SOVEREIGN MINES OF AFRICA PLC

(*registered in England & Wales with company number 07139678*)

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2015

SOVEREIGN MINES OF AFRICA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2015

Contents

SOVEREIGN MINES OF AFRICA PLC

OFFICERS AND ADVISERS

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R M Fraser
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SOVEREIGN MINES OF AFRICA PLC

CHAIRMAN'S STATEMENT

In the Chairman's Statement last year, my predecessor announced that the Board had been seeking a strategic partner to fund the necessary and contingent expenditure to advance the Mandiana Gold Project to a definitive feasibility study. Although the discussions continued throughout the whole of the last financial year, unfortunately nothing came to fruition. The Board is still continuing discussions with potential partners but to date no agreement has been concluded.

As a result, due to the potential uncertainty your Board has considered it prudent to impair the value of the Group's exploration assets in full.

There will be a loss in the year of £1,417,875 compared with £3,879,625 in 2014, which includes an impairment of £1,278,059.

On 30 December 2015 Rupert Fraser and I joined the Board and invested in the business to provide it with additional funding. We are currently conducting a strategic review on the company's assets and activities with a view to enhancing shareholder value and will outline our vision and strategy for the business when a suitable opportunity arises. As we stated on 30 December 2015 our plans for the business may well involve the pursuit of an acquisition which would trigger a reverse takeover under the AIM Rules.

As a result of the recent fundraising, the company had cash resources of approximately £477,000 at 30 April 2016 which will provide sufficient finance to cover the company's ongoing expenditure for the foreseeable future.

C G Clarke
(Chairman)
20 May 2016

SOVEREIGN MINES OF AFRICA PLC

STRATEGIC REPORT

Year ended 31 December 2015

The Directors present their strategic report with the financial statements of the Company and the Group for the year ended 31 December 2015.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The principal activity of the Group in the period under review was that of exploration of gold concessions in the Republic of Guinea. The principal activity of the Company was that of a holding company.

The Group's financial performance for the year reflected market conditions. The group loss after taxation for the year to 31 December 2015 amounted to £1,417,875 (2014: £3,879,625), including an impairment of intangible assets of £1,278,059 (2014: £3,694,352). No dividends were paid during the year and none are proposed. A review of the activity of the business and future prospects is contained in the Chairman's Statement on page 4 which accompanies these financial statements.

KEY PERFORMANCE INDICATORS

The key indicator of performance for the Group is its success in identifying, acquiring, developing and divesting investments in projects so as to create shareholder value.

Control of bank and cash balances is a priority for the Group and these are budgeted and monitored closely to ensure that it maintains adequate liquid resources to meet financial commitments as they arise.

At this stage in its development, quantitative key performance indicators are not an effective way to measure the Group's performance.

However, a qualitative summary of performance is in the period in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES

In common with other companies operating in natural resources exploration, the Group's activities are speculative and involve a high degree of risk.

The Group's exploration work involves participation in geological work programmes. Interpretations of the results of these programmes are dependent on judgements and assessments that are speculative and these interpretations are applied in designing further work programmes to which the Company can commit significant resources.

Work programmes often involve drilling and other geological work that present significant engineering challenges that are subject to unexpected operational problems. Furthermore, activities generally take place in remote locations that can be subject to unexpected climate events, possible acts of terrorism, criminal threats, piracy and potential environmental risks.

The Group operates in the Republic of Guinea where political, economic, legal, regulatory and social uncertainties are potential risk factors.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to financial risks that include credit risk, liquidity risk, and market risks. The Group does not have any debt and is not therefore required to use derivative financial instruments to manage interest rate costs nor is hedge accounting applied.

1. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In keeping with similar sized exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

2. Market risks

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

(i) Pricing and risks

The directors consider there to be minimal price risk to the business.

(ii) Interest rate cash flow risk

The Group does not have interest-bearing liabilities. Interest bearing assets are only cash balances that earn interest at a floating rate.

(iii) Foreign exchange risk

The group principally operates in US Dollars. The Directors believe that the contracts for transfers of funds to Africa are so small, that there would be no benefit gained from hedging these contracts in the market. As such currency is bought as the spot rates prevailing on the days transfers are to take place. This situation is monitored on a regular basis.

3. Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue individually as going concerns, while maximising the return to Shareholders through the optimisation of debt and equity balances. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the

3. Capital risk management (continued)

objectives, policies or processes during the year ended 31 December 2014. The capital structure of the Group consists of equity attributable to equity holders of the Parent, comprising issued capital, reserves and retained losses as disclosed in the Consolidated Statement of Changes in Equity.

4. 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, and arises principally from the Group's receivables from customers and investment securities.

The Group and the Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The exposure of the Group and the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of cash and cash equivalents in the Group's Statement of Financial Position. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

The Group does not hold any collateral as security.

On behalf of the board

C G Clarke
Chairman
20 May 2016

SOVEREIGN MINES OF AFRICA PLC

REPORT OF THE DIRECTORS

Year ended 31 December 2015

DIRECTORS' REPORT

The Directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2015.

GOING CONCERN

These consolidated financial statements are prepared on a going concern basis which the Directors believe to be appropriate for the reasons given in Note 3 to the financial statements.

DIRECTORS

The Directors who have held office during the period and their interests in the company's issued ordinary share capital are as follows:

Number of shares	At 31.12.2015 Shares	At 31.12.2015 Options	At 31.12.2014 Shares	At 31.12.2014 Options
C G Clarke (appointed 30 December 2015)	100,000,000	125,000,000	-	-
R M Fraser (appointed 30 December 2015)	125,000,000	125,000,000	-	-
N A Steinberg	21,100,000	3,000,000	1,100,000	3,000,000
D B Pearl (resigned 30 December 2015)	-	-	24,380,199	-
J P Nelson (resigned 30 December 2015)	-	-	-	3,000,000
J P Barry (resigned 30 June 2015)	-	-	8,000,000	-

Details of the remuneration paid to the Directors is disclosed in notes 5 and 18 to the financial statements.

CORPORATE GOVERNANCE

Corporate policies

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the Directors have applied the principles in the Code as far as practicable and appropriate for a company of its size and nature, in accordance with the QCA Corporate Governance Code for small and mid-sized Quoted Companies 2013.

CORPORATE GOVERNANCE (continued)

Health and safety

Sovereign Mines of Africa takes the health and safety of its employees and contractors seriously, and strives to exceed statutory obligations and achieve best practice. To this end, a new safety management system has been implemented for its exploration operations.

Environment

Sovereign Mines of Africa operates in strict adherence to local and Governmental standards with regard to environmental impact on the local community. This procedure includes pre-exploration checks and post-exploration remediation programs. Currently, no unfulfilled commitments exist to remediate land upon which the Company has conducted exploration work.

Community

Sovereign Mines of Africa is committed to working consultatively and co-operatively within the communities in which it operates, which includes local subsistence farmers and pastoralists and firmly believes that future mining operations should be to the benefit of all.

To this end, Sovereign Mines of Africa personnel participate in cultural awareness programs and have forged close ties with landholders and maintain a constructive dialogue with the Department of Environment and local community representatives.

Corporate Governance

Although not required by AIM Rules, the Directors comply with the provisions of the QCA Guidelines to the extent that they believe it is appropriate in light of the size, stage of development and resources. At present, due to the size of the Group, audit and risk management issues will be addressed by the Board. As the Group grows, the Board will consider establishing an audit and risk management committee and will consider developing further policies and procedures which reflect the principles of good governance.

The Company has adopted, and will operate where applicable, a share dealing code for directors and senior executives under the same terms as the Model Code on directors' dealings in securities, published from time to time by the UK Listing Authority.

CORPORATE GOVERNANCE (continued)

As required, the Company will comply with the provisions of the AIM Rules, as amended from time to time, which govern the operation and administration of the AIM market, including the arrangements for the admission of securities to AIM and ongoing requirements once admitted to trading.

The Board of Directors comprises one part-time executive director and two non-executive directors . The Board, through the Chairman and non-executive director, maintain regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board meets at least four times a year. The board is responsible for formulating, reviewing and approving the Group’s strategy, financial activities and operating performance. Day-to-day management is devolved to the managing director of the local subsidiary who is charged with consulting with the board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among Directors concerned where necessary and appropriate.

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

The participation of both private and institutional investors at the Annual General Meeting is welcome by the Board.

Supplier payment policy

It is the Group’s policy to pay suppliers in accordance with the terms of business agreed with them usually within 30 days. There were no trade creditors outstanding at the balance sheet date (2014: nil).

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs’) as adopted by the European Union (“EU”) and applicable law.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. 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 accounting standards 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 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.

The Directors are responsible for the maintenance and integrity of the group web-site www.sovmines.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the group's auditors are unaware, and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

ON BEHALF OF THE BOARD:

N A Steinberg
Finance Director
Date: 20 May 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOVEREIGN MINES OF AFRICA PLC

We have audited the financial statements of Sovereign Mines of Africa Plc for the year ended 31 December 2015 which comprise the Consolidated Statements of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the, the Consolidated and Company Cash Flow Statements, the Consolidated and Parent Company Statement of Changes in Equity and the related notes numbered 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 Chairman's Statement, Strategic Report, Directors' Report and any other surrounding information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SOVEREIGN MINES OF AFRICA PLC

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Stephen Bullock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

20 May 2016

SOVEREIGN MINES OF AFRICA PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 £	2014 £
Administrative costs			
Impairment of intangible fixed assets	**11**	(1,278,059)	(3,694,352)
Other administrative expenses	**6**	(140,373)	(185,027)
		(1,418,432)	(3,879,379)
Losses on financial assets at fair value	**6**	-	(2,086)
Finance income	**7**	557	1,840
Loss on ordinary activities before taxation		**(1,417,875)**	**(3,879,625)**
Taxation	**8**	-	-
Loss for the year		**(1,417,875)**	**(3,879,625)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(1,417,875)**	**(3,879,625)**
Loss for the period and Total comprehensive loss attributable to:			
Owners of the parent		(1,417,875)	(3,879,625)
Non-controlling interest		-	-
		(1,417,875)	**(3,879,625)**
Loss per ordinary share (pence)			
From continuing operations: basic and diluted	**10**	**(0.45)p**	**(1.31)p**

The notes on pages 21 to 42 form an integral part of these financial statements.

SOVEREIGN MINES OF AFRICA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share Capital	Share Premium	Reconstruction Reserve	Share based payment reserve	Profit & Loss Account	Total
	£	£	£	£	£	£
Balance at 1 January 2015	3,108,589	5,099,544	(586,100)	14,454	(6,286,097)	1,350,390
Loss and total comprehensive income for the year	-	-	-		(1,417,875)	(1,417,875)
Share-based payment expense	-	-	-	12,236	-	12,236
Issue of shares, net of share issue costs	55,000	463,976	-	-	-	518,976
Balance at 31 December 2015	3,163,589	5,563,520	(586,100)	26,690	(7,703,972)	463,727

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share Capital	Share Premium	Reconstruction Reserve	Share based payment reserve	Profit & Loss Account	Total
	£	£	£	£	£	£
Balance at 1 January 2014	2,483,589	5,099,544	(586,100)	3,478	(2,367,112)	4,633,399
Loss and total comprehensive income for the year	-	-	-		(3,879,625)	(3,879,625)
Share-based payment expense	-	-	-	10,976	-	10,976
Issue of shares, net of share issue costs	625,000	-	-	-	(39,360)	585,640
Balance at 31 December 2014	3,108,589	5,099,544	(586,100)	14,454	(6,286,097)	1,350,390

The Reconstruction Reserve represents the difference between the investment in the subsidiary and the share capital in the subsidiary on acquisition.

The notes on pages 21 to 42 form an integral part of these financial statements.

SOVEREIGN MINES OF AFRICA PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share Capital	Share Premium	Share based payment reserve	Profit & Loss Account	Total
	£	£	£	£	£
Balance at 1 January 2015	3,108,589	5,099,544	14,454	(6,872,354)	1,350,233
Loss and total comprehensive income for the year	-	-		(1,417,875)	(1,417,875)
Share-based payment expense	-	-	12,236	-	12,236
Issue of shares, net of share issue costs	55,000	463,976	-	-	518,976
Balance at 31 December 2015	3,163,589	5,563,520	26,690	(8,290,229)	463,570

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share Capital	Share Premium	Share based payment reserve	Profit & Loss Account	Total
	£	£	£	£	£
Balance at 1 January 2014	2,483,589	5,099,544	3,478	(1,800,864)	5,785,747
Loss and total comprehensive income for the year	-	-	-	(5,032,130)	(5,032,130)
Share-based payment expense	-	-	10,976	-	10,976
Issue of shares, net of share issue costs	625,000	-	-	(39,360)	585,640
Balance at 31 December 2014	3,108,589	5,099,544	14,454	(6,872,354)	1,350,233

The notes on pages 21 to 42 form an integral part of these financial statements.

SOVEREIGN MINES OF AFRICA PLC
(*registered in England & Wales with company number 07139678*)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 £	2014 £
NON CURRENT ASSETS			
Intangible assets	**11**	-	1,158,898
		-	1,158,898
CURRENT ASSETS			
Cash at bank		501,170	249,951
		501,170	249,951
TOTAL ASSETS		**501,170**	**1,408,849**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**13**	37,443	58,459
TOTAL LIABILITIES		37,443	58,459
NET ASSETS		**463,727**	**1,350,390**
SHAREHOLDERS EQUITY			
Share capital	**16**	3,163,589	3,108,589
Share premium account	**16**	5,563,520	5,099,544
Reconstruction reserve		(586,100)	(586,100)
Share-based payment reserve	**17**	26,690	14,454
Profit and loss account		(7,703,972)	(6,286,097)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**463,727**	**1,350,390**

The financial statements on pages 14 to 42 were approved and authorised for issue by the Board of Directors on 20 May 2016.

Signed on behalf of the Board of Directors

………………………… …………………………
C G Clarke N A Steinberg
Director **Director**

The notes on pages 21 to 42 form an integral part of these financial statements

SOVEREIGN MINES OF AFRICA PLC
(*registered in England & Wales with company number 07139678*)
COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 £	2014 £
NON CURRENT ASSETS			
Investments	**12**	-	1,158,898
			1,158,898
CURRENT ASSETS			
Financial assets at fair value through profit or loss	**13**	-	-
Cash at bank		501,013	249,794
TOTAL ASSETS		501,013	1,408,693
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**13**	37,443	58,459
TOTAL LIABILITIES		37,443	58,459
NET ASSETS		**463,570**	**1,350,233**
SHAREHOLDERS EQUITY			
Share capital	**16**	3,163,589	3,108,589
Share premium account	**16**	5,563,520	5,099,544
Share-based payment reserve	**17**	26,690	14,454
Profit and loss account		(8,290,229)	(6,872,354)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**463,570**	**1,350,233**

The financial statements on pages 14 to 42 were approved and authorised for issue by the Board of Directors on 20 May 2016.

Signed on behalf of the Board of Directors

………………………… …………………………

C G Clarke N A Steinberg
Director **Director**

The notes on pages 21 to 42 form an integral part of these financial statements.

SOVEREIGN MINES OF AFRICA PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	2015	2014
	£	£
Cash flows from operating activities		
Loss before taxation	(1,417,875)	(3,879,625)
Impairment losses on intangible assets	1,278,059	3,694,352
Realised losses on financial assets at fair value	-	2,086
Share-based payment expense	12,236	10,976
Increase/(decrease) in trade and other payables	(21,016)	5,409
Net cash flows generated by/(used in) operating activities	(148,596)	(166,802)
Cash flows from investing activities		
Purchase of intangible fixed assets	(119,161)	(354,345)
Net cash used in investing activities	(267,757)	(521,147)
Cash flows from financing activities		
Issue of shares, net of share issue costs	518,976	585,640
Net cash flows from financing activities	518,976	585,640
Increase/(decrease) in cash and cash equivalents	**251,219**	**64,493**
Cash and cash equivalents at beginning of year	249,951	185,458
Cash and cash equivalents at end of year	**501,170**	**249,951**

The notes on pages 21 to 42 form an integral part of these financial statements

SOVEREIGN MINES OF AFRICA PLC

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	2015	2014
	£	£
Cash flows from operating activities		
Loss before taxation	(1,417,825)	(5,032,130)
Impairment of investment in subsidiary undertaking	1,278,059	4,846,857
Realised losses on financial assets at fair value	-	2,086
Share-based payment expense	12,236	10,976
(Decrease)/increase in trade and other payables	(21,017)	5,409
Net cash flow used in operating activities	**(148,547)**	(166,802)
Cash flows from investing activities		
Loans to subsidiary	(119,161)	(370,258)
Net cash used in investing activities	(119,161)	(354,344)
Cash flows from financing activities		
Issue of shares, net of share issue costs	518,976	585,640
Net cash from financing activities	518,976	585,640
Increase/(decrease) in cash and cash equivalents	251,218	64,494
Cash and cash equivalents at beginning of year	249,795	185,301
Cash and cash equivalents at end of year	**501,013**	**249,795**

The notes on pages 21 to 42 form an integral part of these financial statements

SOVEREIGN MINES OF AFRICA PLC

Notes forming part of the financial statements

Year ended 31 December 2015

1. NATURE OF OPERATIONS

These financial statements are for Sovereign Mines of Africa Plc ("the Company") and its subsidiary undertakings. The company has its registered office at New Penderel House, 283/288 High Holborn, London, WC1V 7HP and is domiciled in England and Wales and incorporated under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the director's report on page 9. The principal place of business of the Group is in Guinea.

2. GENERAL INFORMATION OF THE GROUP

Sovereign Mines of Africa Plc prepares its financial statements in accordance with applicable International Financial Reporting Standards (IFRS) and interpretations issued by the IASB as adopted by the European Union.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue, but not yet effective:

Issued but not yet EU adopted

Standards

IFRS 9 Financial Instruments

IFRS 14 Regulatory Deferral Accounts

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

Amendments

IAS 7 Disclosure Initiative (issued on 29 January 2016)

IFRS 11 Amendments: Accounting for Acquisitions of Interests in Joint Operations

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (issued on `19 January 2016)

IAS 16 and IAS 38 Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 16 and IAS 41 Amendments: Agriculture: Bearer Plants

IAS 27 Amendment – Equity Method in Separate Financial Statements

IFRS 10 and IAS 28 Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ***(Postponed: waiting Exposure Draft from IASB)***

Annual improvements to IFRSs 2012-2014 Cycle

Amendments to IAS 1: Disclosure Initiative

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

2. GENERAL INFORMATION OF THE GROUP (Continued)

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's reported results. The financial statements are rounded to the nearest £ Sterling.

3. ACCOUNTING POLICIES

The accounting policies, applied on a consistent basis in the preparation of the consolidated financial statements, are as follows:

Basis of preparation - general

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IASs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted for use in the European Union.

The consolidated financial statements comprise the financial statements of all entities within the Group. The financial statements of the subsidiaries are prepared until the same reporting date of the parent company.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

Basis of preparation - going concern

Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors have formed the opinion based on cash flow projections that the Group will have sufficient funds to meet its financial obligations as they fall due.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The group was formed by the formation of the company followed by the issue of shares to acquire the entire share capital of the group's principal trading subsidiary, Sovereign Mines of Africa Limited, which had commenced pre-drilling exploration activity.

In determining the appropriate accounting treatment for this transaction, the Directors considered IFRS 3 "Business Combinations" (Revised 2008). However, they concluded that this transaction fell outside the scope of IFRS 3 (revised 2008) since the transaction described above represents a combination of entities under common control.

In accordance with IAS 8 "Accounting Policies, changes in accounting estimates and errors", in developing an appropriate accounting policy, the Directors have considered the pronouncements of other standard setting bodies and specifically looked to accounting principles generally accepted in the United Kingdom ("UK GAAP") for guidance (FRS 6 – Acquisitions and mergers) which does not conflict with IFRS and reflects the economic substance of the transaction.

3. ACCOUNTING POLICIES (continued)

Accordingly, the difference between the investment in the subsidiary and the share capital in the subsidiary on acquisition has been accounted for as a reconstruction reserve.

All other business combinations have been treated under the acquisition method of accounting per IFRS 3.

Investments in subsidiaries

Investments in subsidiaries held as fixed assets are stated at cost less provision for any impairment in value in the Company's Statement of Financial Position.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest rate method ("EIR").

Exploration and evaluation development costs

Exploration and evaluation costs related to an area of interest are carried forward as an intangible asset in the statement of financial position where the rights of tenure of an area are current and it is considered probable that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale. This expenditure will be carried at cost less accumulated amortisation and impairment. Where these conditions are not met, such costs will be written off as incurred.

Development expenditure incurred by or on behalf of the Group or acquired from a third party is also classified as an intangible asset and is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises acquisition costs and other incurred costs directly attributable to the construction of the mine and the related infrastructure. This expenditure is carried at cost less accumulated amortisation and impairment.

Exploration, evaluation and development expenditure are categorised under deferred exploration and development costs, exploration data and prospecting rights and mining licences in the statement of financial position according to the nature of the expenditure. Exploration and development costs will include all directly attributable expenditure.

Once a development decision has been taken, the carrying amount of the exploration, evaluation and development expenditure in respect of the area of interest will be aggregated with the development expenditure and classified under non-current assets as 'exploration and development and mining property' within property, plant and equipment.

No amortisation will be recognised in respect of exploration, evaluation and development expenditure until it is reclassified as a development property and production commences.

Exploration, evaluation and development expenditure and mining property is tested for impairment annually if facts and circumstances indicate that impairment may exist.

3. ACCOUNTING POLICIES (continued)

Exploration, evaluation and development expenditure will also be tested for impairment once commercial reserves are found, before the assets are transferred to "mining property".

Licences

Licence rights acquired will be amortised over the period of the licence to exploit such rights, typically five to fifteen years. Provision will be made for any impairment in value, and the provision will be reviewed on an annual basis.

The carrying value of tangible fixed assets will be assessed annually and any impairment will be charged to the statement of comprehensive income. The expected useful economic life of tangible fixed assets will be reviewed annually.

Impairment of non-financial assets

The Directors assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Directors estimate the asset's recoverable amount. An asset's recoverable amount will be the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset will be considered impaired and will be written down to its recoverable amount. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model will be used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Directors make an estimate of the recoverable amount. A previously recognised impairment loss will be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset will be increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3. ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise listed equity securities. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Fair value is determined by current bid prices.

Trade and other receivables

Trade and other receivables will arise from normal commercial sales by the Group and will be classified as 'loans and receivables'. These will be recognised at invoice value adjusted for any allowance for impairment. Impairment and any reversal will be recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group's loans and receivables include cash and cash equivalents. These include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within current liabilities in the statement of financial position.

Financial liabilities

The Group's financial liabilities comprise:

Trade and other payables

These are initially recognised at invoiced value. These will arise principally from the receipt of goods and services. There will be no material difference between the invoiced value and the value calculated on an amortised cost basis.

Foreign currency

The individual financial information of each entity will be presented in the currency of the primary economic environment in which the entity operates (its functional currency). The UK Pound Sterling is the presentation currency for the Sovereign Mines of Africa Group and the Company's financial information. The functional currency of the Company is Sterling.

3. ACCOUNTING POLICIES (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") will be recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies will be retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items will be included in the statement of comprehensive income for the period.

Taxation

Income tax expense or taxation recoverable represents the sum of the tax currently payable or recoverable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income 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 Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information 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 to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it will no longer probable that sufficient taxable profits will be available to allow all or part of the 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 realised using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly in other comprehensive income, in which case the deferred tax is also be dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when the Sovereign Mines of Africa Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Operating profit and loss

Operating profit and loss comprises revenues less operating costs. Operating costs comprise adjustments for raw materials and consumables used, employee costs, amortisation, depreciation and impairment and other operating expenses.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

3. ACCOUNTING POLICIES (continued)

Critical accounting assumptions

The Directors make assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The assumptions that will have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Going concern

The Group's ability continue as a going concern will dependent upon its ability to meet its obligations as they fall due. Accordingly, the Directors assess the expected future cash flows having regard to the Group's ability to do so, either from existing financial resources or by raising additional funds to either continue its exploration programmes or to realise its exploration assets.

Valuation of exploration, evaluation and development expenditure, mining property and mining equipment

The value of the Group's exploration, evaluation and development expenditure, mining property and mining equipment will be dependent upon the success of the Group in discovering economic and recoverable mineral resources, especially in the countries of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

The future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates between the US Dollar, the Euro and the Guinea Franc, and potential new legislation and related environmental requirements.

The Group's ability to continue its exploration programs and develop its projects is dependent on future fundraisings the outcome of which is uncertain.

The ability of the Group to continue operating within Guinea is dependent on a stable political environment which is uncertain based on the history of the country. This may also impact the Group's legal title to assets held which would also impact on the Group.

There have been no changes made to any past assumptions.

3. ACCOUNTING POLICIES (continued)

Impairment testing

The recoverable amounts of cash generating units and individual assets will be determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations will require the use of estimates and assumptions. It is reasonably possible that assumptions may change which may impact the Directors' estimates and may then require a material adjustment to the carrying value of goodwill, tangible assets and intangible assets.

The Directors review and test the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount many not be recoverable. Assets will be grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates will be prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of tangible and intangible assets will be inherently uncertain and could materially change over time.

Share-based payments

Equity-settled share-based payments to certain Directors, 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 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

4. OPERATING SEGMENTS

Operating Segments are based on internal reports about components of the Group, which are regularly reviewed by the Chairman being the Chief Operating Decision Makers ("CODM") for strategic decision making and resource allocation in order to allocate resources to the segment and to assess its performance.

The group undertakes only one business activity as described in the Director's report. All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 3. Accordingly, the Group's operating segments have been determined based on geographical areas.

The Group has not generated revenue during the either of the years ended 31 December 2015 or 31 December 2014.

SOVEREIGN MINES OF AFRICA PLC

Notes forming part of the financial statements

Year ended 31 December 2015

4. OPERATING SEGMENTS (continued)

The Group's results by reportable segment are as follows:

Year ended 31 December 2015

	UK	Guinea	Group
	£	£	£
RESULTS			
Operating loss	(140,373)	(1,278,059)	(1,418,432)
Interest income	557	-	557

Year ended 31 December 2014

	UK	Guinea	Group
	£	£	£
RESULTS			
Operating loss	(181,523)	(3,698,856)	(3,880,379)
Interest income	1,840	-	1,840

All transactions between each reportable segment are accounted for using the same accounting policies as the Group uses, as set out in note 3. The Group's assets and liabilities by reportable segment are as follows :-

At 31 December 2015

	UK	Guinea	Group
	£	£	£
ASSETS			
Cash	501,013	157	501,170
Total assets	249,795	1,159,054	1,408,849

	UK	Guinea	Group
	£	£	£
LIABILITIES			
Total liabilities	37,443	-	37,443

4. OPERATING SEGMENTS (continued)

At 31 December 2014

	UK	Guinea	Group
	£	£	£
ASSETS			
Cash	249,794	157	249,951
Intangible Assets	-	1,158,898	1,158,898
Total assets	249,794	1,159,055	1,408,849

	UK	Guinea	Group
	£	£	£
LIABILITIES			
Total liabilities	58,459	-	58,459

5. STAFF COSTS

	2015	2014
	£	£
Wages and salaries	10,912	77,526
Social security costs	2,811	4,082
Directors' fees	-	-
	13,723	81,608

The average monthly number of Group employees during the year was as follows:

	2015	2014
	£	£
Directors	3	4
Employees	5	10
	8	14

All employees were engaged in exploration activities in Guinea. Accordingly the employment costs form part of the exploration costs included in the financial statements as intangible assets. No Directors' emoluments were paid during the year. Details of all transactions with Directors are set out in note 18 to the financial statements.

SOVEREIGN MINES OF AFRICA PLC

Notes forming part of the financial statements

Year ended 31 December 2015

6. OPERATING LOSS IS STATED AFTER CHARGING:

	2015 £	2014 £
Impairment of intangible fixed assets	1,278,059	3,694,352
Share-based payments	12,236	10,976
Realised loss on sale of shares	-	2,086
Fees payable to the company's auditor for the audit of the company's annual accounts	12,000	19,200
Fees payable to the company's auditor for other services:	-	-
Services relating to corporate finance transactions entered into:	2,400	2,400

7. FINANCE INCOME

	2015 £	2014 £
Bank interest	556	1,840

8. TAXATION

Analysis of the tax charge

	2015 £	2014 £
Current tax:		
Tax	-	-
Total tax charge in income statement	-	-

Reconciliation of the tax charge

	2015 £	2014 £
Loss before tax	(1,417,245)	(3,861,625)
Loss before tax multiplied by standard rate of corporation tax in the UK of 20% (2014: 21%)	(283,449)	(810,941)
Effects of:		
Non-deductible costs	258,057	775,814
Deferred tax not provided	25,392	35,127
Total tax charge in income statement	-	-

8. TAXATION (continued)

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to losses carried forward at the year end, as there is insufficient evidence that taxable profits will be available in the foreseeable future against which the deductible temporary difference can be utilised. The amount of the asset not recognised is £547,306 (2014: £521,914). The asset would be recovered if the Group made taxable profits in future years.

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's loss for the year was £1,417,875 (2014: £5,032,130).

10. LOSS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2015	**2014**
Weighted average number of ordinary shares in issue	312,363,590	296,646,521
Loss after taxation	£(1,417,245)	£(3,879,625)
Loss per share (pence)	(0.45)p	(1.31)p

Due to there being a loss during the period there are no dilutive transactions and therefore no diluted loss per share has been presented.

11. INTANGIBLE ASSETS

	Exploration costs £
Group	
Cost	
At 1 January 2014	4,608,531
Additions	363,572
At 31 December 2014	4,972,103
Additions	119,161
At 31 December 2015	5,091,264
Impairment	
At 1 January 2014	118,853
Provided in the year	3,694,352
At 31 December 2014	3,813,205
Provided in the year	1,278,059
At 31 December 2015	5,091,264
Net Book Value	
At 31 December 2015	-
	======
At 31 December 2014	1,158,898

Exploration activities are deferred until a reasonable assessment can be made of the existence or otherwise of economically recoverable reserves. The directors have reviewed the carrying value of the exploration assets and an impairment provision has been made to reflect their expected recoverable value, in the light of discussions with potential strategic partners.

Impairment costs are included under "Administrative expenses" in the Consolidated Statement of Comprehensive Income.

12. INVESTMENTS

Company	**Investments and long term loans in subsidiary undertakings £**
Cost	
At 1 January 2014	5,642,183
Additions	363,572
At 31 December 2014	6,005,755
Additions	119,161
At 31 December 2015	6,124,916
Impairment	
At 1 January 2014	-
Provided in the year	4,846,857
At 31 December 2014	4,846,857
Provided in the year	1,278,059
At 31 December 2015	6,124,916
Net Book Value	
At 31 December 2015	-
	======
At 31 December 2014	1,158,898

Details of the investments in subsidiary undertakings held by the company are as follows:

Name of Company	**Countries of operation**	**Country of incorporation**	**Holding**	**Proportion of shares and voting rights held**	**Nature of business**
Sovereign Mines of Africa Limited	Guinea	BVI	Ordinary Shares	100%	Mineral exploration
Sovereign Mines of Guinea Limited	Guinea	BVI	Ordinary Shares	75%	Mineral exploration
Guiord SA	Guinea	Guinea	Ordinary Shares	75%	Mineral exploration

12. INVESTMENTS (continued)

The financial statements of Sovereign Mines of Guinea Limited and Guiord SA have been consolidated in the financial statements because the Company has control over their boards and the majority of operating voting rights through agreements signed with other directors.

An impairment provision has been made against the Company's investment in subsidiary undertakings to reflect the impairment of the subsidiaries' intangible assets as set out in note 11 above.

13. TRADE AND OTHER PAYABLES

Group	**2015**	**2014**
	£	**£**
Accrued expenses	37,443	58,459

Company	**2015**	**2014**
	£	**£**
Accrued expenses	37,443	58,459

14. FINANCIAL INSTRUMENTS

The Group and Company use financial instruments such as trade receivables and payables and other items that arise directly from their operations. The main purpose of these financial instruments is to help finance the Group's and Company's operations.

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

The Group's and Company's financial instruments, which are recognised in their respective statements of financial position, comprise financial assets at fair value recognised through profit and loss, cash and cash equivalents, receivables and payables. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes below, where applicable.

The Group and Company do not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and it is, and has been throughout the period under review, the Group's and Company's policy that no trading in financial instruments shall be undertaken.

15. FINANCIAL INSTRUMENTS (continued)

There were no financial instruments not recognised in the statements of financial position of the Group and the Company.

Financial instruments by category

Assets per statement of financial position

	2015	2014
Group	**£**	**£**
Cash and cash equivalents	501,170	249,951
Total	501,170	249,951
Company		
Cash and cash equivalents	501,013	249,794
Total	501,013	249,79439

Liabilities per statement of financial position

	2015	2014
Group	**£**	**£**
Accrued expenses	37,443	58,459
Total	37,443	58,459
Company		
Accrued expenses	37,443	58,459
Total	37,443	58,460

The Directors consider the carrying value of the financial assets and liabilities to approximate their fair values.

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest-rate risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Foreign currency exchange risks
The Group does not hedge its foreign currencies. The directors believe that the contracts for transfers of funds to Guinea are so small, there would be no benefit gained from hedging these contracts on the market. The situation is monitored on a regular basis. Transactions with vendors are mainly denominated in a number of currencies. Therefore the directors consider that the currency exposure arising from these transactions is not significant to the Group. At 31 December 2015, all assets and liabilities of the Group and Company were denominated in sterling.

15. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

As the Group had no turnover during the period, there is no significant concentration of credit risk. The Group does not have written credit risk management policies or guidelines.

The Group's cash is held in reputable banks. The carrying amount of these financial assets represents the maximum credit exposure.

(c) Liquidity risks

The Group currently has no operational revenue streams. Operational cash flow represents the ongoing exploration and administration costs. The group manages its liquidity requirements by the use of long and short term cash flow forecasts.

The Group's policy is to ensure facilities are available as required and to issue share capital in accordance with long and short term cash flow forecasts. The Group currently has no undrawn facilities as at 31 December 2015. The Group actively manages its working finance to ensure the group has sufficient funds for operations and planned expansion.

The Group's financial liabilities are primarily accruals. All amounts are due for payment in accordance with agreed settlement terms with suppliers or stating deadlines within one year.

(d) Cash flow and fair value interest rate risks

The Group has no interest-bearing liabilities. Interest rates on bank deposits are based on the relevant national inter-bank offered rates. The Group has no fixed interest rate assets.

The main financial risks for the Group are given on pages 7 and 8 in the Directors' Report.

At 31 December 2015, the currency and interest rate profile of the financial assets and liabilities of the Group and Company was as follows:

	2015	**2014**
	£	**£**
Financial assets - Group:		
GBP – cash and cash equivalents	501,170	249,951
Financial assets - Company:		
GBP – cash and cash equivalents	501,013	249,795

15. FINANCIAL INSTRUMENTS (continued)

The effect of a 1% movement in the interest rates offered by the banks is considered negligible.

(e) Capital risk management

The Group defines capital as the total equity of the group. The Group manages its capital to ensure that entities within the Group will be able to continue individually as going concerns, while maximising the return to shareholders through the optimisation of debt and equity balances. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust the amount of dividends to shareholders, issue new shares or return capital to shareholders, and raise debt or sell assets to reduce debt.

16. SHARE CAPITAL

a) Share Capital

The Company has one class of ordinary shares which carry no right to fixed income nor have any preferences or restrictions attached.

Issued and fully paid:

	2015 £	**2014** £
310,858,850 Ordinary shares of £0.01 each	-	3,108,589
860,858,850 Ordinary shares of £0.001 each	86,086	-
310,858,850 Deferred shares of £0.099	3,077,503	-
	3,163,589	3,108,589

b) Share issues during the year

	Number of shares	**Share Capital** £	**Share premium** £	**Total** £
At 1 January 2015	310,858,850	3,108,589	5,099,544	8,208,133
Issued in the year				
- Ordinary shares	550,000,000	55,000	463,976	518,976
- Deferred shares	310,858,850	-	-	-
At 31 December 2015	1,171,717,700	3,163,589	5,563,520	8,727,109

16. **SHARE CAPITAL (continued)**

On 30 June 2015, the company's share capital was subdivided from 310,858,850 ordinary shares of £0.01 each into 310,850,858 ordinary shares of £0.0001 each and 310,858,850 deferred shares of £0.099 each.

The ordinary shares carry no right to fixed income nor have any preferences or restrictions attached. The deferred shares carry no voting or dividend rights. Deferred shareholders are entitled to receive the amount paid up or credited as paid up on their respective holdings of deferred shares only after there has been paid on each ordinary share the nominal amount paid up on such share plus a further £1 per ordinary share. The holders of the deferred shares shall not be entitled to participate further in any distribution of the assets or the capital of the Company.

On 30 December 2015, the company raised additional working capital of £550,000 through a placing of 550,000,000 new ordinary shares with new and existing investors at a price of 0.1p each.

17. SHARE-BASED PAYMENTS

The Company has an unapproved share option scheme under which options to subscribe for the Company's shares have been granted to two directors. The vesting condition is the number of years' service. The share options currently in existence were granted and are exercisable as follows:

Date Granted	Exercise Price	Number of shares	Period exercisable
28 June 2013	£0.03	3,000,000	Between 28 June 2013 and 28 June 2018
18 November 2013	£0.03	3,000,000	Between 18 November 2014 and 18 November 2018
30 December 2015	£0.001	125,000,000	Upon execution of a reverse takeover by the Company
30 December 2015	£0.001	125,000,000	On 30 December 2020
		256,000,000	

At the year-end the market value of the Company's shares was 0.29p per share. The highest price during the year was 1.29p and the lowest price was 0.14p.

17. SHARE-BASED PAYMENTS (continued)

The number and weighted average exercise prices of share options are as follows:

	Exercise price (pence)	Number of options
Granted in the year	0.1	250,000,000
Outstanding at year-end	0.17	256,000,000
Exercisable at year-end	3.0	6,000,000

The share-based payment charge relating to the share options granted to directors amounted to £10,976 (2014: £10,976).

The estimated fair values of options which fall under IFRS 2, and the inputs used in the Black-Scholes model to calculate those fair values, are as follows:

Date of grant	Estimated fair value pence	Share price pence	Exercise price Pence	Expected volatility (%)	Expected Life (yrs)	Vesting period (yrs)	Risk free rate (%)	Expected dividends (%)
28.6.13	0.936	1.375	3.0	22	5	5	0.5	0
18.11.13	35	51	3.0	22	6	6	0.5	0
30.12.15	0.23	0.24	0.1	56	5	5	0.5	0

Expected volatility was determined by calculating the standard deviation of daily continuously compounded returns of the Company’s share price calculated back from the date of grant. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

18. TRANSACTIONS WITH RELATED PARTIES

N A Steinberg, part-time Finance Director, is a partner in Munslows LLP, a firm of Chartered Certified Accountants. That firm charged fees of £20,000 (2014: £30,000) excluding VAT to the Group in respect of professional services in the period. Of the fees charged, £10,000 (2014: £15,000) was outstanding at year end and has been included in trade and other payables.

18. TRANSACTIONS WITH RELATED PARTIES (continued)

Payments of £15,533 (2014: £64,826) in respect of exploration costs were made to Irus Consulting Limited, a company in which a director of the company, J P Barry is a director and shareholder.

Payments of £nil (2014: £10,000) in respect of secretarial and office costs were made to Pearl Capital Partners Limited, a company in which a director of the company, D B Pearl is a director and shareholder.