve

The merger reserve has been created as a result of the acquisition of the whole of the issued share capital of Central Asia Resources Limited ('CAR') by the Company in exchange for shares in the Company. It represents the difference between the fair value of the share capital issued by the Company and nominal value.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

		2013		*2012*
	£	*£*	*£*	*£*
Cash flows from operating activities				
Operating loss		(897,976)		(1,301,889)
Depreciation of property, plant and equipment		4,649		8,334
Amortisation of intangible assets		77		—
Decrease in inventories		—		4,700
Increase in trade and other receivables		53,244		659,899
Increase/(decrease) in trade and other payables		35,291		(551,141)
Equity-settled share based payments		24,666		69,655
Other movement		10,723		39,093
Net cash used in operating activities		(770,366)		(1,071,349)
Investing activities				
Finance income	190		1,802	
Finance expense	(1,233)		(34,523)	
Net cash used in investing activities		(1,043)		(32,721)
Capital expenditure				
Payments to acquire intangible assets	(51,479)		(154,613)	
Payments to acquire tangible assets	—		(5,805)	
Net cash outflow for capital expenditure		(51,479)		(160,418)
Acquisitions and disposals				
Purchase of subsidiary undertakings	—		(3,170)	
Cash acquired on acquisition of subsidiary undertakings	—		21,760	
Cash on disposal of subsidiary undertaking	(9,955)		—	
Net cash (outflow)/inflow for acquisitions and disposals		(9,955)		18,590
Financing activities				
Issue of share capital	225,000		557,500	
Proceeds received from issue of derivative financial asset	221,275		—	
Cost of share issue	(20,750)		(49,172)	
Convertible unsecured loan notes	500,000		—	
Net cash generated from financing activities		925,525		508,328
Net increase/(decrease) in cash and cash equivalents in year		92,682		(737,570)
Cash and cash equivalents at beginning of the year		181,857		919,427
Cash and cash equivalents at end of the year		274,539		181,857

The notes on pages 22 – 43 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

		2013		*2012*
	£	£	£	£
Cash flows from operating activities				
Operating loss		(683,399)		(1,052,412)
Increase in trade and other receivables		(283,682)		(372,502)
Increase in trade and other payables		9,601		25,040
Equity-settled share based payments		24,666		69,655
Net cash used in operating activities		(932,814)		(1,330,219)
Investing activities				
Finance income	107,960		74,326	
Finance expense	(1,040)		—	
Net cash generated from/(used in) investing activities		106,920		74,326
Acquisitions and disposals				
Purchase of subsidiary undertakings	—		(3,170)	
Net cash outflow for acquisitions and disposals		—		(3,170)
Financing activities				
Issue of share capital	225,000		557,500	
Proceeds received from issue of derivative financial asset	221,275		—	
Cost of share issue	(20,750)		(49,172)	
Convertible unsecured loan notes	500,000		—	
Net cash generated from financing activities		925,525		508,328
Net increase/(decrease) in cash in the year		99,631		(749,123)
Cash and cash equivalents at beginning of the year		170,304		919,427
Cash and cash equivalents at end of the year		269,935		170,304

The notes on pages 22 – 43 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies and basis of preparation

1.1 General information

Premier Gold Resources Plc is incorporated in England and Wales and is quoted on the AIM Market of the London Stock Exchange Plc. The address of its registered office is Stonebridge House, Chelmsford Road, Hatfield Heath, Essex CM22 7BD.

The registered number of the company is 03896382.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

1.2 Going concern

The Directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. These projections include the proceeds of future fundraising and planned expenditure necessary to maintain the Group and the Company as going concerns. Although the Company has been successful in raising funds in the past, there is no assurance that it will obtain adequate finance in the future.

The directors are engaging with the Kyrgyz Government at the highest level in connection with gaining access to the licence area and they are confident the issue will be resolved in the near future so that the company can resume operations.

The outcome of this matter cannot presently be determined with certainty and should the Group not be granted access the drilling programme will be delayed for the second consecutive year which may restrict the company's ability to raise further funds for working capital purposes. If such a situation arises the assets relating to the licence areas may need to be impaired and it also indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

However, the Directors have a reasonable expectation that, having regard to the matter mentioned above, they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future. It is for this reason that they have continued to adopt the going concern basis.

1.3 Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, (IFRSs) and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group financial statements have been prepared under the historical cost convention or fair value where appropriate.

1.4 Parent company profit and loss account

A separate profit and loss account for the parent company, Premier Gold Resources Plc, has been omitted under the provisions of Section 408 of the Companies Act 2006. The loss dealt with in the financial statements of the parent company was £1,058,329 (2012: £1,170,224).

1 Accounting policies and basis of preparation (continued)

1.5 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries (‘the Group’). Subsidiaries include all entities over which the Group has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

1.6 Business combination

The Group adopts the acquisition method in accounting for the acquisition of subsidiaries. On acquisition the cost is measured at the fair value of the assets given, plus equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill.

Any deficiency of the fair value of the consideration below the fair value of identifiable net assets acquired is credited to the income statement in the period of the acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

1.7 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the Group’s share of the net identifiable net assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested annually, or when trigger events occur, for impairment and is carried at cost less accumulated impairment losses.

Goodwill is initially recognised at fair value. Any negative goodwill is credited to the income statement in the year of acquisition. If an undertaking is subsequently sold, the amount of goodwill carried on the balance sheet at the date of disposal is charged to the income statement in the period of disposal as part of the gain or loss on disposal.

1.8 Exploration and evaluation development costs

Capitalisation

Certain costs (other than payments to acquire the legal right to explore and costs which are directly attributable to those payments) incurred prior to acquiring the rights to explore are charged directly to the income statement. All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration and appraisal are accumulated and capitalised as intangible exploration and evaluation (“E&E”) assets. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the areas or where activities in the areas have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

1 Accounting policies and basis of preparation (continued)

E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production ("D&P") asset, but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If after completion of appraisal activities in the area, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Group decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation are written off to the income statement in the period the relevant events occur.

Impairment

If and when facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount, an impairment review is performed. For E&E assets when there are such indications, an impairment test is carried out by grouping the E&E assets with the D&P assets belonging to the same geographic segment to form the Cash Generating Unit ("CGU") for impairment testing. The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment loss is written off to the income statement. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use.

1.9 Property plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings – Leasehold	over the length of the lease
Fixtures, fittings & equipment	1 – 5 years, straight line
Motor vehicles	3 – 9 years, straight line

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

1.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.12 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

1 Accounting policies and basis of preparation (continued)

1.13 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The principal financial assets of the company are loans and receivables, which arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Group's loans and receivables are recognised and carried at the lower of their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered possible.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less.

1.14 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value with the changes in fair value recognised in the income statement.

1.15 Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.16 Convertible debt

The component of convertible debt that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not re-measured in subsequent years. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.17 Financial liabilities and equity

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 the entity after deducting all of its financial liabilities.

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

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

1 Accounting policies and basis of preparation (continued)

Equity comprises the following:

- Share capital represents the nominal value of equity shares;
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- Profit and loss reserve represents retained deficit;
- Other reserve represents the capital redemption reserve arising on redemption of shares in previous years and own share reserve.

1.18 Equity-settled share-based payment

The Company makes equity-settled share-based payments. The fair value of options and warrants granted is recognised as an expense, with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The fair value of the options granted is measured based on the Black-Scholes framework, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1.19 Foreign currency translation

Transactions in currencies other than Sterling, the presentational and functional currency of the Company, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity, where the changes in fair value are recognised directly in equity

On consolidation, the assets and liabilities of the Group's overseas entities (none of which has the currency of a hyper-inflationary economy) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The exchange rate on 31 December 2013 was £1: 81.1572 KGS ("Kyrgyzstan Som") (2012 £1: 76.592 KGS) the functional and presentational currency of the main subsidiary undertaking. The average rate applied to transactions during the year was £1: 75.7175 KGS.

1.20 Taxation

The income tax expense or taxation recoverable represents the sum of tax currently payable or recoverable and deferred tax.

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement 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.

1 Accounting policies and basis of preparation (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

1.21 Accounting Standards issued but not yet effective and/or adopted

As at the date of approval of these financial statements, the following standards were in issue but not yet effective. These standards have not been adopted early by the company as they are not expected to have a material impact on the company's financial statements.

IFRS 9	Financial instruments – classification and measurement (revised)
IFRS 9	Financial instruments – Hedge accounting (revised)
IFRS 10	Investment entities (amendment)
IFRS 12	Investment entities (amendment)
IFRS 14	Regulatory deferral accounts
IFRS 2, 3, 8, 13	Annual improvements 2010 – 2012 cycle
IAS 16, 38, 24	
IFRS 1, 3, 13	Annual improvements 2011 – 2013 cycle
IAS 40	
IAS 19	Defined benefit plans: Employee contributions (amendment)
IAS 27	Separate financial statements (amendment)
IAS 32	Offsetting of financial assets and financial liabilities (amendment)
IAS 36	Recoverable amount disclosures for non-financial assets (amendment)
IAS 39	Novation of derivatives and continuation of hedge accounting (amendment)

The International Financial Reporting Interpretations Committee has also issued interpretations which the company does not consider will have a significant impact on the financial statements.

2 Critical accounting estimates and judgements

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates. The estimates and underlying assumptions are as follows:

Exploration and evaluation costs and licences

Capitalisation of exploration and evaluation costs and the cost of acquiring licences requires that costs be assessed against the likelihood that such costs will be recoverable against future exploitation or sale or alternatively, where activities have not reached a stage which permits a reasonable estimate of the existence of mineral reserves, a judgement that future exploration or evaluation should continue. This requires management to make estimates and judgements and to make certain assumptions, often of a geological nature, and most particularly in relation to whether or not an economically viable mining operation can be established in future. Such estimates, judgements and assumptions are likely to change as new information becomes available. When it becomes apparent that recovery of expenditure is unlikely the relevant capitalised amount is written off to the income statement.

2 Critical accounting estimates and judgements (continued)

Impairment of assets

The Group is required to test, on an annual basis, whether its non-current assets have suffered any impairment. Determining whether these assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact on the carrying value of the respective assets.

Recoverability of other financial assets

The majority of the Company's financial assets represent loans provided to its subsidiary, which are associated with funding of mineral exploration and development projects. The recoverability of such loans is dependent upon the discovery of economically recoverable reserves, the ability of the Company to maintain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

Share based payments

The estimates of share based payments requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees.

Deferred tax assets

Deferred taxation is provided for using the liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for each taxable entity within the Group. The Directors have decided that no deferred tax asset should be recognised at 31 December 2013. If the actual profits earned by the Group differs from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

Valuation of derivative financial asset

The Company placed 250 million shares with Lanstead Capital L.P. ('Lanstead') for a consideration of £1 million and a second tranche of 150 million shares for a consideration of £260,000. At the same time, the Company and Lanstead entered into equity swap and interest rate swap agreements in respect of the placings for which consideration will be received on a monthly basis over a 24 month period (note 16). The amount receivable each month is dependent on the Company's share price at the settlement date. The Directors have made assumptions in the financial statements about the funds receivable at the year end. However, there is significant uncertainty underlying these assumptions due to the unpredictable nature of the share price.

3 Segmental information

The Directors are of the opinion that the Group operates in one primary business segment, gold and precious mineral exploration and in one principal geographical area, Kyrgyzstan. The management information received by the Board is prepared on this basis.

The Group also conducts business within the UK including fund raising, subsequently passed to subsidiary companies, and the incurring of expenditure in relation to the Company's activities as a holding company. None of this activity is considered to be significantly different to the principal activity of the Group in Kyrgyzstan.

Geographical market

	2013	*2012*
	£	*£*
Loss before taxation		
UK	(1,117,003)	(1,249,749)
Kyrgyz Republic	(414,590)	(278,611)
	(1,531,593)	(1,528,360)
Net assets		
UK	1,042,786	1,581,590
Kyrgyz Republic	2,727,268	3,110,759
	3,770,054	4,692,349

4 Expenses by nature

	2013	*2012*
	£	*£*
Directors' emoluments and key management	287,286	329,353
Travel and subsistence costs	37,829	93,616
Legal and professional fees	249,579	443,414
Mining consultancy fees	—	62,351
Financial PR	43,712	86,872
Other expenses	254,899	216,628
	873,310	1,232,234

5 Operating loss

	2013 £	2012 £
Operating loss is stated after charging:		
Amortisation of intangible assets	77	—
Depreciation of tangible assets	4,649	8,334
Loss on foreign exchange transactions	242	14,946
Auditors' remuneration – Fees payable to the company's auditor for the audit of the company's financial statements	20,000	22,000
– Fees payable to the company's auditor for the audit of the financial statements of a subsidiary	2,500	2,500

6 Finance income

	2013 £	2012 £
Bank interest received	190	1,802

7 Finance costs

	2013 £	2012 £
On bank loans and overdrafts	—	255
Other interest	9,250	34,268
	9,250	34,523

8 Income tax expense

	2013 £	2012 £
Total tax expenses	—	—
Factors affecting the tax charge for the year		
Loss before income taxation	(1,531,593)	(1,528,360)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.25% (2012 – 24.00%)	(356,095)	(366,806)
Effects of:		
Non deductible expenses	144,738	117,373
Tax losses not utilised	211,357	249,433
	356,095	366,806
Total tax expense	—	—

There is no provision for UK Corporation Tax due to adjusted losses for tax purposes, subject to agreement with HM Revenue and Customs. The deferred asset arising from the accumulated tax losses of approximately £2.76m (2012: £2.10m) carried forward has not been recognised but would become recoverable against future trading profits.

9 Loss per share

The loss and number of shares used in the calculation of earnings per ordinary share are set out below:

	2013	*2012*
	£	*£*
Basic:		
Loss for the financial period	(1,478,822)	(1,473,742)
Weighted average of ordinary shares	1,053,805,264	658,129,232

There was no dilutive effect from the options and warrants outstanding during the period (note 19).

10 Intangible fixed assets

	Software	*Licences*	*Exploration and evaluation assets*	*Total*
	£	*£*	*£*	*£*
The Group				
Cost				
At 1 January 2013	77	3,447,077	333,677	3,780,831
Additions	—	—	51,479	51,479
Exchange differences	—	—	(24,481)	(24,481)
Disposals	(77)	—	(55,511)	(55,588)
At 31 December 2013	—	3,447,077	305,164	3,752,241
Amortisation				
At 1 January 2013	—	—	—	—
Amortisation on disposals	(77)	—	—	(77)
Charge for the year	77	—	—	77
At 31 December 2013	—	—	—	—
Net book value				
At 31 December 2013	—	3,447,077	305,164	3,752,241
At 31 December 2012	77	3,447,077	333,677	3,780,831

Kyrgyzstan Licences

On acquisition of Central Asian Resources Limited, the company acquired an 80% interest in the Kyrgyzstan prospecting licences held by Alji LLC, which have subsequently been transferred to Premier Asia Resources LLC. This included a Lithium licence in the Uzunbulak region that was deemed non-core on acquisition, on this basis none of the exploration asset fair value uplift was allocated to the Lithium licence. The other licence acquired was the Cholokkaindy gold prospecting licence covering 24km2. This licence extends for a 5 year period to 31 December 2017 and has been expanded to cover an additional 8 square kilometres.

The Group has one CGU being that of gold exploration in Kyrgyzstan as disclosed in note 3, segmental information, which is relevant for the purposes of the evaluation of intangible exploration assets.

The Group has thus far undertaken limited exploration of its licences and as such it does not currently have any resource or reserve estimates on which to value its assets. The assets are therefore stated at cost. This will be reviewed when a CPR report becomes available.

10 Intangible fixed assets (continued)

Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

– researching and analysing existing exploration data;

– conducting geological studies, such as geochemistry, geophysics, drilling and sampling;

– examining and testing extraction and treatment methods; and/or

– compiling prefeasibility and feasibility studies.

Exploration expenditure relates to the initial search for mineral deposits with economic potential. Evaluation expenditure arises from a detailed assessment of mineral deposits that have been identified as having economic potential. Expenditure on exploration activity is capitalised to the extent that it is recoverable. Capitalisation of evaluation expenditure commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Group.

Such capitalised evaluation expenditure is reviewed for impairment at each statement of financial position date. The review is based on a status report regarding the Group's intentions for development of the undeveloped property and when available, any CPR report completed on the relevant assets. Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project.

If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

As of the statement of financial position date, the Company is only engaged in exploration. Exploration expenditure by the Company or its Group members to date has consistently demonstrated that the Cholokkaindy licence has, from a geological perspective, increasing economic potential. Additional value has been created as the Company applied for and received a five year extension (to 31 December 2017) for it to carry out further exploration work and the exploration area has been extended from $24km^2$ to $32km^2$.

The directors are engaging with the Kyrgyz Government at the highest level in connection with gaining access to the licence area following resistance from factions of local groups and they are confident the issue will be resolved in the near future so that the company can resume operations.

The licence extension, from both a time and area perspective, the resolution of local difficulties, coupled with the positive soil samples as detailed in the Chairman's report are considered sufficient to support the conclusion that the licence is not impaired. This will be reviewed when a CPR report becomes available.

11 Tangible fixed assets

	Land and buildings Leasehold £	*Plant and machinery* £	*Total* £
Cost or valuation			
At 1 January 2013	1,111	35,367	36,478
Exchange differences	(63)	(1,043)	(1,106)
Disposals	(1,048)	(18,908)	(19,956)
At 31 December 2013	—	15,416	15,416
Depreciation			
At 1 January 2013	648	12,041	12,689
Exchange differences	(59)	(178)	(237)
On disposals	(917)	(15,396)	(16,313)
Charge for the year	328	4,321	4,649
At 31 December 2013	—	788	788
Net book value			
At 31 December 2013	—	14,628	14,628
At 31 December 2012	463	23,326	23,789

12 Investments in subsidiary undertakings

The Company

	£
Cost or valuation	
At 1 January 2013	2,503,270
At 31 December 2013	2,503,270
Provisions for diminution in value	
At 1 January 2013	100
At 31 December 2013	100
Net book value	
At 31 December 2013	2,503,170
At 31 December 2012	2,503,170

12 Investments in subsidiary undertakings (continued)

Subsidiary undertakings:

The company holds more than 20% of the share capital of the following companies:

Company	*Country of registration or incorporation*	*Shares held Class*	*%*
Central Asia Resources Limited	England & Wales	Ordinary	100
Premier Asia Resources LLC	Kyrgyz Republic	Ordinary	80

During the year ended 31 December 2013, Premier Asia Resources LLC disposed of its 80% shareholding in Alji LLC for £nil consideration. The loss on disposal was £150,724. Prior to the disposal the licence held by Alji LLC was assigned to Premier Asia Resources LLC.

13 Inventories

	2013	*2012*
	£	*£*
The Group		
Raw materials and consumables	—	68

14 Trade and other receivables

	The Group		*The Company*	
	2013	*2012*	*2013*	*2012*
	£	*£*	*£*	*£*
Trade receivables	—	25	—	—
Amounts owed by subsidiary undertakings	—	—	1,374,416	1,030,408
Other receivables	13,946	113,928	6,556	65,635
Prepayments and accrued income	2,499	3,746	2,499	3,746
	16,445	117,699	1,383,471	1,099,789

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

15 Derivative financial asset

	2013 £	*2012* £
Due within one year	236,250	369,531
Due after more than one year	126,875	436,719
Value of derivative financial assets at 31 December 2013	363,125	806,250

Lanstead 1 Agreement

In December 2012, the Company issued 250 million new shares of 0.1p per share at a price of 0.4p per share to Lanstead Capital L.P. ('Lanstead') with a notional value of £1 million. The Company entered into an equity swap price mechanism with Lanstead for a notional 75% of these shares with a notional reference price of 0.5333p per share. Lanstead have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 24 month period. All 250 million shares were allotted with full rights on the date of the transaction.

To the extent that the share price is greater or lower than the reference price at each swap settlement, the Company will receive greater or lower consideration calculated on pro-rata basis i.e. share price / reference price multiplied by the monthly transfer amount. The valuation for each settlement is determined to be the average share price for the preceding 5 trading days up to settlement date.

As the amount of the consideration receivable by the Company from Lanstead will vary subject to the change in the Company's share price and will be settled in the future, the receivable is treated as a derivative financial asset and has been designated at fair value through profit or loss.

The Company also issued 25 million shares to Lanstead as a value payment in connection with the equity swap agreement.

The fair value of the derivative financial assets has been determined by reference to the Company's share price and has been estimated as follows:

	Share price	*Notional number of shares outstanding*	*Fair value* £
Value recognised on inception (notional)	0.5333p	187,500,000	1,000,000
Loss on revaluation of derivative financial asset		—	(193,750)
Value of derivative financial assets at 31 December 2012	0.43p	187,500,000	806,250
Consideration received		(78,125,000)	(177,292)
Loss on revaluation of derivative financial asset		—	(475,833)
Value of derivative financial assets at 31 December 2013	0.14p	109,375,000	153,125

15 Derivative financial assets (continued)

Lanstead 2 Agreement

In December 2013, the Company issued 200 million new shares of 0.1p per share at a price of 0.13p per share to Lanstead Capital L.P. ('Lanstead') with a notional value of £260,000. The Company entered into an equity swap price mechanism with Lanstead for a notional 75% of these shares with a notional reference price of 0.17333p per share. Lanstead have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 24 month period. All 150 million shares were allotted with full rights on the date of the transaction.

The Company also issued 20 million shares to Lanstead as a value payment in connection with the equity swap agreement.

As with the Lanstead 1 Agreement, the consideration receivable from Lanstead has been treated as a derivative financial asset and has been designated at fair value through profit or loss. The fair value of the derivative financial asset has been determined by reference to the Company's share price and has been estimated as follows:

	Share price	*Notional number of shares outstanding*	*Fair value £*
Value recognised on inception (notional)	0.17333p	150,000,000	260,000
Initial payment		—	(52,000)
Gain on revaluation of derivative financial asset		—	2,000
Value of derivative financial assets at 31 December 2013	0.14p	150,000,000	210,000

16 Cash and cash equivalents

	The Group		*The Company*	
	2013 £	*2012 £*	*2013 £*	*2012 £*
Cash at bank and in hand	274,539	181,857	269,935	170,304

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. All of the Company's cash and cash equivalents are at floating rates of interest.

17 Trade and other payables

	The Group		The Company	
	2013	*2012*	*2013*	*2012*
	£	*£*	*£*	*£*
Trade payables	121,529	74,268	121,529	74,268
Corporation tax	411	411	411	411
Other taxes and social security costs	28,118	35,501	27,807	32,536
Other payables	50,899	71,247	20,560	71,247
Accruals and deferred income	39,250	21,742	39,250	21,494
	240,207	218,145	209,557	199,956

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

18 Borrowings

	2013	*2012*
	£	*£*
Convertible loan note	410,717	—

During the year, the Company entered into a convertible loan note agreement for £1 million of which £500,000 was drawn down by 31 December 2013 with the balance to be drawn in two quarterly instalments of £250,000 subject to certain conditions being satisfied. The interest rate on the loan is 10% per annum. The loan matures five years from the issue date at their nominal value. The Loan Note Holder can convert their loan, and accrued interest, into shares at the holder's option commencing six months after the issue date of the loan and up to the maturity date at the rate of 500 shares per £1. The Company has the right to repay the loan at any time up to the maturity date. The values of the liability component and the equity conversion component were determined at issuance of the loan.

The convertible loan recognised in the balance sheet is calculated as follows:

	2013	*2012*
	£	*£*
Nominal value of convertible loan issued	500,000	—
Equity component	(89,283)	—
Liability component on initial recognition and at 31 December 2013	410,717	—

19 Share-based payments

Share options

At 31 December 2013 outstanding awards to subscribe for ordinary shares of 0.1p each in the company, granted in accordance with the rules of the share option scheme, were as follows:

31 December 2012

	Shares under option	*Weighted average remaining contractual life (years)*	*Weighted average exercise price (pence)*
Brought forward	9,250,000	4.9	1.03
Granted	54,000,000	9.3	0.50
Lapsed	—	—	—
Carried forward	63,250,000	8.5	0.58

31 December 2013

	Shares under option	*Weighted average remaining contractual life (years)*	*Weighted average exercise price (pence)*
Brought forward	63,250,000	8.5	0.58
Granted	—	—	—
Lapsed	—	—	—
Carried forward	63,250,000	7.6	0.58

19 Share-based payments (continued)

The fair value of remaining share options has been calculated using the Black Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

Grant date	1 September 2012	30 April 2012	31 July 2007	13 August 2004	18 November 2005
Exercise period	September 2012 – September 2022	April 2012 – April 2022	July 2007 – July 2017	August 2004 – August 2014	November 2005 – November 2015
Exercise price	0.50p	0.50p	1.00p	2.25p	1.00p
Number of employees	1	7	3	2	2
Shares under option	2,000,000	52,000,000	6,000,000	250,000	3,000,000
Expected volatility	32%	32%	100%	100%	100%
Expected life	3.5 years	3.5 years	5 years	5 years	5 years
Risk-free interest rate	0.24% – 0.43%	0.24% – 0.43%	4.4%	4.4%	4.4%
Expected dividend yield	—	—	—	—	—
Possibility of ceasing employment before vesting	—	—	—	—	—
Fair value per option	0.02p	0.19p	0.33p	0.89p	0.04p

The share based payments charge relating to the above options in the year ended 31 December 2013 was a charge of £24,666 (2012 : £69,655)

Warrants

On 24 October 2013, all outstanding warrants in the Company were cancelled.

20 Share capital

	2013 Number	*2012 Number*	*2013 £*	*2012 £*
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	1,346,435,975	1,008,953,458	1,346,436	1,008,953
Deferred shares of 0.1p each	942,462,000	942,462,000	942,462	942,462
			2,288,898	1,951,415

On 17 September 2013 the Company raised £200,000, before fees and expenses, by way of a Placing of 100 million new Ordinary shares of 0.1p each at a price of 0.2 pence per share, for cash.

On 14 October 2013, the Company issued 17,482,517 new Ordinary Shares of 0.1p each at a price of 0.143 pence per share, in settlement of directors' fees payable of £20,000 and £5,000 to C Schaffalitzky and G Desler respectively in lieu of cash.

On 13 December 2013 the Company raised £260,000 before fees and expenses, by way of a Placing of 200 million new Ordinary Shares of 0.1p each at 0.13 pence per share. The consideration was satisfied by the issue of a derivative financial instrument (note 15).

On 13 December 2013, the Company issued 20,000,000 new Ordinary Shares of 0.1p each allotted as fully paid at 0.13p per share, in settlement of fees in respect of the Placing on the same date.

21 Directors' emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including all directors of the Company.

	2013 £	*2012* £
Directors		
Emoluments for qualifying services	259,750	293,833
Equity-settled share based payment (note 19)	24,666	69,655
	294,416	363,488

Directors and key management personnel Salaries	*2013* £	*2012* £
Directors' emoluments		
Gerry Desler	36,000	53,500
Christian Schaffalitzky	13,750	30,500
Dr Reza Tabrizi	60,000	77,500
Richard Nolan	65,000	77,250
Colonel Robert Stewart (appointed 1 June 2012)	25,000	27,583
Garth Earls (appointed 1 November 2012)	60,000	27,500
	259,750	259,750
Key management personnel		
John McKeon	—	36,000
	259,750	292,750

22 Employees

Number of employees

There were 20 employees during the year including the directors (2012: 20).

Employment costs

	2013 £	*2012* £
Wages and salaries	338,818	356,952
Social security costs	17,536	22,520
Equity settled share-based payments	24,666	69,655
	381,020	449,127

23 Control

In the opinion of the directors, there is no ultimate controlling party.

24 Related party transactions

During the period there were consultancy fees of £16,355 (2012: £62,351) paid to Eurasia Mining Plc and included in trade payables at the year end is £27,592 (2012: £21,876) owing to Eurasia Mining Plc. Christian Schaffalitzky is a director of Eurasia Mining Plc.

During the period the Company purchased the warrants owned by John McKeon for a consideration of £nil (2012: £13,000).

Included in trade and other payables are the following balances due to Directors.

	2013	*2012*
	£	*£*
Colonel Robert Stewart	—	2,473
Christian Schaffalitzky	—	20,750
Garth Earls	9,126	13,659
Gerry Desler	5,527	26,338
Reza Tabrizi	5,934	8,027
Richard Nolan (2012: receivable)	—	(116)

Key management compensation

Key management include directors and John McKeon. The compensation paid or payable to key management for services is shown below.

	2013	*2012*
	£	*£*
Salaries and other short term benefits	259,750	329,833
Share-based payments	24,666	69,655
Warrants buy-back	—	13,000
	284,416	376,488

25 Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows

- Derivative financial assets
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

A summary of the financial instruments held by category is provided below:

	2013	*2012*
	£	*£*
Financial assets		
Loans and receivables		
Trade and other receivables	16,445	117,699
Cash and cash equivalents	274,539	181,857
Derivative financial assets	363,125	806,250
Total financial assets	654,109	1,105,874

25 Financial instruments (continued)

	2013	2012
	£	£
Financial liabilities		
Trade and other payables	650,924	218,145

	Fair value measurement		
	Level 1	*Level 2*	*Level 3*
	£	£	£
Derivative financial assets			
At 31 December 2013	—	363,125	—
At 31 December 2012	—	806,250	—

The Directors consider that the carrying amount of trade and other receivables and trade and other payables approximate their fair value.

Financial risk management

The Group's activities expose it to a variety of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance.

The Board provides written objectives, policies and procedures with regards to managing currency and interest risk exposures, liquidity and credit risk including guidance on the use of certain derivative and non derivative financial instruments

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its receivables and its cash deposits. It is Group policy to assess the credit risk of new customers before entering contracts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk and interest rate risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Board regularly receives cash flow projections for a minimum period of 12 months, together with information regarding cash balances monthly.

The Group is principally funded by equity and invests in short-term deposits, having access to these funds at short notice. The Group's policy throughout the period has been to minimise interest rate risk by placing funds in risk free cash deposits but also to maximise the return on funds placed on deposit.

All cash deposits attract a floating rate of interest. The benchmark rate for determining interest receivable and floating rate assets is linked to the UK base rate.

25 Financial instruments (continued)

Foreign currency exposure

The Group has entities which operate in Kyrgyzstan and are therefore exposed to foreign exchange risk arising from currency exposure to the Kyrgyzstan Som, the functional currency of those subsidiaries. The overseas subsidiaries operate separate bank accounts which are used solely for those subsidiaries, thus managing the currency in that country. The Group's net assets arising from the overseas subsidiaries are exposed to currency risk resulting in gains or losses on retranslation into sterling. Given the levels of materiality, the Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure.

Sensitivity analysis

The effect of a 10% movement on the foreign exchange rate between Sterling and the Kyrgyzstan Som on the net assets and the Sterling value of cash balances held would be as follows:

Net assets: 10% movement either way will result in £26,068 increase or decrease in net assets.

Cash balances: 10% movement either way will result in £460 increase or decrease in cash balances.