



# MERCATOR GOLD PLC

## MERCATOR GOLD plc ("Mercator Gold", "Mercator" or "the Company")

**AIM: MCR**  
**US OTC: MTGDY**

**London: 30 June 2010**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2010 AND UPDATE**

Mercator Gold plc, the diversified mineral and renewable energy development company, is pleased to provide its unaudited interim results for the six month period to 31 March 2010 along with the following update on its activities.

#### **HIGHLIGHTS**

- Significant progress achieved in line with Mercator's strategy of situating its projects in optimal corporate vehicles to maximise their development and capital raising potential
- Copper Flat project: definitive agreement for the sale of Mercator's option over Copper Flat to THEMAC Resources Group signed and preliminary economic assessment ("PEA") of the project expected to be available from SRK shortly; transaction expected to complete during August 2010
- Warm Springs Renewable Energy Corporation: partnership entered into with Remote Energy Solutions for development of the Warm Springs solar power project in New Mexico, with potential for the construction of an initial 2MW phase of the project to commence before the end of 2010, ahead of the proposed 20MW phase
- ACS Asia: turnover for six months to 31 March 2010 up by 70% or £1.3 million to £3.16 million and gross margin increased to 28% from 24% in comparison with six months to 31 March 2009
- Argentina uranium projects: due diligence underway with findings to date highly encouraging
- Paniai Gold: IPO on NSX in Australia targeted for Q4 2010
- Silver Swan Group: outstanding exploration success sustained

- Meekatharra gold project: fiscal uncertainty in Australia creates favourable environment for realisation of value from tax losses
- In excess of £2 million of new capital raised by the Company during the first half of 2010

## **COPPER FLAT PROJECT, NEW MEXICO – THEMAC RESOURCES GROUP PROVIDES HIGHLY SUITABLE DEVELOPMENT VEHICLE FOR COPPER FLAT**

Mercator, through its subsidiary New Mexico Copper Corporation (now known as Copper Flat Corporation) acquired an exclusive option over a 100% interest in the Copper Flat copper-molybdenum-gold-silver project (“Copper Flat”) in August 2009. Copper Flat is a former producing mine located in the Las Animas mining district of south central New Mexico, USA.

In March 2010, the Company agreed to sell its interest in Copper Flat Corporation to THEMAC Resources Group Limited (“THEMAC”), a company listed on the TSX Venture Exchange (ticker: MAC.H) and backed by Australian mining services entrepreneur Kevin Maloney, founder of The MAC Services Group Limited. The MAC Services Group is Australia’s largest publicly traded provider of remote area mining accommodation and services.

This transaction will now be structured as a sale to THEMAC of Copper Flat Corporation’s option over Copper Flat, rather than a sale of Copper Flat Corporation itself, and is expected to complete before the end of August this year. Definitive agreements with respect to the transaction have been entered into and an NI43-101 preliminary economic assessment (PEA) of the project is expected to be completed imminently by SRK Consulting (US), Inc. (“SRK”). The PEA will then be filed with the TSX Venture Exchange.

In May 2010, SRK updated the historic Copper Flat resource to estimate Indicated Mineral Resources of 107 million short tons at an average grade of 0.303% copper, equating to 645 million lbs of contained copper; in addition Inferred Mineral Resources of 46 million short tons at an average grade of 0.240% copper were estimated, equating to 222 million lbs of contained copper. The updated resource was reported by SRK at a cut-off grade of 0.12% copper, which is considered to be the cut-off grade of economic interest.

### *The THEMAC Transaction and Mercator’s Strategy*

The transaction with THEMAC in relation to Copper Flat is at the heart of Mercator’s strategy of situating its projects in development vehicles most appropriate for raising capital in order to provide them with the best possible foundation for success.

Following completion of the transaction, THEMAC intends to exercise its option over Copper Flat and to return the mine to production, subject to successful negotiation of the necessary feasibility, financing and permitting stages.

As a company listed on the TSX Venture Exchange, THEMAC will be well placed to fund the development of Copper Flat, and Mercator will retain through its interest in THEMAC a very substantial interest in the success of the project.

As consideration for the sale of Copper Flat Corporation’s option over Copper Flat, Mercator will receive 10.5 million fully paid common shares in THEMAC along with 10.5 million common share purchase warrants exercisable at C\$0.28 per share for five years. Mercator has also acquired four million units of THEMAC, each consisting of one common share and one

common share purchase warrant exercisable at C\$0.28 per share for one year, for consideration of C\$0.15 per unit.

THEMAC will shortly undertake a further placing of units consisting of one common share and one common share purchase warrant to raise a minimum of C\$5 million at a minimum placing price of C\$0.50 per unit.

Mercator expects to hold 30-40% of THEMAC's issued shares after completion of the transaction, depending on the pricing and size of the financing carried out by THEMAC. Through the exercise of some or all of its warrants, Mercator also has the option of acquiring more shares in THEMAC should it so wish.

### **WARM SPRINGS RENEWABLE ENERGY CORPORATION – NEW MEXICO SOLAR PROJECT TO PROVIDE SPIN-OFF BENEFITS FOR COPPER FLAT**

Earlier this month, Mercator entered into a partnership with Remote Energy Solutions, LLC ("RES"), an established renewable energy development company, in respect of the Warm Springs solar power project ("the Warm Springs project") in New Mexico, USA. New Mexico is an ideal location for solar power development on the basis of its climate and the supportive attitude of state and federal authorities towards renewable energy projects.

The Warm Springs project is to be developed by Mercator's subsidiary Warm Springs Renewable Energy Corporation ("WSREC") close to the Copper Flat project and is expected to have a complementary role in the permitting process for the recommencement of mining activities at Copper Flat.

However, the Warm Springs project will be operated and financed independently of the Copper Flat mine and Mercator's interest in the project is not affected by the sale of the Company's option over Copper Flat to THEMAC Resources Group.

RES specialises in providing renewable energy solutions to the mining sector, and will manage the development of the Warm Springs project. RES will hold an initial 10% interest in WSREC, with the right to acquire up to a 30% interest by contributing to the project's construction costs.

#### *The Warm Springs Project*

The primary objective of the Warm Springs project is the construction of a 20MW solar power plant, permitting of which is targeted for completion during 2010 with construction targeted to commence during 2011.

For the nearer term, WSREC is evaluating the possibility of commencing construction of an initial 2MW phase of the Warm Springs project before the end of 2010. As well as accelerating the timescale on which the project would become revenue generative, this initial phase would enable WSREC to take advantage of the availability of a federal cash grant of 30% of construction costs that is expected to be withdrawn at the end of 2010, and would help establish the credibility of WSREC in the eyes of utility companies, financial institutions and the New Mexico authorities.

Feasibility work on the proposed 20MW plant would continue apace with a view to completing the 20MW phase of the project as soon as possible. The funding required for the construction of the initial 2MW phase would be in the region of US\$6-8 million, 30% of which would potentially be available as a cash grant from the US federal government. The balance would be

raised by WSREC, rather than by Mercator. Funding would be sought from debt or equity sources or a combination thereof.

In addition to the sale of electricity from the Warm Springs project, there is thought to be potential for the sale of Renewable Energy Certificates ("RECs"). Demand for RECs is growing in the US due to Renewable Portfolio Standard ("RPS") regulations, which compel utilities to source a substantial proportion of the electricity they sell from renewable sources. The purchase of RECs is a means by which utilities can satisfy their RPS obligations.

### **ACS ASIA – SOLAR SYNERGIES TO HELP BUSINESS GROW**

ACS Asia, the Thai steel products business in which Mercator holds a 70% interest, is expected to benefit from the Company's involvement in the solar industry through WSREC. Some 20-40% of the capital cost of a solar power development is usually accounted for by the supporting steelwork, and ACS Asia is well placed to fulfil the steelwork requirements of the Warm Springs project.

ACS Asia has begun quoting on solar power related contracts in the US and Australia and is currently seeking to improve the distribution of its products in the Australian market. The business has not encountered significant difficulties as a result of the unstable Thai political situation, continues to pay Mercator management fees of £20,000 per month and has seen its turnover for the six months to 31 March 2010 grow by 70% or £1.3 million to £3.16 million and its gross margin improve to 28% from 24% in comparison with the six months to 31 March 2009.

### **PANIAI GOLD – PROGRESS FOLLOWING IMPLEMENTATION OF NEW INDONESIAN MINING LAWS**

Mercator holds 50 million shares in Paniai Gold Limited, a company focused on the development of the Derewo River gold project in Papua Province, Indonesia and which aims to list on the National Stock Exchange of Australia (NSX) during the fourth quarter of 2010. Mercator's holding is expected to equate to around 15% of Paniai's issued share capital post-listing.

Paniai holds a 50% interest in a joint venture over the Derewo River project with a local company. The joint venture intends to mine sizable bodies of gold bearing gravels identified within the Derewo River project area, and will also undertake exploration for new gold and copper-gold deposits.

Indonesia's Papua Province is one of the world's most prospective areas for mineral exploration, and the Derewo River project is located approximately 100 kilometres from the Grasberg copper-gold mine operated by Freeport McMoRan Copper & Gold.

#### *Project Accomplishments*

Much progress has been made by Paniai on the Derewo River project, including the commencement of initial base camp construction; the purchase and transport to site of heavy equipment; the signing of an agreement with the indigenous Wolami people which sets out terms of compensation, access and related matters; the completion and submission of an AMDAL (environmental impact study), a precursor to the grant of Paniai's 491 hectare mining/exploitation licence application; and the establishment of on-site security in the form of BRIMOB (police) and private security.

### *New Indonesian Mining Laws*

Indonesia has recently passed and implemented new mining laws. These have positive implications for Paniai, which is evaluating opportunities to expand its regional land position, as foreign companies are now entitled to hold, until after the fifth year of production, a 100% interest in mineral projects in Indonesia. Furthermore, the term of exploration licences (in the case of metals, including gold) has been increased to eight years, and the maximum allowable exploration landholding has been increased to 100,000 hectares.

The new laws were passed by Indonesia's parliament in Jakarta in December 2008, but their implementation in conjunction with provincial authorities took until February 2010. Although such an implementation period is entirely normal for Indonesia, it caused almost all licensing activity to be put on hold.

When the implementation period drew to a close, Paniai set about the task of ensuring that its licences and applications in Papua Province complied with the new laws, and the first stage of this process was completed in April 2010.

Paniai has received formal recognition of its exploration licence applications, which were first submitted in December 2008, from the central government in Jakarta, and is now seeking to secure formal recognition of the grant of its initial 40 hectare mining/exploitation licence and acceptance of the AMDAL (environmental impact study) in connection with its 491 hectare mining/exploitation licence application. Once these two objectives have been achieved Paniai's Indonesian legal counsel will be in a position to complete their due diligence investigations, enabling a listing document to be prepared.

### **URANIUM PROJECTS IN ARGENTINA – DUE DILIGENCE ONGOING WITH EARLY FINDINGS PROMISING**

Mercator has entered into a binding heads of agreement with Uranio AG ("Uranio") with respect to all exploration and mining licences and applications held by Uranio in Argentina's La Rioja, San Luis, Salta and Jujuy provinces ("the Licences"). Mercator may, at its option, earn an interest of up to 70% in the Licences by spending US\$5.5 million on exploration and development over four years.

Argentina is highly prospective for uranium exploration, and hosted producing uranium mines until quite recently. Despite this, the country remains relatively unexplored.

Having reviewed all available data, verified the status of the Licences and conducted an on-the-ground evaluation of those considered to be most prospective, Mercator has commissioned MPH Consulting Limited of Canada to produce a report on the uranium as well as precious and base metal potential of the Licences.

A four-month due diligence period commenced in March 2010 and Mercator has elected to extend this period by three months, following which the Company will decide whether to proceed with the earn-in. Indications thus far are that the Licences are highly prospective, and that attitudes in Argentina towards uranium exploration are very positive.

## **SILVER SWAN GROUP – OUTSTANDING EXPLORATION SUCCESS CONTINUES**

Mercator holds four million performance shares in Silver Swan Group Limited, an exploration company listed on the Australian Stock Exchange and focused on gold and base metal projects in Western Australia, the most significant of which were sold to it by Mercator in April 2008.

Mercator's performance shares will convert to freely tradable ordinary shares if Silver Swan identifies a minimum of 350,000oz gold equivalent in the JORC Indicated Mineral Resource category (or higher) on the tenements sold to it by Mercator.

Within these tenements is located the Austin deposit, a copper-zinc-gold-silver volcanogenic massive sulphide (VMS) deposit that was discovered by Silver Swan in 2008. In April 2010 Silver Swan announced the completion of a maiden JORC resource statement for Austin, and a total gold equivalent figure of 134,805oz was calculated by Mercator based on metal prices at that date.

Earlier this month, Silver Swan announced impressive intersections from drilling at Austin, including:

58m at 2% Cu from 148m with:	5m at 10% Cu
	2m at 17% Cu
38m at 14% Zn from 105m with:	2m at 46% Zn
	6m at 33% Zn
	2m at 25% Zn
	2m at 24% Zn

Zinc mineralisation was intersected below 450m depth, some 150m below the level of the current JORC resource, and future drilling by Silver Swan will look to identify additional mineralisation at depth.

Silver Swan currently has approximately A\$8 million in cash to fund further exploration, and we await the results with great interest.

## **MEEKATHARRA GOLD PROJECT**

Completion of the acquisition of the Meekatharra gold project by Meekatharra Gold Corporation ("MGC") will allow control of Mercator's Australian subsidiary Mercator Gold Australia Pty Ltd ("MGA") to return to the Company. MGA has accumulated sizable operating and capital tax losses which are of significant value, particularly given the current fiscal uncertainty affecting the mining industry in Australia.

It remains Mercator's expectation that the acquisition of the Meekatharra gold project will be completed by MGC during the course of 2010. As a result Mercator expects to receive a stake in MGC, which plans to list in Canada in order to obtain funding for the redevelopment of the Meekatharra project.

## **NAME CHANGE**

The change of the Company's name to Electrum Resources plc, which was approved by shareholders at the Company's AGM held on 28 April 2010, is planned to take effect shortly and a further announcement will be made in due course.

## **OUTLOOK**

Mercator has assembled a highly promising suite of assets encompassing a range of jurisdictions and commodities, and the Company's key aim is to position these assets to maximise their development and capital raising potential. Since the publication of Mercator's annual report and accounts for the period ended 30 September 2009, significant steps forward have been taken in accordance with this strategy, most visibly in the case of the Copper Flat project.

Mercator's strategic approach also has the effect of insulating the Company from project-level risks and allowing it to more swiftly realise value from its asset portfolio as and when appropriate.

Mercator successfully raised more than £2 million of new capital during the first half of 2010, and further strong progress towards the Company's objectives is anticipated during the rest of the year.

Patrick Harford  
Managing Director

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## Consolidated Income Statement

For the six months ended 31 March 2010

	Six months ended 31 March 2010 £	Six months ended 31 March 2009 £	15 Months ended 30 September 2009 £
<b>Continuing operations</b>			
Revenue	3,163,130	1,856,629	4,064,306
Cost of sales	(2,289,072)	(1,410,000)	(2,838,017)
<b>Gross profit</b>	<b>874,058</b>	<b>446,629</b>	<b>1,226,289</b>
Negative goodwill earned on acquisition	-	22,452	22,452
Profit on disposal of investment	-	-	65,194
Other income	1,014	52,995	67,349
Gain on exchange rates	-	39,069	15,066
<b>Total income</b>	<b>875,072</b>	<b>561,145</b>	<b>1,396,350</b>
<b>Expense</b>			
Impairment of investment in and loans to subsidiary	-	(2,205,883)	(2,205,883)
Share based payments	-	-	(25,729)
Administrative expenses	(2,272,456)	(1,186,115)	(2,707,340)
Loss on exchange rates	(6,907)	-	-
<b>Total operating expense</b>	<b>(2,279,363)</b>	<b>(3,391,998)</b>	<b>(4,938,952)</b>
<b>Operating loss</b>	<b>(1,404,291)</b>	<b>(2,830,853)</b>	<b>(3,542,602)</b>
Finance costs	(247,397)	(201,985)	(541,878)
Investment income	442	5,425	16,140
<b>Finance income and costs</b>	<b>(246,955)</b>	<b>(196,560)</b>	<b>(525,738)</b>
<b>Loss for the period before accounting for associate</b>	<b>(1,651,246)</b>	<b>(3,027,413)</b>	<b>(4,068,340)</b>
Loss of associate company attributable to the Company for the period	-	(185,815)	(371,630)
<b>Loss for the period before and after taxation</b>	<b>(1,651,246)</b>	<b>(3,213,228)</b>	<b>(4,439,970)</b>
Loss attributable to:			
Equity holders of the parent	(1,648,504)	(3,166,152)	(4,452,525)
Minority interest	(2,742)	(47,046)	12,555
<b>Loss for the period before and after taxation</b>	<b>(1,651,246)</b>	<b>(3,213,228)</b>	<b>(4,439,970)</b>
Loss per share (basic and diluted)	(1.18)p	(4.36)p	(5.51)p

## Consolidated statement of comprehensive income

For the six months ended 31 March 2010

<b>Loss for the period after taxation</b>	<b>(1,651,246)</b>	<b>(3,213,228)</b>	<b>(4,439,970)</b>
<b>Other comprehensive income for the period:</b>			
Gain in value of investment in associate on dilution of holding	-	-	331,211
Revaluation of investment	(692,300)	-	1,452,816
Exchange differences on translation of foreign operations	51,706	23,120	37,831
<b>Other comprehensive income net of tax</b>	<b>(640,594)</b>	<b>23,120</b>	<b>1,821,858</b>
<b>Total comprehensive income for the period</b>	<b>(2,291,840)</b>	<b>3,190,108</b>	<b>(2,618,112)</b>
Total comprehensive income attributable to:			
Equity holders of the parent	(2,289,098)	(3,143,032)	(2,630,667)
Minority interest	(2,742)	(47,076)	12,555
	<b>(2,291,840)</b>	<b>3,190,108</b>	<b>(2,618,112)</b>



## Consolidated balance sheet

At 31 March 2010

	As at 31 March 2010	As at 31 March 2009	As at 30 September 2009
	£	£	£
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	526,975	498,090	506,954
Investments in subsidiaries	-	-	-
Investment in former associate	-	741,427	-
Other investment	1,528,402	174,999	266,574
Other non current assets	1,640	1,402	1,541
	<b>2,057,017</b>	<b>1,415,918</b>	<b>775,069</b>
<b>Current assets</b>			
Trade and other receivables	5,265,135	4,261,213	4,717,482
Cash and cash equivalents	182,232	499,011	344,105
Investment to be sold	24,833	-	2,417,233
Inventory	670,124	728,416	889,001
Taxation	10,312	20,047	9,816
Other current assets	253,429	206,925	192,198
<b>Current assets</b>	<b>6,406,065</b>	<b>5,715,612</b>	<b>8,569,835</b>
<b>Total assets</b>	<b>8,463,082</b>	<b>7,131,530</b>	<b>9,344,904</b>
<b>Equity attributable to owners of the parent</b>			
Share Capital	7,384,454	7,267,491	7,316,059
Share premium	32,092,724	29,942,233	30,865,318
Exchange reserve	89,537	23,120	37,831
Other reserves	768,710	767,203	787,364
Minority interest	226,281	172,711	229,023
Retained losses	(37,304,400)	(36,083,988)	(34,982,251)
<b>Total equity</b>	<b>3,257,306</b>	<b>2,088,770</b>	<b>4,253,344</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	2,195,340	2,286,030	2,406,867
Provisions for costs	88,075	263,843	118,698
Interest bearing borrowings	2,922,361	-	-
<b>Total current liabilities</b>	<b>5,205,776</b>	<b>2,549,872</b>	<b>2,525,565</b>
<b>Non-current liabilities</b>			
Interest bearing borrowings	-	2,492,887	2,565,995
<b>Total equity and liabilities</b>	<b>8,463,082</b>	<b>7,131,530</b>	<b>9,344,904</b>

## Consolidated statement of changes in equity

For the six months ended 31 March 2010

	Share capital	Share premium	Accumulated losses	Minority interest	Trans- lation reserve	Other reserves	Total equity
	£	£	£	£	£	£	£
<b>At 1 October 2008</b>	<b>7,267,491</b>	<b>29,942,233</b>	<b>(32,917,836)</b>	-	-	<b>741,474</b>	<b>5,033,362</b>
Accumulated loss for period	-	-	(3,166,152)	-	-	-	(3,166,152)
Exchange difference on translating foreign operations	-	-	-	-	23,120	-	23,120
Exchange differences recognised in income statement in period	-	-	-	-	-	-	-
Valuation losses on available for sale investments	-	-	-	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	-	23,120	-	(3,143,032)
Minority interest	-	-	-	172,711	-	-	172,711
<b>At 31 March 2009</b>	<b>7,267,491</b>	<b>29,942,233</b>	<b>(36,083,988)</b>	<b>172,711</b>	<b>23,120</b>	<b>767,203</b>	<b>2,088,770</b>
Accumulated loss for period	-	-	1,101,737	-	-	20,161	1,121,898
Exchange difference on translating foreign operations	-	-	-	-	14,711	-	14,711
Valuation gains on available for sale investments	-	-	-	-	-	-	-
Total comprehensive income for the period attributable to equity holders of the parent	-	-	-	-	14,711	20,161	-
Shares issued	48,568	923,085	-	-	-	-	971,653
Minority interest	-	-	-	56,312	-	-	56,312
<b>At 30 September 2009</b>	<b>7,316,059</b>	<b>30,865,318</b>	<b>(34,982,251)</b>	<b>229,023</b>	<b>37,831</b>	<b>787,364</b>	<b>4,253,344</b>
Accumulated loss for period	-	-	(1,648,504)	-	-	-	(1,648,504)
Transfer between reserves	-	-	18,654	-	-	(18,654)	0
Exchange difference on translating foreign operations	-	-	-	-	51,706	-	51,706
Valuation loss on available for sale investments	-	-	(692,300)	-	-	-	(692,300)
Total comprehensive income for the period attributable to equity holders of the parent	-	-	(2,322,150)	-	51,706	(18,654)	(2,289,098)
Shares issued	68,395	1,227,406	-	-	-	-	1,295,801
Minority interest	-	-	-	(2,742)	-	-	(2,742)
<b>At 31 March 2010</b>	<b>7,384,454</b>	<b>32,092,724</b>	<b>(37,304,400)</b>	<b>226,281</b>	<b>89,537</b>	<b>768,710</b>	<b>3,257,306</b>

**Consolidated Cash Flow Statement**  
*For the six months ended 31 March 2010*

	£	£	£
	Six months ended 31 March 2010	Six months ended 31 March 2009	15 Months ended 30 September 2009
<b>Operating activities</b>			
(Loss) / profit for the period, before tax	(2,340,803)	(3,213,227)	(4,439,970)
Adjustments:			
Impairment of investment in and loans to subsidiary	-	2,205,882	2,205,882
Depreciation expense, property, plant and equipment	60,179	44,217	58,516
Loss on disposal of property, plant and equipment	-	457	457
Loss of associate company for the 15 months	-	185,815	371,630
Profit / (loss) on disposal of investment	692,300	-	(65,194)
Interest income	(883)	(5,427)	(16,140)
Issue costs amortised – convertible loan notes	29,992	29,992	74,981
Interest cost imputed on unwinding loan discount	42,788	40,524	103,851
Interest paid	187,277	131,471	360,915
Share based payments	-	25,729	25,729
(Increase)/decrease in accounts receivable	(566,531)	(61,963)	(667,911)
Increase/(decrease) in accounts payable	(242,285)	409,365	509,439
Decrease in inventories	253,803	264,438	3,882
Shares issued in lieu of expense payments	-	-	237,590
Decrease in provision for software expenses	(35,206)	-	(121,084)
(Increase)/decrease in other non current assets	(12)	4,264	3,753
Foreign exchange	(9,931)	-	(8,284)
Excess of acquirer's interest in the net value of acquiree's identifiable net assets	-	(22,452)	(22,452)
<b>Net cash flow used in operations</b>	<b>(1,929,312)</b>	<b>39,085</b>	<b>(1,384,410)</b>
<b>Investing activities</b>			
Purchase of property plant and equipment	(48,694)	(9,809)	(61,540)
Loans issued to subsidiary	-	-	(2,450,981)
Proceeds from sale of investment	1,700,101	-	172,352
Investment in New Mexico venture	(490,356)	-	(91,575)
Investment in Indonesian venture	-	(24,999)	(174,999)
Investment in Meekatharra Gold Corporation	(118,443)	-	-
Investment in Golden Odyssey	(29,028)	-	-
Net cash cost of acquisition of subsidiary	-	(326,337)	(326,337)
Interest received	883	5,427	16,140
<b>Net cash generated / (used) in investing activities</b>	<b>1,014,463</b>	<b>(355,718)</b>	<b>(2,916,940)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital	671,801	-	4,480,574
Increase in amounts due to a Director	-	-	264,106
Proceeds from issue of convertible loan notes	-	-	200,000
Proceeds of bank loan	267,552	-	-
Repayment of finance lease creditors	(3,278)	(16,692)	(12,457)
Interest paid on convertible loan notes	(117,910)	(131,469)	(314,409)
Interest paid - other	(59,232)	(2)	(33,018)
<b>Net cash from financing activities</b>	<b>758,933</b>	<b>(148,163)</b>	<b>4,584,796</b>
<b>Net change in cash and cash equivalents</b>	<b>(155,916)</b>	<b>(464,796)</b>	<b>283,446</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>344,105</b>	<b>967,749</b>	<b>24,902</b>
<b>Effect of change in exchange rates</b>	<b>(5,956)</b>	<b>(3,942)</b>	<b>35,757</b>
<b>Cash and cash equivalents at end of the period</b>	<b>182,233</b>	<b>499,091</b>	<b>344,105</b>



## Notes to the interim financial statements

For the six months ended 31 March 2010

### 1. Basis of preparation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March 2010. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date such control ceases.

The interim financial information has been prepared to meet the recognition and measurement requirements of International Financial Reporting Standards (“IFRS”) as adopted by the European Union and implemented in the UK. The method of presentation used has been adjusted to meet the requirements of IAS 1 – Presentation of Financial Statements (revised), the adoption of which is mandatory for 2009. This new standard relates to presentation only.

The financial information in this statement does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the six months ended 31 March 2010 and 31 March 2009 is unaudited. The comparative figures for the period ended 30 September 2009 were derived from the Group’s audited financial statements for that period as filed with the Registrar of Companies. They do not constitute the financial statements for that period.

### 2. Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of raw materials are determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charge, less all attributable discounts, allowances or rebates. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventories.

### 3. Cash and cash equivalents

Cash includes petty cash and cash held in current bank accounts. Cash equivalents include short-term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

### 4. Loss per share

Loss per share is calculated by reference to the loss for the six months ended 31 March 2010 of £1,648,504 (six months ended 31 March 2009 £3,166,152; and fifteen months ended 30 September 2009 £4,452,525) and the weighted number of shares in issue during the periods of 140,097,397 (six months to 31 March 2009, 72,674,911; and 15 months to 30 September 2009, 80,844,092).

There is no dilutive effect of share options on the loss for the current period.

### 5. Interest bearing liabilities

	31 March 2010	31 September 2009
	£	£
Convertible loan notes – 8.5%	2,638,775	2,565,995
Short term bank loan	283,586	-
	<hr/>	<hr/>
	2,922,361	2,565,995

On 17 October 2007 the Company issued three-year convertible loan notes carrying a coupon rate of 8.5% interest, payable quarterly in cash or, at the holder’s option, by the issue of shares at £0.95 per share for the first year and at £1.20 per share thereafter. After 18 months the Company had the option to redeem the notes at face value plus double the accrued interest outstanding at the time of the Company giving notice of redemption. The holder of the notes has the option of accepting the payment in cash or (in the case of the

interest payment, subject to the availability of sufficient authorised, unissued share capital) ordinary shares at the rate of £0.95 per share in years one or two and £1.20 per share in year three.

On 15 July 2008 the Company issued a three year convertible note carrying a coupon rate of 8.5%, payable quarterly in cash or, at the holder's option, by the issue of shares at £0.50 per share for the second year and at £0.625 for the third year. No conversion right existed in the first year. After 18 months the Company had the option to redeem the notes at face value plus double the accrued interest outstanding at the time of the Company gives notice of redemption. The holder of the notes has the option of accepting the payment in cash or (in the case of the interest payment, subject to the availability of sufficient authorized, unissued share capital) ordinary shares at the rate of £0.50 per share in years one or two and £0.625 per share in year three.