



ANNUAL REPORT & ACCOUNTS 2010

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## CHAIRMAN'S REPORT

The year to 30 September 2010 was one of substantial progress for ECR. The most significant event was agreement of the sale of ECR's exclusive option over a 100% interest in the Copper Flat copper-molybdenum-gold-silver project in New Mexico, USA to THEMAC Resources Group Ltd, a company listed on the Toronto Venture Exchange.

This sale, completion of which is anticipated in the near future, is expected to deliver to the Company an interest in THEMAC of considerable value, and is the result of the implementation of ECR's strategy of vending its projects into corporate vehicles most suitable for raising the required capital.

Paniai Gold Ltd, in which the Company has a 16% shareholding, represents another application of this business model. Paniai's Derewo River gold project in Papua, Indonesia was identified by ECR in late 2008, and an appropriate holding structure was put in place with Paniai as the chosen development vehicle. Paniai went on to raise approximately A\$700,000 of seed financing in Australia, and worked diligently during 2009 and 2010 to bring its tenement position into compliance with revised Indonesian mining laws, as well as completing a great deal of groundwork for the development of the Derewo River project. This work included the deployment of heavy equipment to site and the signing of an agreement with the indigenous Wolami People, as well as other community relations activities.

In February 2011, Paniai agreed to sell the Derewo River project to West Wits Mining Ltd, a company listed on the ASX. Consideration for the sale is a package of shares, performance shares and options that will see Paniai and its shareholders, and therefore ECR, retain a significant interest in the Derewo River project. The additional funding to be provided by West Wits is expected to enable alluvial gold production to commence at the project during 2011. Paniai will moreover be in a position to exert considerable influence on the management of West Wits, which also has promising gold projects in South Africa. It is expected that Paniai itself will go on to evaluate potential new assets in South East Asia, a process in which ECR will be closely involved.

Placing assets identified by ECR into new corporate vehicles will not necessarily be our preferred strategy in all cases. For example, the Argentine gold projects acquired by the Company in October 2010 may be best operated and advanced by ECR directly. Nonetheless, ongoing exploration work is being carried out with an eye towards adding to their value in any future sale.

The Sierra de las Minas and Los Aquirres gold projects, which are located in Argentina's La Rioja Province, were acquired by ECR as a result of its establishing a presence in Argentina in March 2010 in order to undertake due diligence on a set of uranium exploration projects held by Uranio AG. In turn, the opportunity to complete this programme of due diligence arose as a direct result of the share swap undertaken with Suphansa Holdings Ltd in November 2009.

Although following extensive investigations ECR elected not to proceed to earn-in to Uranio's projects in Argentina as initially contemplated, the Company has made an offer to acquire certain of the projects on revised terms entailing a much reduced expenditure commitment.

ECR's Australian subsidiary Mercator Gold Australia Pty Ltd ("MGA") remained in administration throughout the course of the year, and after the year-end the bid by Meekatharra Gold Corporation to acquire the assets of MGA ultimately failed. The administrators of MGA have now accepted a bid from Reed Resources Ltd, and this bid seems more likely to result in a completed acquisition on the basis of Reed Resources' status as an established, ASX-listed company with access to Australian capital markets.

The financial statements for the year record a net deficit of £3,293,850 for ECR and its subsidiaries (the "Group"), compared with £2,618,112 for the 15 month period to 30 September 2009. The financial statements have been prepared on a consolidated basis, meaning that the financial results of Gold Crest Holdings Ltd, a Hong Kong subsidiary of ECR and the immediate parent company of the Company's Thai manufacturing business ACS Asia, are combined with those of ECR itself to generate a unified set of figures. The Gold Crest financial results have in turn been consolidated with those of ACS Asia.

The net deficit recorded therefore reflects the operating expenses of all three entities, as well as the unfortunate fact that an accounting revaluation of ECR's holding of Silver Swan shares in the previous financial year to a price higher than that at which they were disposed of combined with the disposal of the Company's three million Uranio shares at a price lower than their implied acquisition cost, has created an accounting loss on these disposals of £1,364,635. However, it must be noted that in cash terms ECR realised a sizable gain from the Silver Swan transaction, and that the Company's acquisition of its Uranio shareholding by way of the share swap with Suphansa Holdings has ultimately led to ECR's acquisition of the Sierra de las Minas and Los Aquirres gold projects in Argentina.

Further, the Group's net assets on the balance sheet reduced in the year by only £300,929 despite the deficit recorded. The Group raised equity funding during the year of £2,920,635, of which almost £1,000,000 was used to finance the substantial project investments made by ECR during the year.



**Michael Silver**  
*Chairman*

## MANAGING DIRECTOR'S REPORT

ECR shareholders are well placed to gain from exposure to a diverse suite of mineral and renewable energy projects selected on the basis of one overriding criterion: whether ECR can add value. Adding value may be achieved by operating a project directly, by structuring a transaction to place it in the most appropriate vehicle to attract capital, or by a combination of the two.

Progress with the development of ECR's assets is summarised below. As will be evident, the nature of the Company's business is to be largely transaction focused. In the view of the ECR board, the net effect of the acquisitions, sales and other transactions undertaken by the Company during the year and since the year-end will generate considerable value for the Company.

On this basis, and given that we find ourselves operating in a commodity price environment that has perhaps never been more favourable, I expect 2011 to be a good year.

### Copper Flat Project

#### COMPLETION OF SALE TO THEMAC RESOURCES GROUP IMMINENT

ECR acquired an exclusive option over a 100% interest in the Copper Flat copper-molybdenum-gold-silver project in New Mexico, USA in August 2009. Copper Flat is a former producing open pit mine that was shut down in 1982 due to low copper prices, with major civil infrastructure still in place and a land package in excess of 3,000 acres. Infrastructure items in place include the tailings dam, largely pre-stripped open pit, power lines, water well field and pipeline, access roads, diversion channels and building foundations.

In March 2010, ECR agreed to sell its option over Copper Flat to THEMAC Resources Group for consideration of 10.5 million common shares of THEMAC plus 10.5 million common share purchase warrants exercisable at C\$0.28 per share for five years. In May 2010, the Company acquired four million subscription receipts of THEMAC, which will convert, on completion of the sale of the option, to four million common shares and four million common share purchase warrants exercisable at C\$0.28 per share until 3 May 2013. The subscription receipts were acquired for a cash consideration of C\$600,000.

ECR's interest in THEMAC after completion of the sale will be 14.5 million common shares, expected to be equivalent to approximately 20% of THEMAC's issued common shares. ECR will also hold a total of 14.5 million common share purchase

warrants of THEMAC. Following the exercise of ECR's warrants and assuming the exercise of all warrants and options held by other parties, the Company's interest in THEMAC's issued common shares would be approximately 22%.

In early March 2011, THEMAC announced that conditional approval of its acquisition of the Copper Flat option had been received from the TSX Venture Exchange. We therefore expect that the transaction will complete in the very near future. THEMAC also announced the appointment of Joel Schneyer as an independent director and Steve Vanry as Chief Financial Officer, among other items.

It is anticipated that ECR's interest in THEMAC will not be subject to escrow imposed by the TSX Venture Exchange, which will allow the Company flexibility to retain or divest its interest in THEMAC as deemed most advantageous.

#### Value Added by ECR

ECR expended approximately £880,000 on the advancement of Copper Flat before THEMAC began funding the project in March 2010, and in doing so laid the foundations for significant technical accomplishments.

In June 2010, SRK Consulting completed an NI43-101 preliminary economic assessment (PEA) of the Copper Flat project, with the following results:

- Mine life of 17 years and payback 1.75 years from start of production;

- NPV (6%) US\$144 million; initial capital US\$179 million;
- Average production of 36 million lbs copper and 628,000 lbs molybdenum per annum over first 14 years with average production of 15 million lbs copper and 335,000 lbs molybdenum per annum over further 3-4 years.

The results of the PEA, which was initiated by SRK at the direction of ECR, take account of copper and molybdenum values only (copper at US\$3/lb and molybdenum at US\$12/lb). Incorporation of the gold and silver content of the deposit, which is evidenced by historic reserves and production, into the NI43-101 financial model is expected to substantially improve the economics of the project.

In May 2010, SRK estimated NI43-101 Indicated Mineral Resources at Copper Flat of 107 million short tons at 0.303% copper and 0.010% molybdenum for 645 million lbs copper and 21.4 million lbs molybdenum, with additional Inferred Mineral Resources of 46 million short tons grading 0.24% copper and 0.006% molybdenum for 222 million lbs copper and 5.6 million lbs molybdenum (reported at a cut-off grade of 0.12% copper contained within a potentially economic open pit).

In re-estimating the Copper Flat resource SRK utilised the results of verification drilling completed at Copper Flat by ECR in late 2009 and early 2010.

### **Financing of THEMAC Resources & Ongoing Project Development**

THEMAC Resources assumed the funding of the Copper Flat project, including as regards the exercise of ECR's option, when terms of acquisition were agreed with the Company in March 2010. THEMAC's costs in doing so are for the time being characterised as a loan (guaranteed by ECR) to ECR's New Mexico subsidiary Copper Flat Corporation, the named holder of the option. The loan is not repayable, and does not bear interest, unless the purchase of ECR's option by THEMAC is not completed. If the purchase is completed, the loan will be deemed repaid as part of the purchase price.

A C\$10.2 million equity financing of THEMAC has been agreed with Tulla Resources Pty Ltd, a company controlled by Kevin Maloney, who is a director of THEMAC. This financing was announced by THEMAC in November 2010, and will take the form of a placement to Tulla of 40,000,000 units at C\$0.255 per unit raising C\$10.2 million, each unit comprising one share and one warrant exercisable for five years at C\$0.34. In addition, Tulla has in March 2011 agreed to provide loan funding of C\$5.25 million to THEMAC.

Kevin Maloney is the founder of TheMAC Services Group, which was recently acquired for cash by NYSE-listed Oil States International and which was formerly Australia's largest listed provider of remote area mining accommodation and services.

The Tulla equity financing will complete and the Tulla loan funds will be provided concurrently with the acquisition of ECR's option by THEMAC. In the meantime, advances on the financing have been used to make payments required to exercise the Copper Flat option and to continue permitting and project development work. THEMAC has also entered into and made an initial payment in respect of an agreement for the purchase of water rights on lands adjacent to Copper Flat. The water rights are additional to those included with the project and are required for the recommencement of production.

Work is well underway on all major aspects of a prefeasibility study for the proposed recommencement of production at Copper Flat, and on the necessary permitting. ECR believes that the project can be brought into production by 2014, subject to feasibility, permitting and financing. Alta Gold, a previous owner of the project, largely completed permitting of a proposed mine restart in the late 1990s.

Numerous initiatives to boost project economics are planned by THEMAC, including:

- Inclusion of gold and silver in the financial model following a precious metals re-assay program using historic drill sample pulps;
- Optimisation of capital costs and by-product recoveries;
- Optimisation of mine scheduling to maximise payback performance by processing high grade material (cut-off grade 0.20% copper or greater) as early as possible in the life of the proposed operation;
- Drilling programme with following main objectives:
  - Conversion of NI43-101 Inferred Mineral Resources to Indicated;
  - Expansion of resource inventory through step-out and depth extension drilling, including potential to define additional high grade breccia resources near-surface and at depth;
  - Providing in-fill geotechnical data.

It is expected that THEMAC will make the final payment of US\$7 million required to exercise the Copper Flat option in May 2011. The grantors of the option will retain a net smelter return royalty of 3.25%.

## Argentina Projects

### EXPLORATION ONGOING AT SIERRA DE LAS MINAS GOLD PROJECT

#### Sierra de las Minas & Los Aquirres Gold Projects

ECR announced the acquisition of the Sierra de las Minas and Los Aquirres gold projects in La Rioja Province, Argentina, in October 2010, and the Company built upon this in January 2011 with the acquisition of the El Abra historic small scale gold mine.

The El Abra mine forms part of the Sierra de las Minas project area, which covers approximately 75,000 hectares with numerous historic small scale gold mining areas and other gold and base metal occurrences. The Los Aquirres project area extends over approximately 5,000 hectares and is located around 50km due north and along strike from Sierra de las Minas. A large quantity of exploration data is available from previous exploration at Sierra de las Minas.

The Sierra de las Minas and Los Aquirres project areas are largely held under the provincial exploration concession system, however the El Abra mine comprises a number of exploitation concessions (also administered provincially) that were acquired along with a further exploitation concession known as Jazmin from a local individual for total cash consideration of US\$60,000. The vendor retains a 2% net smelter return royalty in respect of future production on the El Abra and Jazmin concessions.

La Rioja Province is located in the northern central part of Argentina approximately 800km northwest of Buenos Aires. La Rioja has a history of mining and is supportive of further investment in the sector. Both the Sierra de las Minas and Los Aquirres project areas are accessible by road from the cities of Mendoza, San Juan and Cordoba, and are less than one hour's driving time from the town of Chepes.

#### Exploration Strategy

ECR has identified exploration targets at Sierra de las Minas that potentially provide scope for the definition of high grade, smaller tonnage deposits suitable for early development to production. The El Abra mine is considered to constitute just such a target.

Gold mineralisation in the Sierra de las Minas project area is hosted in quartz veins, which are mostly vertical to steeply dipping. There exists good potential for locating undiscovered veins. The Los Aquirres project area is essentially unexplored

but presents an opportunity to prospect for a variety of sub-volcanic intrusion-related mineralisation styles.

Mineralisation at El Abra typically occurs as quartz veins with altered marginal areas. The veins are from a few centimetres to a few metres wide and locally contain very high grade gold values. The altered margins are also auriferous, and the combination of veins and margins has been historically worked to widths of several metres in some areas.

Surface evaluation work including mapping, prospecting and geochemical sampling is now underway at El Abra and within the wider Sierra de las Minas project area, and will be followed up by geophysical work, drilling and/or test pitting dependent on results.

## Uranium

ECR entered into a binding heads of agreement with Uranio AG, a Swiss uranium exploration company listed on the Frankfurt, Berlin and Stuttgart Stock Exchanges, in March 2010, giving ECR the right to earn-in to an interest of up to 70% in Uranio's uranium exploration licences in Argentina. Although after completing in-depth due diligence on the licences ECR elected not to proceed with the earn-in, the Company's presence in Argentina put it in a position to acquire the Sierra de las Minas and Los Aquirres gold projects, and an offer to acquire a select group of the Uranio tenements on revised terms requiring only minor cash expenditure by the Company has been made.

In November 2009, ECR acquired 3 million shares in Uranio as consideration for a placing of 20 million shares in the Company with Suphansa Holdings Ltd. At the year-end, all Uranio shares held by the Company had been disposed of.

## Paniai Gold

### SALE OF DEREWO RIVER PROJECT TO WEST WITS MINING

In February 2011, Paniai Gold Ltd entered into a binding heads of agreement with ASX-listed West Wits Mining Ltd for the sale to West Wits of Paniai's interest in the Derewo River gold project in Papua, Indonesia. Paniai was formed to advance the Derewo River gold project in joint venture with a local party, and the West Wits transaction is intended to enable the necessary financing to be raised to take the project onward into the next phase of development.

ECR holds 16% of Paniai's issued shares, and Paniai is a debtor of the Company to the amount of approximately A\$350,000. This amount may in the future be converted into new Paniai shares (by agreement and at a conversion price to be negotiated), thus increasing our interest in Paniai. ECR has been actively involved in the management of Paniai since its formation, and fully intends to remain so.

### The Derewo River Gold Project

The Derewo River flows through the Central Highlands of Papua and has hosted intense small scale gold mining since 2004, with local miners working high grade colluvial/eluvial deposits and remnant river terraces. Despite rudimentary methods, several tonnes of gold are believed to have been extracted.

The Derewo River project comprises a granted 40 hectare mining licence, an application for a further mining licence of 491 hectares, and exploration licence applications extending over around 129,000 hectares. The licence and applications were brought into compliance with revised Indonesian mining laws during 2009 and 2010.

In addition, an EIS (environmental impact statement) has been submitted to provincial authorities, major capital items have been purchased and transported to the project area by Paniai, and an Indigenous Landowners' Agreement, one of the first of its kind in Papua Province, has been signed with the Wolami People.

The terms of the joint venture are as follows:

- With regard to the mining licences, Paniai is to fund the establishment of a modern alluvial mining operation, revenues from which will be distributed equally between the joint venture partners after the deduction of all operational costs.
- With regard to the exploration licences, Paniai is to fund the first US\$2 million of exploration, beyond which the joint venture partners are to fund activities pro rata. Paniai's joint venture partner may be reduced to a carried interest in the exploration licences of 20% in the event that it does not fund its share of exploration (Indonesian law requires a local party to hold a minimum of 20% equity in mining and exploration licences).
- Paniai is to manage both mining and exploration activities.

The rights and obligations of Paniai under the joint venture will be assumed by West Wits on completion of the sale.

### West Wits Mining Transaction

Key terms of the sale of Paniai's Derewo River project to West Wits, which is subject to due diligence and to shareholder and regulatory approval, are as follows:

- Paniai to receive 80 million West Wits ordinary shares, 46 million performance shares and 12.5 million options exercisable at A\$0.08 for 5 years;
- Performance shares convert to ordinary shares subject to the Derewo River project achieving production of 20,000oz gold within 2 years;
- Funds of A\$300,000 made available to the Derewo River project by West Wits immediately;
- West Wits to raise approximately A\$3 million through the placement of 33.75 million new ordinary shares at A\$0.04 (with subscribers to receive one option exercisable at A\$0.08 and valid for three years for every four shares) combined with the placement of 33.75 million ordinary shares currently held by Mintails Ltd at A\$0.05, the proceeds of which will be transferred to West Wits in settlement of an existing obligation;
- Raising of an additional A\$500,000 through placement of 12.5 million ordinary shares with existing shareholders (with subscribers to receive one option exercisable at A\$0.08 and valid for three years for every four shares);
- Paniai will nominate two directors to the board of West Wits, and the project team assembled by Paniai will remain in place.

On completion of the sale and after the financings described above, the ordinary shares due to Paniai will equate to around 28% of West Wits' issued shares. A portion of the securities to be received by Paniai may be distributed amongst Paniai shareholders, but it is expected that Paniai will retain in large part its interest in West Wits whilst seeking to identify and evaluate potential new projects in South East Asia. The transaction with West Wits will thus allow ECR shareholders to maintain their exposure to upside from the Derewo River project whilst benefiting from the future corporate development of Paniai.

West Wits has gold exploration projects located in the West Rand region of South Africa, and some of the funds to be raised by West Wits will be used for the development of these projects, which both Paniai and ECR consider to be of significant merit.

## ACS Asia

### ACCESS TO AUSTRALIAN MARKET SECURED

ACS Asia, the Thai steel products business in which ECR holds a 70% economic interest, recorded the Group's share of net income for the year after tax at approximately £138,500 and paid an additional £140,000 in management fees to ECR via Gold Crest Holdings Ltd, a Hong Kong subsidiary of the Company and the immediate parent of ACS. The total revenues of the business for the year were approximately £4.8 million.

ACS experienced a subdued second half to the year as its withdrawal from an agreement with its former owner Tyco International restricting sales into Australia was negotiated. Withdrawal from the agreement was achieved successfully post the year-end, allowing immediate access to the higher margin Australian market. This has already yielded an upturn in trade and we expect the year to 30 September 2011 to be a more profitable one.

## Warm Springs Renewable Energy Corporation

### EFFORTS TO SECURE PPA CONTINUING

Warm Springs Renewable Energy Corporation (WSREC) was founded by ECR in early 2010, and is focused on the development of a new solar power plant in the vicinity of the Copper Flat mine in south central New Mexico. WSREC is operated in joint venture with Remote Energy Solutions LLC, a renewable energy consultancy with numerous clients in the US mineral sector.

WSREC made substantial progress during the year and post the year-end, although not quite as substantial as had been hoped. Permitting of WSREC's selected development sites is at an advanced stage, and is creating a significant asset. Determined efforts to engage utilities and other potential power purchasers have been well received, but have not yet led WSREC to the point at which a power purchase agreement (PPA) is in sight. A PPA is an essential prerequisite to development of WSREC's proposed solar power facility, and efforts to secure such an agreement are continuing on a reduced budget. The regulatory and supply-demand environment for renewable energy in the US is complex, and WSREC may seek additional development partners to provide expertise and financial capability complementary to that provided by Remote Energy Solutions.

However, WSREC remains in an advantageous position in that the proposed recommencement of production at the Copper Flat mine is expected to provide a major new source of electricity demand in the locality, and in that ACS Asia has capability to supply supporting steelwork (which typically accounts for up to 40% of the capital costs of a new solar power plant) to WSREC on favourable terms. WSREC is also a participant in a consortium that is bidding to supply 2MW of solar power to the town of Truth or Consequences, the nearest sizable settlement to the Copper Flat mine.

## Silver Swan Group

### A HIGHLY SUCCESSFUL TRANSACTION

April 2010 saw Silver Swan Group Ltd produce a maiden JORC resource statement for the Austin volcanogenic massive sulphide (VMS) copper-zinc-silver-gold deposit, which is located within the package of exploration tenements sold to Silver Swan by ECR in 2008. As consideration for the sale ECR received 10 million Silver Swan ordinary shares and four million performance shares.

The sale of the tenement package to Silver Swan was a highly successful transaction for ECR, as in disposing of its Silver Swan ordinary shares the Company was able to realise approximately ten times its expenditure on the tenements prior to their sale. The last of the ordinary shares was disposed of in the early part of the year, however the Company retains its performance shares, which convert to ordinary shares if Silver Swan succeeds in identifying a minimum 350,000oz gold equivalent in the JORC Indicated Mineral Resource category (or higher) on the tenements sold to it by ECR. Silver Swan's April 2010 Austin resource was estimated by ECR at 134,805oz gold equivalent based on metal prices at that time, and with exploration continuing the identification by Silver Swan of sufficient additional gold equivalent resources to trigger the conversion of the Company's performance shares remains a genuine possibility.

## Meekatharra Gold Project

### ACQUISITION BY REED RESOURCES IN PROGRESS

Meekatharra Gold Corporation, the private Canadian company that in 2009 agreed to purchase the Meekatharra gold project in Western Australia formerly operated by ECR's Australian subsidiary Mercator Gold Australia Pty Ltd ("MGA"), failed to complete its acquisition of the project in January 2011, leading the administrators of MGA to accept an alternative offer from Reed Resources Ltd (ASX: RDR). MGA has been in administration since 9 October 2008 and is currently operating under a Deed of Company Arrangement (DOCA).

Reed Resources has already made a cash payment of A\$2 million to MGA, and further cash payments are due of A\$15 million on 31 March 2011 and A\$8 million on the agreed settlement date of 30 June 2011. Reed Resources will also replace statutory environmental bonds to the value of A\$2.8 million; be responsible for the holding costs associated with MGA's mineral tenements for the period until the settlement date (estimated at A\$1.7 million); and will issue to MGA the greater of 2 million or A\$1.3 million worth of Reed Resources shares based on their 5-day volume weighted average price prior to the settlement date.

The administrators of MGA must, in accordance with their legal and statutory obligations, firstly apply the proceeds of the sale of the Meekatharra project towards achieving full or partial repayment of creditors, with the secured creditor to receive full repayment along with former employees of MGA, and other creditors potentially receiving some benefit from the remainder of the funds available.

It remains uncertain to what extent ECR, which is MGA's largest unsecured creditor, will benefit from the proceeds of the sale, if at all. There will be greater clarity on this point once a revised DOCA has been put to creditors in light of the Reed Resources offer. In the meantime, the Group has maintained the policy adopted in 2009 whereby 10% of the total amount previously advanced to MGA is estimated to be recoverable.

However successful completion of the sale will certainly alleviate the drain on ECR management time and cash resources represented by MGA given its present position. I am therefore pleased to note the recent announcement by Reed Resources of an A\$40 million equity financing, which indicates strongly that Reed's proposed acquisition of the Meekatharra gold project will be completed on the stated timescale.

## Financial & Corporate

ECR's financial position was strengthened significantly when on 29 September 2010 approval was secured from convertible loan note holders to extend the repayment date with respect to £2,565,000 of loan notes by three years. The Company currently has a total of £2,480,000 in face value of convertible loan notes outstanding. Of these, £200,000 in face value bear interest at 8.5% per annum, are convertible to shares at 62.5p and are repayable in July 2011; the remaining £2,280,000 in face value bear interest at 10% per annum, are convertible to shares at 1.1p and are repayable in October 2013. At the year end, £2,565,000 in face value of 10% loan notes was outstanding. Post the year-end £285,000 in face value of 10% loan notes have been converted to shares.

The Company believes that as its projects and interests continue to mature it will have access to the cash resources necessary to meet its repayment obligations to note holders as these arise. ECR has the ability to repay all or part of the loan notes early, subject to the right of loan note holders to elect to receive repayment in shares at the conversion price; and to purchase loan notes at any price and at any time by tender, private treaty or otherwise by agreement with the relevant loan note holder. Of course, holders who convert their notes to shares forego cash repayment of the face value of the notes as well as further interest payments.

The Company changed its name from Mercator Gold plc to Electrum Resources plc on 29 September 2010, and again on 9 December 2010 to ECR Minerals plc. The Company elected to change its name from Mercator Gold plc in recognition of the complete transformation in its business that has occurred since its listing in 2004, and later adopted ECR Minerals plc in light of a trademark issue that arose in the USA.

ECR currently has in excess of £1.1m in cash, and its £4m Standby Equity Distribution Agreement (SEDA) with YA Global Master SPV, Ltd remains available for use if required.

## Outlook

The impending completion of the sale of ECR's option over the Copper Flat project to THEMAC Resources Group seems likely to further validate the Company's strategy of vending certain of its projects into dedicated corporate vehicles. This is also expected from the sale of the Derewo River gold project to West Wits Mining by Paniai Gold.

At the same time, ECR has acquired a brace of promising gold projects in Argentina, and we await the initial results of exploration at the Sierra de las Minas project with great interest.



**Patrick Harford**  
*Managing Director*

## DIRECTORS' BIOGRAPHIES

### **Michael Bernard Silver**

*Executive Chairman (aged 74)*

Michael Silver was appointed Executive Chairman on 28 July 2008. A civil engineer, Mr Silver is a Member of the Institution of Engineers of Australia with more than 40 years of experience. Mr Silver founded a substantial contract mining company in Australia, operating in mineral sands, coal, copper, iron ore, sapphires and tin, and as the original contract miner at the Telfer gold-copper mine in Western Australia. He also has industrial experience as owner of numerous metal fabrication businesses.

Previous mine development roles include:

- Developing the Nevorlia gold mine in Western Australia for Southern Goldfields;
- Assembling the development team for the Coliseum gold mine in California;
- Developing the Tolukuma gold mine in Papua New Guinea for Dome Resources.

### **Patrick Aloysius Harford**

*Managing Director (aged 59)*

Patrick Harford was appointed Managing Director on 22 March 2004. He graduated with Honours in Geomorphology from Melbourne University in 1973.

Past senior management roles include:

- Grants Patch Mining (Managing Director), which operated a 10Mt gold tailings retreatment operation in Western Australia producing 750,000oz gold;
- Zapopan (Managing Director), which participated in the discovery and development of the Mt Todd and Tanami gold mines in Australia's Northern Territory;
- Auridiam Consolidated, which developed the 2Mtpa River Ranch diamond mine in Zimbabwe. The River Ranch mine produced in excess of 500,000 carats per annum.

### **Michael Elias**

*Non-Executive Director (aged 59)*

Michael Elias was appointed a Non-Executive Director on 7 July 2004. Mr Elias is a geologist with over 30 years of experience in the mining industry. He was formerly Chief Geologist for Resource Development in WMC's nickel division and is currently a Principal Consultant for CSA Australia, one of Australia's largest mining consultancies.

### **Michael John de Villiers** (resigned 30 September 2010)

*Finance Director (aged 48)*

Michael de Villiers was appointed Finance Director on 22 March 2004. He qualified as a Professional Accountant, (SA) with Ernst & Young in Cape Town and has experience as a financial manager at mining and chemical operations in Namibia, Botswana, Ghana and Bulgaria. He has previously acted as Finance Director of Oxus Gold plc and Navan Mining plc and is currently a director of Ariana Resources plc and Norseman Gold plc.

### **Richard Nicholas Allen** (resigned 31 May 2010)

*Non-Executive Director (aged 74)*

Nick Allen was appointed a Non-Executive Director on 7 April 2004. He has worked in the mining industry for over 40 years, primarily in diamond mining and marketing, including lengthy periods with Consolidated African Selection Trust and D Drukker & Zn, a De Beers Industrial distributor in the UK and India. He is currently a director of DiamondCorp plc.

# REPORT OF THE DIRECTORS

For the year ended 30 September 2010

The Directors of ECR Minerals plc (the “Directors” or the “Board”) present their report and audited financial statements for the year ended 30 September 2010.

## Principal Activities

The Company is registered under no. 5079979 in England and Wales. The principal activities of the Company are those of a mineral exploration and development company, most frequently as a parent company to various operating subsidiaries. The activity of its direct subsidiary Gold Crest Holdings Ltd which is based in Hong Kong is that of a holding company and the activity of Gold Crest’s ultimate subsidiary based in Thailand is that of a metal products manufacturer.

In common with many similar companies, the Company raises finance for its activities, and those of its subsidiaries, in discrete tranches which finance activities for limited periods. Further fundraising is undertaken as and when required. Equity financing totalling £2,920,635 was raised during the year.

## Business Review

### Projects & Interests

- COPPER FLAT PROJECT - Completion of sale to THEMAC Resources Group imminent
- ARGENTINA PROJECTS - Exploration ongoing at Sierra de las Minas gold project
- PANIAI GOLD LTD - Sale of Derewo River project to West Wits Mining
- ACS ASIA - Access to Australian market secured
- WARM SPRINGS RENEWABLE ENERGY CORPORATION - Efforts to secure PPA continuing
- SILVER SWAN GROUP - A highly successful transaction
- MEEKATHARRA GOLD PROJECT - Acquisition by Reed Resources in progress

### General

- FINANCIAL & CORPORATE
- OUTLOOK

A full review of the above matters is contained in the Chairman’s Report along with that of the Managing Director.

## Group financial results

The Group reported £4.8 million of turnover and a cost of sales of £3.5 million with a gross profit of £1.3 million, all of which is attributable to ACS Asia (1996) Company Ltd (“ACS Asia”). ACS Asia contributed a total of £76,000 to consolidated profit and management fees through the Group Income Statement.

The Group’s operating and investment activity continued along the same lines as in the previous year with management focusing on enhancing the value of the Group’s projects in the mineral sector. Consequently ECR’s administrative expenses for the year were similar to those of the previous year after allowing for the inclusion of a full year of ACS Asia administrative expenses in the Group’s results.

Of the expenses totalling £1,364,635 relating to the impairment and loss on disposal of other investments, £535,964 related to a loss on the disposal of the Company’s shareholding in Uranio AG and £693,783 related to the loss on the disposal of the Silver Swan ordinary shares. Further explanation on these matters is contained in the Managing Director’s Report.

Net finance costs of £494,893 are mostly attributable to convertible loan note interest and the expensing of amortisation of the original issue costs and imputed interest.

## Future developments

The Directors continue to look for development opportunities in the mineral and other sectors that would be suitable as acquisitions or for investment and will evaluate them with consideration for their financing potential.

Projects will be developed in accordance with their progress and potential. Funding for this will be in line with project merits and available cash resources.

## Financial and other risk management objectives and policies

The business of mining, exploration and the operation of business in other countries has an inherent risk of the Company’s failing to discover sufficient viable deposits of minerals within the limits of the Company’s present resources, being exposed to excessive inflation of input costs, the frustration of supply of necessary raw materials, or government permits and operating permits not being granted. There is also the more recent development of the credit risk and the unpredictable behaviour of project finance institutions and volatile world-wide economics.

The Board is aware of these risks and continuously reviews them. When it is able, it takes the necessary steps to avoid them or to limit the Company's exposure to such risks. The Company takes out suitable insurance against operational and corporate risks that are anticipated as being material and insurable.

The Company does not presently hold any forward or hedge positions in either currency or other minerals. These are presently not deemed necessary but this is reviewed from time-to-time. There is inherent risk in operating between different currencies, namely GBP, AUD, USD, Thai baht and Argentine pesos, and the Board monitors and reviews this exposure on a regular basis.

The Board recognises the Company's exposure to liquidity risk and that the Company's ability to continue operating is dependent on there being sufficient cash to sustain day-to-day operations while seeking a route to redeveloping the existing operations and new investment opportunities. The Board continually monitors this situation and seeks potential routes to realise part of the Company's investments to maintain adequate levels of solvency to meet the Company's obligations as they fall due.

The locations of the Company's principal activities are the USA, Thailand, Argentina and Australia and its corporate base is in the United Kingdom, all of which locations are considered stable with advanced economic and legal infrastructures.

Further details of the Group's financial risk management objectives and policies are set out in Note 21 to the financial statements.

### Present position of the Company

As at 30 September 2010 and currently the Company's financial position is stable. As explained herein, the financial statements continue to be prepared on a going concern basis.

Reviews of operations and business developments are provided in the Chairman's Report, the Managing Director's Report, the Report of the Directors, and within the details of the financial statements. Therein are set out certain forward looking statements that have been made by the Directors in good faith. By the nature of these statements there can be no certainty that any or all predictions will be met.

### Policy on payment of suppliers

The Group's policy is to settle terms of payment with its suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment, and abiding by the agreed terms. The number of days of trade creditors outstanding at the year-end was 43 days (2009: 88 days).

### Dividends and profit retention

The results for the year are set out in the Income Statement on page 18. No dividend is proposed in respect of the year (2009: nil). The retained loss for the year of £3,385,248 (2009: loss £4,452,525) has been taken to reserves.

### Directors

The Directors who served during the year were:

Michael Bernard Silver  
Patrick Aloysius Harford  
Michael John de Villiers (*resigned 30 September 2010*)  
Richard Nicholas Allen (*resigned 31 May 2010*)  
Michael Elias

Under the Company's articles of association, at every annual general meeting (AGM) of the Company, any Director:

- who has been appointed by the Board since the last annual general meeting; or
- who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or
- who has held office with the Company as a non-executive Director (that is, he has not been employed by the Company or held executive office) for a continuous period of nine years or more at the date of the meeting;

shall retire from office and may offer himself for election/re-election by the members.

In accordance with the above, no Directors are required to retire at the forthcoming annual general meeting.

### Directors' interests

#### Share Interests

Directors who held office at 30 September 2010 held the following beneficial interests, either directly or indirectly, (including interests held by spouses, minor children or associated parties) in the ordinary shares of the Company:

	30 September 2010 No. of Shares	30 September 2009 No. of Shares
M B Silver	3,080,043	2,080,043
P A Harford	3,516,467	3,516,467
M Elias	45,000	45,000
<b>Total</b>	<b>6,641,510</b>	<b>5,941,510</b>

## REPORT OF THE DIRECTORS CONTINUED

### Share Options

Directors of the Company held share options granted under the Company's share option scheme, as indicated below. Post the year-end, all the below options were cancelled and replaced as announced by the Company on 6 January 2011.

No share options were exercised by Directors during the year.

	Options issued	Date issued	Expiry date	Exercise price	30 September 2010 Balance
M B Silver	825,000	29 Sept 2004	28 Sept 2009	£0.80	-
M B Silver – total	825,000				-
P A Harford	10,000	29 Sept 2004	28 Sept 2009	£0.80	-
	615,000	29 Sept 2004	28 Sept 2009	£0.80	-
	75,000	19 Nov 2004	18 Nov 2014	£1.00	75,000
	200,000	31 Jan 2006	30 Jan 2016	£0.60	200,000
	100,000	10 May 2006	9 May 2011	£0.85	100,000
	325,000	3 Jan 2008	2 Jan 2015	£1.00	325,000
P A Harford – total	1,325,000				700,000
M J de Villiers	75,000	19 Nov 2004	18 Nov 2014	£1.00	75,000
	125,000	25 Feb 2005	25 Feb 2015	£1.00	125,000
	125,000	14 April 2005	13 April 2015	£1.20	125,000
	125,000	31 Jan 2006	30 Jan 2016	£0.60	125,000
	100,000	10 May 2006	9 May 2011	£0.85	100,000
	100,000	3 Jan 2008	2 Jan 2015	£1.00	100,000
M J de Villiers – total	650,000				650,000
R N Allen	50,000	19 Nov 2004	18 Nov 2014	£1.00	50,000
	75,000	31 Jan 2006	30 Jan 2016	£0.60	75,000
	20,000	23 May 2006	22 May 2011	£0.85	20,000
	55,000	3 Jan 2008	2 Jan 2015	£1.00	55,000
R N Allen – total	200,000				200,000
M Elias	50,000	19 Nov 2004	18 Nov 2014	£1.00	50,000
	75,000	31 Jan 2006	30 Jan 2016	£0.60	75,000
	20,000	23 May 2006	22 May 2011	£0.85	20,000
	55,000	3 Jan 2008	2 Jan 2015	£1.00	55,000
M Elias – total	200,000				200,000
<b>Total Directors' options as at 30 September 2010</b>					<b>1,750,000</b>

### Interest in Convertible Loan Note

On 1 November 2009 Fair Choice Ltd, a company controlled by Michael Silver, acquired convertible loan notes of the Company of face value £150,000, repayable on 17 October 2013. On 29 September 2010 the terms of these loan notes were amended by extraordinary resolution of the holders, as detailed in Note 14 of the financial statements.

## Share capital and substantial share interests

Details of the Company's share capital are disclosed in Note 12 of the financial statements.

On 22 February 2011, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

Registered Shareholder Name	Shares	%
TD Waterhouse Nominees (Europe) Ltd	60,414,729	11.83
Barclayshare Nominees Ltd	51,647,099	10.11
HSDL Nominees Ltd	32,364,375	6.34
L R Nominees Ltd	25,683,791	5.03
Hargreaves Lansdown (Nominees) Ltd	23,592,994	4.62
Pershing Nominees Ltd	22,414,285	4.39
Jim Nominees Ltd	21,445,487	4.20
Hall Nominees Ltd	20,115,372	3.94
James Capel (Nominees) Ltd	18,697,809	3.66
Euroclear Nominees Ltd	18,183,818	3.56

## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("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. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company 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 IFRSs as adopted by the European Union 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are

also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Corporate Governance

The Directors seek, as far as is considered appropriate having regard to the size and nature of activities of the Company, to comply with the Combined Code on Corporate Governance applicable to listed companies. The Board is assisted in this regard by the Remuneration and Audit Committees.

### *The Remuneration Committee*

The Remuneration Committee comprises Michael Silver and Michael Elias. The Remuneration Committee will meet at any time when it is considered appropriate to review and make recommendations on the remuneration arrangements for Directors and senior management, including any bonus arrangements and the award of share options, having regard to the performance of the Company and the interests of shareholders. The remuneration and terms of appointment of non-executive Directors will be set by the Board.

Total Directors' emoluments are disclosed in Note 6 to the financial statements and details of the share options granted to Directors are disclosed above.

The Directors will comply with Rule 21 of the AIM rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Company's Directors and applicable employees.

### *The Audit Committee*

The Audit Committee comprises Michael Silver and Michael Elias. The Audit Committee meets twice a year and at any other time when it is considered appropriate to consider and discuss audit and accounting related issues. The Audit Committee will make recommendations on the appointment of the auditors and the audit fees, be responsible for ensuring the financial performance of the Company is properly monitored and reported on and will receive and review reports from management and auditors relating to the interim reports, the annual report and accounts and internal control systems of the Company. The Audit Committee will have the opportunity to meet the auditors without other executive Board members being present.

## REPORT OF THE DIRECTORS CONTINUED

### *Going concern*

Based on a review of the Company's budgets and cashflow forecasts, the Directors are satisfied that the Company has sufficient resources to continue its operations and to meet its commitments for the immediate future.

### *Statement on disclosure of information to auditors*

Having made the requisite enquiries and in the case of each of the Directors who are Directors of the Company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware; and
- Each of the Directors has taken all the steps that they should have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

### *Auditors*

During the year Nexia Smith & Williamson were appointed by the Directors as auditors of the Company in place of Wilkins Kennedy. Nexia Smith & Williamson have expressed their willingness to continue in office as auditors of the Company and a resolution to confirm their appointment will be proposed at the forthcoming annual general meeting.

### *AGM*

The annual general meeting (the "AGM") of the Company will be held at 10:00 a.m. on Thursday 31 March 2011 at the East India Club, 16 St James's Square, London SW1Y 4LH. Notice of the AGM is on pages 37 to 39.

This report was approved by the Board on 7 March 2011

By order of the Board



**Patrick Harford**  
Managing Director



**Michael Silver**  
Chairman

# INDEPENDENT AUDITORS REPORT

For the year ended 30 September 2010

## Independent auditor's report to the members of ECR Minerals plc

We have audited the financial statements of ECR Minerals plc for the year ended 30 September 2010 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 24. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15. 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 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 (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## 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 30 September 2010 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 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

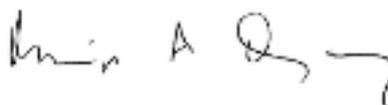
## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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.



Philip Quigley  
Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London EC2R 6AY

7 March 2011

*The maintenance and integrity of the ECR Minerals plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

# CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2010

ECR Minerals plc Company No. 5079979

	Note	Year ended 30 September 2010 £	Period ended 30 September 2009 £
<b>Revenue</b>	2	4,768,492	4,064,306
Cost of sales		(3,480,574)	(2,838,017)
Gross profit		1,287,918	1,226,289
Other administrative expenses		(3,035,255)	(2,707,340)
Other income		93,634	67,349
Negative goodwill earned on acquisition		–	22,452
Impairment of investment in and loans to subsidiary		–	(2,205,882)
Share based payments relating to an associate		–	(25,729)
Currency exchange differences		21,669	15,065
(Impairment of and loss)/profit on disposal of other investments		(1,364,635)	65,194
Total administrative expenses		(4,284,587)	(4,768,891)
<b>Operating loss</b>	3	(2,996,669)	(3,542,602)
Financial income		1,945	16,140
Financial expense	7	(496,838)	(541,878)
<b>Finance income and costs</b>		(494,893)	(525,738)
<b>Loss for the year/period before accounting for associate</b>		(3,491,562)	(4,068,340)
Share of loss of associate	9	–	(371,630)
<b>Loss for the year/period before taxation</b>		(3,491,562)	(4,439,970)
Income tax	5	–	–
<b>Loss for the year/period</b>		(3,491,562)	(4,439,970)
Attributable to owners of the parent		(3,385,248)	(4,452,525)
Attributable to non-controlling interests		(106,314)	12,555
		(3,491,562)	(4,439,970)
Loss per share (basic and diluted)		(1.52)p	(5.51)p

The loss for the Parent Company for the year was £3,137,181 (2009 period: £4,481,244 loss)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2010

	Year ended 30 September 2010	Period ended 30 September 2009
Loss for the year/period	(3,491,562)	(4,439,970)
Gain in value of investment in associate on dilution of holding	–	331,211
Revaluation of investments	–	1,452,816
Gain on exchange translation	197,712	37,831
Total comprehensive expense for the year/period	(3,293,850)	(2,618,112)
Attributable to:		
Owners of the parent	(3,246,207)	(2,641,841)
Non-controlling interest	(47,643)	23,729
<b>Total recognised expense for the year/period</b>	(3,293,850)	(2,618,112)

# CONSOLIDATED & COMPANY STATEMENT OF FINANCIAL POSITION

At 30 September 2010

ECR Minerals plc Company No. 5079979

	Note	Group		Company	
		30 September 2010 £	30 September 2009 £	30 September 2010 £	30 September 2009 £
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	542,508	506,954	5,821	1,363
Investments in subsidiaries	9	–	–	515,753	515,753
Other investments	9	966,611	266,574	966,611	266,574
Other non current assets		1,714	1,541	–	–
		<b>1,510,833</b>	<b>775,069</b>	<b>1,488,185</b>	<b>783,690</b>
<b>Current assets</b>					
Inventories	15	566,467	889,001	–	–
Trade and other receivables	10	4,414,863	4,717,482	4,100,645	3,639,809
Available for sale financial assets	9	3,500,824	2,417,233	3,500,824	2,417,233
Current asset investments		46,382	–	46,382	–
Taxation		20,424	9,816	20,423	9,816
Other current assets		111,301	192,198	16,000	8,000
Cash and cash equivalents	11	374,453	344,105	325,667	57,144
<b>Total current assets</b>		<b>9,034,714</b>	<b>8,569,835</b>	<b>8,009,941</b>	<b>6,132,002</b>
<b>Total assets</b>		<b>10,545,547</b>	<b>9,344,904</b>	<b>9,498,126</b>	<b>6,915,692</b>
<b>Non-current liabilities</b>					
Interest bearing borrowings	14	2,526,693	2,565,995	2,526,693	2,565,995
<b>Current liabilities</b>					
Trade and other payables	13	3,573,579	2,406,867	2,954,944	393,432
Interest bearing borrowings	14	489,850	–	193,437	–
Provisions for costs		3,009	118,698	–	–
<b>Total current liabilities</b>		<b>4,066,438</b>	<b>2,525,565</b>	<b>3,148,381</b>	<b>393,432</b>
<b>Total liabilities</b>		<b>6,593,131</b>	<b>5,091,560</b>	<b>5,675,074</b>	<b>2,959,427</b>
<b>Net assets</b>		<b>3,952,416</b>	<b>4,253,344</b>	<b>3,823,052</b>	<b>3,956,265</b>
<b>Equity attributable to owners of the parent</b>					
Share capital	12	7,526,572	7,316,059	7,526,572	7,316,059
Share premium	12	33,658,773	30,865,318	33,658,773	30,865,318
Exchange reserve		172,973	37,831	–	–
Other reserves		765,696	787,364	767,203	785,857
Retained losses		(38,352,978)	(34,982,251)	(38,129,496)	(35,010,969)
		<b>3,771,036</b>	<b>4,024,321</b>	<b>3,823,052</b>	<b>3,956,265</b>
Non-controlling interests		181,380	229,023	–	–
<b>Total equity</b>		<b>3,952,416</b>	<b>4,253,344</b>	<b>3,823,052</b>	<b>3,956,265</b>

The notes on pages 22 to 36 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board on 7 March 2011 and were signed on its behalf by:-



Patrick Harford  
Managing Director



Michael Silver  
Chairman

# CONSOLIDATED & COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2010

ECR Minerals plc Company No. 5079979

Group	Note	Share capital £	Share premium £	Exchange reserves £	Other reserves £	Retained reserves £	Non-controlling interest £	Total £
<b>Balance at 1 July 2008</b>		6,267,491	27,182,233	–	722,423	(32,313,753)	–	1,858,394
Loss for the period		–	–	–	–	(4,452,525)	12,555	(4,439,970)
Gain in value of investment in associate on dilution of holding		–	–	–	–	331,211	–	331,211
Revaluation of investments		–	–	–	–	1,452,816	–	1,452,816
Gain on exchange translation		–	–	37,831	–	–	–	37,831
Total comprehensive loss		–	–	37,831	–	(2,668,498)	12,555	(2,618,112)
Non-controlling interest		–	–	–	–	–	216,468	216,468
Current translation differences		–	–	–	1,507	–	–	1,507
Issue of shares		1,048,568	3,683,085	–	–	–	–	4,731,653
Equity portion of Loan Note issued		–	–	–	19,051	–	–	19,051
Attributable share of changes in equity of associate		–	–	–	44,383	–	–	44,383
<b>Balance at 1 October 2009</b>	12	7,316,059	30,865,318	37,831	787,364	(34,982,251)	229,023	4,253,344
Loss for the year		–	–	–	–	(3,385,248)	(106,314)	(3,491,562)
Gain on exchange translation		–	–	132,898	–	6,143	58,671	197,712
Total comprehensive loss		–	–	132,898	–	(3,379,105)	(47,643)	(3,293,850)
Transfer between reserves		–	–	–	(8,378)	8,378	–	–
Currency translation differences		–	–	2,244	(13,290)	–	–	(11,046)
Issue of shares		210,513	2,793,455	–	–	–	–	3,003,968
<b>Balance at 30 September 2010</b>	12	7,526,572	33,658,773	172,973	765,696	(38,352,978)	181,380	3,952,416

Company	Share capital £	Share premium £	Retained losses £	Other reserves £	Total £
<b>Balance at 1 July 2008</b>	6,267,491	27,182,233	(32,313,752)	722,423	1,858,395
Loss for the period	–	–	(4,481,244)	–	(4,481,244)
Gain in value of investment in associate on dilution of holding	–	–	331,211	–	331,211
Revaluation of investments	–	–	1,452,816	–	1,452,816
Total comprehensive loss	–	–	(2,697,217)	–	(2,697,217)
Issue of shares	1,048,568	3,683,085	–	–	4,731,653
Equity portion of Loan Note issued	–	–	–	19,051	19,051
Attributable share of changes in equity of associate	–	–	–	44,383	44,383
<b>Balance at 1 October 2009</b>	7,316,059	30,865,318	(35,010,969)	785,857	3,956,265
Loss for the year	–	–	(3,137,181)	–	(3,137,181)
Total comprehensive loss	–	–	(3,137,181)	–	(3,137,181)
Transfer between reserves	–	–	18,654	(18,654)	–
Issue of shares	210,513	2,793,455	–	–	3,003,968
<b>Balance at 30 September 2010</b>	7,526,572	33,658,773	(38,129,496)	767,203	3,823,052

# CONSOLIDATED & COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 September 2010

ECR Minerals plc Company No. 5079979

	Group Year ended 30 September 2010 £	Period ended 30 September 2009 £	Company Year ended 30 September 2010 £	Period ended 30 September 2009 £
<b>Operating activities</b>				
(Loss) for the year/period before tax	(3,491,562)	(4,439,970)	(3,137,181)	(4,481,244)
Adjustments:				
Impairment of investment in and loans to subsidiary	–	2,205,882	–	2,205,882
Depreciation expense, property, plant and equipment	8 81,102	58,516	3,207	2,669
Loss on disposal of property, plant and equipment	–	457	–	457
Loss of associate company for the year/period	–	371,630	–	371,630
(Profit) / loss on disposal and impairment of investments	1,364,635	(65,194)	1,364,635	(65,194)
Profit on sale of convertible loan notes	(30,000)	–	(30,000)	–
Interest income	(7,496)	(16,140)	(6,274)	(13,958)
Issue costs amortised – Convertible loan	7 59,984	74,981	59,984	74,981
Interest cost imputed on unwinding loan discount	7 94,151	103,851	94,151	103,851
Interest paid on convertible loans	233,989	360,915	233,989	328,105
Interest expense – other	147,331	–	–	–
Share based payments	–	25,729	–	25,729
Decrease/(Increase) in accounts receivable	695,094	(667,911)	11,981	(180,771)
(Decrease)/Increase in accounts payable	(1,280,502)	509,439	(16,472)	54,359
Decrease in inventories	328,888	3,882	–	–
Shares issued in lieu of expense payments	83,333	237,590	83,333	237,590
Loan reduction in lieu of expense payments	18,976	–	18,976	–
Decrease in provision for software expenses	(116,537)	(121,084)	–	–
(Increase)/decrease in other non current assets	(163)	3,753	–	–
Foreign exchange	–	(8,284)	–	–
Excess of acquirer's interest in the net value of acquiree's identifiable net assets	–	(22,452)	–	–
<b>Net cash flow used in operations</b>	<b>(1,818,777)</b>	<b>(1,384,410)</b>	<b>(1,319,669)</b>	<b>(1,335,914)</b>
<b>Investing activities</b>				
Purchase of property plant and equipment	8 (59,869)	(61,540)	(7,665)	(804)
Loans issued to subsidiary	–	(2,450,981)	–	(2,450,981)
Proceeds from sale of investments	1,811,486	172,352	1,811,486	172,352
Investment in other ventures	(910,054)	(266,574)	(910,054)	(266,574)
Other loans	(224,852)	–	(224,852)	–
Investment in current asset investments	(952,295)	–	(952,295)	–
Net cash cost of acquisition of subsidiary	–	(326,337)	–	(465,752)
Interest received	1,945	16,140	724	13,959
<b>Net cash used in investing activities</b>	<b>(333,639)</b>	<b>(2,916,940)</b>	<b>(282,656)</b>	<b>(2,997,800)</b>
<b>Financing activities</b>				
Proceeds from issue of share capital	2,296,635	4,480,574	2,296,635	4,480,574
Increase in amounts due to a Director	–	264,106	–	–
Proceeds from issue of convertible loan notes	–	200,000	–	200,000
Repurchase of convertible loan notes	(250,000)	–	(250,000)	–
Repayment of finance lease creditors	(3,313)	(12,457)	–	–
Loan from bank	296,413	–	–	–
Interest paid on convertible loan notes	(175,786)	(314,409)	(175,786)	(314,410)
Interest paid – other	(119,912)	(33,018)	–	(209)
<b>Net cash from financing activities</b>	<b>2,044,037</b>	<b>4,584,796</b>	<b>1,870,849</b>	<b>4,365,955</b>
<b>Net change in cash and cash equivalents</b>	<b>(108,379)</b>	<b>283,446</b>	<b>268,524</b>	<b>32,241</b>
<b>Cash and cash equivalents at beginning of the year/period</b>	<b>344,105</b>	<b>24,902</b>	<b>57,143</b>	<b>24,902</b>
<b>Effect of change in exchange rates</b>	<b>138,727</b>	<b>35,757</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at end of the year/period</b>	<b>11 374,453</b>	<b>344,105</b>	<b>325,667</b>	<b>57,143</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2010

## 1 General information

ECR Minerals plc (the "Company" or the "Parent Company") and its subsidiaries (together "the Group") operate and structure transactions in relation to mineral exploration and development projects, as well as operating a subsidiary that manufactures metal products. The Group's interests are located in the USA, Thailand, Indonesia, Argentina and Australia.

The Company is a public limited company incorporated in England and Wales and domiciled in England. The Company's registered office is c/o Cobbetts LLP, 70 Gray's Inn Road, London WC1X 8BT, UK and its principal place of business is located at Peek House, 20 Eastcheap, London EC3M 1EB, UK. It is listed on the Alternative Investment Market (AIM).

## 2 Accounting policies

### Overall considerations

The principal accounting policies that have been used in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied unless otherwise stated.

### Basis of preparation

The financial statements of both the Group and the Parent Company have been prepared in accordance with International Financial Reporting Standards (IFRSS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standard Board (IASB) that have been endorsed by the European Union at the year end. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments including available-for-sale financial assets at fair value through the Statement of Comprehensive Income. The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented a Statement of Comprehensive Income for the Company alone.

The Group and Parent Company financial statements have been prepared on a going concern basis as explained on page 16 of the Directors' Report.

### New Accounting Standards and Interpretations not yet applied

During the year the Group has adopted the following standards:

- IAS 1 (revised) 'Presentation of Financial Statements' – this is a presentational change only, affecting the titles and positioning of items within the financial statements, including the format of the primary statements which are now the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. There is no impact on reported profits or total equity;

- IAS 27 (revised) 'Consolidated and Separate Financial Statements' – this standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control of an entity is lost. Any remaining interest in the entity is recognised in the Income Statement;
- IFRSS 8 'Operating Segments (Amendment)' – this standard requires that operating segments be reported in a manner consistent with the internal reporting and operational decision making of the Company. The key performance measures have been assessed as being Revenue and Gross Profit.

At the date of authorisation of these consolidated Group Financial Statements and the Parent Company Financial Statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IFRSS 2 'Share-Based Payment' – Group Cash-Settled Transactions, effective for annual periods beginning on or after 1 January 2010. In addition to incorporating IFRIC 8 'Scope of IFRSS 2', and IFRIC 11 'IFRSS 2 – Group and treasury share transactions', the amendments expand on the guidance of IFRIC 11 to address the classification of Group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements;
- Amendment to IAS 24 'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011;
- Amendment to IAS 32 'Classification of rights issues', effective for annual periods beginning on or after 1 February 2010;
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after 1 July 2010.

The Directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the Group financial statements.

### Revenue recognition

#### 1. Sale of goods

Revenues are recognised when goods for domestic sales are despatched to customers in their land of origin. Sales are stated at the invoiced price, excluding value added tax, of goods supplied after deducting discounts and goods returned. In the case of export sales, revenues are recognised when goods are shipped and title is passed to the buyer. Title is passed to the buyer when the goods are delivered to the common carrier in the country of origin, the carrier acting as agent for the buyer.

#### 2. Provision of services

Revenues are recognised once the service has been provided and is recognised at the point of billing.

#### 3. Interest income

Interest earned is recognised on a time proportionate basis where this is materially different from the point of receipt; otherwise it is recognised at the point of receipt.

## Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and two of its subsidiaries made up to 30 September 2010. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting and their results 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. Three other subsidiaries have not been consolidated on the grounds of immateriality.

## 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.

## 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.

## Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any provision for impairment losses.

Depreciation is charged on each part of an item of property, plant and equipment so as to write off the cost or valuation of assets less the residual value over their estimated useful lives, using the straight-line method. Depreciation is charged to the income statement. The estimated useful lives are as follows:

Office equipment	3 years
Furniture and fittings	5 years
Land improvements	20 years
Buildings	20 years
Machinery and equipment	5 years
Motor vehicles	5 years

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishments and improvements expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

An item of property, plant and equipment ceases to be recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on cessation of recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset ceases to be recognised.

## Impairment testing

Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount, being the higher of net realisable value and value in use. Any such excess of carrying value over recoverable amount or value in use is taken as a debit to the income statement.

## Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Leased assets

In accordance with IAS 17, leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

## Taxation

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the balance sheet liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related current or deferred tax is also charged or credited directly to equity.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## Investments in subsidiaries

Subsidiaries undertakings are all entities over which the Group has the power to govern the financial and operating policies so as to claim benefit from their activities.

The investments in subsidiaries held by the Company are valued at cost less any provision for impairment that is considered to have occurred, the resultant loss being recognised in the income statement.

## Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investments are initially recognised at cost and adjusted for the Group's share of the changes in the net assets of the investee after the date of acquisition, and for any impairment in value. If the Group's share of losses of an associate exceeds its interest in the associate, the Group continues recognising its share of further losses. As at 30 September 2009 and 30 September 2010 the Company had no associate company as its influence over Silver Swan, a former associate, had been diminished.

## Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares, both ordinary and deferred.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issues.
- "Other reserves" represent the equity component of convertible debentures issued, plus the equity component of share options issued.
- "Retained losses" include all current and prior year results as disclosed in the income statement.
- "Exchange reserve" includes the amounts described in more detail in the following note on foreign currency below.

## Foreign currency translation

The consolidated financial statements are presented in Pounds Sterling which is the functional and presentational currency representing the primary economic environment of the Group.

Foreign currency transactions are translated into the respective functional currencies of the Company and its subsidiaries using the exchange rates prevailing at the date of the transaction or at an average rate where it is not practicable to translate individual transactions. Foreign exchange gains and losses are recognised in the income statement.

Monetary assets and liabilities denominated in a foreign currency are translated at the rates ruling at the balance sheet date.

The assets and liabilities of the Group's foreign operations are translated at exchange rates ruling at the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences are classified as equity and transferred to the Group's exchange reserve. Such differences are recognised in the income statement in the periods in which the operation is disposed of.

## Share-based employee remuneration

The Company operates equity-settled share-based remuneration plans for remuneration of some of its employees. The Company awards share options to certain Company Directors and employees to acquire shares of the Company.

All goods and services received in exchange for the grant of any share-based payment which vested after the Company's transition to IFRSS are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

The fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Fair value is measured by use of the Black Scholes model. 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 behavioural considerations.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserves".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior years if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

## Financial instruments

The Group's financial assets comprise cash and cash equivalents, investments and loans and receivables. Financial assets are assigned to the respective categories on initial recognition, depending on the purpose for which they were acquired. This designation is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

The Group's loans, investments and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at fair value on initial recognition. After initial recognition they are measured at amortised cost using the

effective interest rate method, less any provision for impairment. Any change in their value is recognised in profit or loss. The Group's receivables fall into this category of financial instruments. Discounting is omitted where the effect of discounting is immaterial. All receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

Available-for-sale financial assets are financial assets that are not classified in any other categories. After initial recognition, available-for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in equity, except that impairment losses, foreign exchange gains and losses on monetary items and interest calculated using the effective interest method are recognised in the profit or loss.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities. Any instrument that includes a repayment obligation is classified as a liability.

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

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

### Compound financial instruments

Compound financial instruments comprise both liability and equity components. At issue date, the fair value of the liability component is estimated by discounting its future cash flows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option. The liability component is accounted for as a financial liability.

The difference between the net issue proceeds and the liability component, at the time of issue, is the residual or equity component, which is accounted for as an equity instrument.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of the proceeds.

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

### Critical accounting estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greater degree of subjective or complete judgement. These relate to:

- impairment reviews covering investments
- fair values of acquired investments
- inventory valuation
- capitalisation of project costs
- recognition of deferred tax assets.

### 3 Operating loss

	Year ended 30 September 2010	Period ended 30 September 2009
	£	£
The operating loss is stated after charging:		
Depreciation of property, plant and equipment	81,102	58,516
Loss on sale of fixed assets	–	457
Operating lease expenses	13,843	13,843
Share based payments relating to an Associate	–	25,729
Auditors' remuneration:		
Fees payable to current auditor for audit of the Group's annual financial statements (including £15,000 in respect of the Company)	27,000	–
Fees payable to previous auditor for:		
Audit services	28,000	54,019
Fees payable for other services	1,600	13,506
Other services related to tax	–	6,250

### 4 Loss per share

(Loss)/profit per share is calculated by reference to the loss for the year of £3,385,248 (2009: loss £4,452,525) and the weighted number of shares in issue during the year of 223,037,596 (2009: 80,844,092).

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## 5 Corporation tax expense

The relationship between the expected tax expense based on the corporation tax rate of 28% for the year ended 30 September 2010 (2009: 28%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	Year ended 30 September 2010 £	Period ended 30 September 2009 £
Group loss for the year/period before tax	(3,491,562)	(4,439,970)
Loss on activities at standard rate of corporation tax of 28%	(977,637)	(1,243,192)
Expenses not deductible for tax purposes	183,524	136,310
Impairment of subsidiary undertaking	37,769	617,646
Income not taxable	(5,305)	(15,245)
Depreciation in excess of capital allowances	898	162
Utilisation of tax losses brought forward	381,854	(46,029)
Loss carried/(brought) forward	378,897	550,348
Current tax income / expense, net	-	-

The Company has unused tax losses of £4,409,965 (2009: £3,056,760). The related deferred tax asset has not been recognised in respect of these losses as there is no certainty in regards to the level and timing of future profits

## 6 Staff numbers and costs

	Year ended 30 September 2010 Number	Period ended 30 September 2009 Number
Directors	5	5
Production	80	87
Logistics	25	17
Administration	18	25
<b>Total</b>	<b>128</b>	<b>134</b>

The aggregate payroll costs of these persons were as follows:	Year ended 30 September 2010 £	Period ended 30 September 2009 £
Staff wages and salaries	1,023,452	994,755
Directors cash based emoluments	499,899	544,776
	<b>1,523,351</b>	<b>1,539,531</b>

### Directors' remuneration

As required by AIM Rule 19, details of remuneration earned in respect of the financial year ended 30 September 2010 by each Director are set out below:

#### Year ended 30 September 2010

Director	Salary £	Bonus £	Total £
M B Silver	120,000	-	120,000
P A Harford	140,112	50,000	190,112
M J de Villiers	144,787	-	144,787
R N Allen	15,000	-	15,000
M Elias	30,000	-	30,000
	<b>449,899</b>	<b>50,000</b>	<b>499,899</b>

### Period ended 30 September 2009

Director	Salary £	Bonus £	Total £
M B Silver	150,000	–	150,000
P A Harford	175,499	–	175,499
M J de Villiers	144,276	–	144,276
R N Allen	37,500	–	37,500
M Elias	37,500	–	37,500
	544,775	–	544,775

The highest paid Director received remuneration of £190,112 (2009: £175,499).

Details of each Director's share options and interests in the Company's shares are shown in the Report of the Directors starting on page 12.

## 7 Finance income and expenses

	Year ended 30 September 2010	Period ended 30 September 2009
<b>Finance expenses</b>	£	£
Interest cost imputed on unwinding convertible loan discount	94,151	103,851
Issue costs of convertible loans amortised	59,984	74,981
Interest paid on convertible loans	342,703	363,046
	496,838	541,878
<b>Finance income</b>	£	£
Interest on cash and cash equivalents	1,945	16,140
Total	1,945	16,140

## 8 Property, plant and equipment

Group	Furniture and fittings £	Office equipment £	Land improvements & Buildings £	Machinery & equipment £	Motor vehicles £	Total £
At 1 October 2009	1,335	111,515	574,254	524,912	79,637	1,291,653
Additions	1,800	29,785	7,072	21,212	–	59,869
Disposals	–	–	–	–	–	–
Exchange differences arising on translation	–	12,509	65,069	60,230	8,973	146,781
At 30 September 2010	3,135	153,809	646,395	606,354	88,610	1,498,303
<b>Depreciation</b>						
At 1 October 2009	1,197	87,600	208,649	432,355	54,898	784,699
Disposals	–	–	–	–	–	–
Depreciation for the year	467	16,887	23,178	23,888	16,682	81,102
Exchange differences arising on translation	–	9,250	24,358	49,592	6,794	89,994
At 30 September 2010	1,664	113,737	256,185	505,835	78,374	955,795
<b>Net Book value</b>						
At 1 October 2009	138	23,915	365,605	92,557	24,739	506,954
At 30 September 2010	1,471	40,072	390,210	100,519	10,236	542,508

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## 8 Property, plant and equipment *continued*

<b>Company Cost</b>	<b>Furniture and fittings</b> £	<b>Office equipment</b> £	<b>Total</b> £
At 1 October 2009	1,335	11,325	12,660
Additions	1,800	5,865	7,665
Disposals	–	–	–
At 30 September 2010	3,135	17,190	20,325
<b>Depreciation</b>			
At 1 October 2009	1,197	10,100	11,297
Disposals	–	–	–
Depreciation for the year	467	2,740	3,207
At 30 September 2010	1,664	12,840	14,504
<b>Net Book Value</b>			
At 1 October 2009	138	1,225	1,363
At 30 September 2010	1,471	4,350	5,821

Except as disclosed in Note 13, the Group's property, plant and equipment are free from any mortgage or charge. The comparable table for 2009 is detailed below:

<b>Group Cost</b>	<b>Furniture and fittings</b> £	<b>Office equipment</b> £	<b>Land improvements &amp; Buildings</b> £	<b>Machinery &amp; equipment</b> £	<b>Motor vehicles</b> £	<b>Total</b> £
At 1 July 2008	1,335	11,618	–	–	–	12,953
Additions arising on acquisition	–	92,086	547,884	483,245	78,564	1,201,779
Additions	–	7,643	18,867	35,030	–	61,540
Disposals	–	(1,097)	–	–	–	(1,097)
Exchange differences arising on translation	–	1,265	7,503	6,637	1,073	16,478
At 30 September 2009	1,335	111,515	574,254	524,912	79,637	1,291,653
<b>Depreciation</b>						
At 1 July 2008	863	8,404	–	–	–	9,267
Depreciation arising on acquisition	–	67,725	185,555	409,204	45,344	707,828
Disposals	–	(640)	–	–	–	(640)
Depreciation for the period	334	11,176	20,538	17,544	8,924	58,516
Exchange differences arising on translation	–	935	2,556	5,607	630	9,728
At 30 September 2009	1197	87,600	208,649	432,355	54,898	784,699
<b>Net Book Value</b>						
At 1 July 2008	472	3,214	–	–	–	3,686
At 30 September 2009	138	23,915	365,605	92,557	24,739	506,954

<b>Company Cost</b>	<b>Furniture and fittings</b> £	<b>Office equipment</b> £	<b>Total</b> £
At 1 July 2008	1,335	11,618	12,953
Additions	–	804	804
Disposals	–	(1,097)	(1,097)
At 30 September 2009	1,335	11,325	12,660
<b>Depreciation</b>			
At 1 July 2008	863	8,405	9,268
Disposals	–	(640)	(640)
Depreciation for the period	334	2,335	2,669
At 30 September 2009	1197	10,100	11,297
<b>Net Book Value</b>			
At 1 July 2008	472	3,214	3,686
At 30 September 2009	138	1,225	1,363

## 9 Investments

	Investment in subsidiaries £	Other ventures £	Total £
Cost as at 1 October 2009	515,753	266,574	782,327
Investment in overseas ventures	–	4,200,861	4,200,861
Impairment	–	–	–
Reclassified as an investment available for sale	–	(3,500,824)	(3,500,824)
Balance at 30 September 2010	515,753	966,611	1,482,364

The comparable table for 2009 is detailed below:

	Investment in associated company £	Investment subsidiaries £	Loans to Subsidiary £	Other Ventures £	Total £
Cost as at 1 July 2008	1,093,339	50,001	3,151,759	–	4,295,099
Advance to subsidiary in 15 month period	–	–	2,450,981	–	2,450,981
Investment in subsidiary	–	465,752	–	–	465,752
Investment in overseas ventures	–	–	–	266,574	266,574
Share of loss in associate	(371,630)	–	–	–	(371,630)
Share of changes in equity of associate	44,383	–	–	–	44,383
Share based payment adjustment	(25,729)	–	–	–	(25,729)
Disposals	(107,157)	–	–	–	(107,157)
Gain resulting from dilution of holding	331,211	–	–	–	331,211
Revaluation on ceasing to be an associate	1,452,816	–	–	–	1,452,816
Impairment	–	–	(2,205,882)	–	(2,205,882)
Reclassified as an investment available for sale	(2,417,233)	–	–	–	(2,417,233)
Reclassified as a trade debtor	–	–	(3,396,858)	–	(3,396,858)
Balance at 30 September 2009		515,753		266,574	782,327

At 30 September 2010, the Company has interests in the following investments and subsidiary undertakings:

<b>Subsidiaries:</b>	Country of incorporation	Principal activity	Principal country of operation	Description and effective proportion of shares held
Gold Crest Holdings Ltd	Hong Kong	Holding company	Hong Kong	70% ordinary
Mercator Gold plc (formerly Island Gold plc)	UK	Dormant	UK	100% ordinary
Warm Springs Renewable Energy Corporation	New Mexico, USA	Solar power development	New Mexico, USA	90%
Ochre Mining SA	Argentina	Mining	Argentina	100%
Electrum Resources SA	Argentina	Mining	Argentina	100%
Copper Flat Corporation (formerly New Mexico Copper Corporation)	USA	Mining	USA	100%

Gold Crest Holdings Ltd has an interest in 99.6% of the equity share capital of ACS Asia (1996) Company Ltd.

<b>Available for sale financial assets</b>	2010 £	2009 £
Opening balance	2,417,233	–
Sold during the year	(2,417,233)	–
Transferred from other investment	3,500,824	–
Transferred from investment in associated company	–	2,417,233
Closing balance	3,500,824	2,417,233

The investments included above represent investments in unlisted equity securities. The fair values of these securities are based on an internal valuation performed by the directors using a future earnings methodology. Under IFRS 7 'Financial Instruments: Disclosures' these are classified under the fair value hierarchy as level 3.

The loss for the year from the sale of available for sale financial assets was £693,783 (2009: £nil).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## 10 Trade and other receivables

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Amount owed by a former subsidiary	3,396,858	3,396,858	3,396,858	3,396,858
Trade receivables	532,764	1,128,494	–	10,821
Prepayments and accrued income	25,416	19,310	25,416	19,310
Other receivables	459,825	172,820	678,371	212,820
	<b>4,414,863</b>	<b>4,717,482</b>	<b>4,100,645</b>	<b>3,639,809</b>

£174,248 of the assets listed above are secured.

The short-term carrying values are considered to be a reasonable approximation of the fair value.

## 11 Cash and cash equivalents

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Cash and cash equivalents at 30 September 2010 consisted of the following:				
Deposits at banks	373,853	343,594	325,094	56,660
Cash on hand	600	511	573	484
	<b>374,453</b>	<b>344,105</b>	<b>325,667</b>	<b>57,144</b>

## 12 Share capital and share premium accounts

The share capital of the Company consists of two classes of shares: ordinary shares which have equal rights to receive dividends or capital repayments and each of which represents one vote at shareholder meetings; and deferred shares which have limited rights as laid out in the Company's articles: in particular deferred shares carry no right to dividends or to attend or vote at shareholder meetings and deferred share capital is only repayable after ordinary share capital has been repaid.

### a) Authorised share capital

	Number of shares	Nominal value
At 30 September 2010 after restructuring on 29 May 2009		
Ordinary shares of 0.1 pence each	1,000,000,000	£1,000,000
Deferred shares of 9.9 pence each	200,000,000	£19,800,000
		<b>£20,800,000</b>
At 30 September 2010		
Ordinary shares of 0.1 pence each	1,000,000,000	£1,000,000
Deferred shares of 9.9 pence each	200,000,000	£19,800,000
		<b>£20,800,000</b>

### b) Changes in issued share capital and share premium:

	Number of shares	Ordinary shares £	Share premium £	Deferred Shares £	Total £
At 1 October 2009	121,243,482	121,243	30,865,318	7,194,816	38,181,377
<b>Shares issued during the year</b>					
Shares issued in private placing	207,474,446	207,475	2,712,762	–	2,920,237
Shares issued in payment of creditors	3,029,532	3,029	80,303	–	83,332
Share warrants exercised	7,977	9	390	–	399
Balance at 30 September 2010	331,755,437	331,756	33,658,773	7,194,816	41,185,345

All the shares issued are fully paid up and none of the Company's shares are held by any of its subsidiaries.

### c) Potential issue of ordinary shares

#### Share options

The number and weighted average exercise prices of share options valid at the year end are as follows:

	Weighted average exercise price 2010 £	Number of options 2010	Weighted average exercise price 2009 £	Number of options 2009
Exercisable at the beginning of the year	0.87	5,780,000	0.87	7,615,000
Granted during the year	–	–	–	–
Exercised during year	–	–	0.75	(25,000)
Forfeited during year	0.95	(4,025,000)	0.95	(1,810,000)
Exercisable at the end of the year	0.87	1,755,000	0.87	5,780,000

The options outstanding at 30 September 2010 have an exercise price in the range of £0.60 to £1.00 and a weighted average remaining contractual life of 2.60 years (2009: 3.36 years).

	Weighted average exercise price 2010 £	Number of options 2010	Weighted average exercise price 2009 £	Number of options 2009
<b>Share warrants</b>				
Exercisable at the beginning of the year	0.75	10,576,387	0.75	273,450
Granted during the year	0.02	26,948,202	0.02	10,312,290
Exercised during the year	0.02	(7,977)	0.02	(9,353)
Expired in year	–	(10,294,960)	–	–
Exercisable at the end of the year	0.03	27,221,652	0.04	10,576,387

#### Share-based payments

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes valuation model. An expected average life of 3.5 years for the options is used as an input into the model, after incorporating expectations of early option exercises or forfeitures. There were no options granted in the current or previous financial period.

### 13 Trade and other payables - short term

Trade payables at 30 September 2010 consisted of the following:

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade payables	407,149	1,744,784	65,007	56,120
Amount owed to a Director	232,403	254,817	–	–
Amount owed to a subsidiary	–	–	49,395	49,395
Social security and employee taxes	3,630	3,461	3,630	3,461
Other creditors and accruals	2,930,397	403,805	2,836,912	284,456
	<b>3,573,579</b>	<b>2,406,867</b>	<b>2,954,944</b>	<b>339,432</b>

The bank loan is secured on the factory property of the ACS Asia (1996) Company Ltd.

### 14 Interest bearing liabilities

Group and Company	2010 £	2009 £
Convertible loan notes – 8.5% - current liability	193,437	2,565,995
Convertible loan notes – 10% - non-current liability	2,526,693	–
Total for Company	2,720,130	2,565,995
Secured loans	296,413	–
	<b>3,016,543</b>	<b>2,565,995</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## 14 Interest bearing liabilities *continued*

### *Convertible loan notes repayable 17 October 2013*

On 17 October 2007 the Company issued £2,565,000 in face value of three-year convertible loan notes carrying interest at 8.5% per annum, payable quarterly in arrears. As of the first anniversary of issue, the loan notes are convertible at the election of note holders into shares at a specified price.

Note holders have the option of accepting the payment of interest in cash or in ordinary shares at the lower of a specified price and the average mid-market closing price per ordinary share for the seven business days prior to the date that interest is payable.

The Company has the right (as of the date falling 18 months after the date of issue of the loan notes) to repay the notes early, subject to the payment of double the accrued interest outstanding as at the date of early repayment. The holder of the notes has the option of accepting early repayment in cash or in ordinary shares at a specified price.

On 29 September 2010 the loan notes were extended for a further three years and the rate of interest was increased to 10% per annum by extraordinary resolution of the holders. The loan notes are now repayable on 17 October 2013.

Until the second anniversary of issue the specified price in respect of the above was 95 pence per share; between the second anniversary and 29 September 2010 the specified price was 120 pence per share; as of 29 September 2010 the specified price was 1.1 pence per share.

### *Convertible loan notes repayable 15 July 2011*

On 15 July 2008 the Company issued £200,000 in face value of three-year convertible notes carrying interest of 8.5% per annum, payable quarterly in arrears. As of the first anniversary of issue, the loan notes are convertible at the election of note holders into shares at a specified price.

Note holders have the option of accepting the payment of interest in cash or in ordinary shares at the lower of a specified price and the average mid-market closing price per ordinary share for the seven business days prior to the date that interest is payable.

The Company has the right (as of the date falling 18 months after the date of issue of the loan notes) to repay the notes early, subject to the payment of double the accrued interest outstanding as at the date of early repayment. The holder of the notes has the option of accepting early repayment in cash or in ordinary shares at a specified price.

Until the second anniversary of issue the specified price in respect of the above was 50 pence per share; from the second anniversary the specified price was 95 pence per share.

### *Secured loans*

The secured loan relates to a mortgage advanced to one of the subsidiary undertakings and is secured by legal charge over the freehold property included in note 8 with a net book value of £268,210.

## 15 Inventories – Group

	2010	2009
	£	£
Raw materials	253,535	454,142
Work in progress	123,368	196,532
Finished goods	189,564	238,327
	<hr/> 566,467	<hr/> 889,001
Inventories expensed during the year/period	<hr/> 3,480,574	<hr/> 2,838,017

## 16 Capital management

The Group's objective when managing capital is to safeguard the entity's ability to continue as a going concern and develop its mineral exploration and development and other activities to provide returns for shareholders and benefits for other stakeholders.

The Group's capital structure comprises all the components of equity (all share capital, share premium, retained earnings when earned and other reserves). When considering the future capital requirements of the Group and the potential to fund specific project development via debt, the Directors consider the risk characteristics of the underlying assets in assessing the optimal capital structure.

## 17 Related party transactions

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Amounts payable to a Director at 30 September 2010	232,403	254,817	–	–
Amounts owed by a Director at 30 September 2010	2,103	–	2,103	–

Details of Directors' emoluments are disclosed in Note 6.

The Directors and Stephen Clayson, the Chief Financial Officer are the only key management. Transactions with the subsidiary undertakings are disclosed in Note 18 and this Note.

Details of transactions with Directors and other related parties during the year are as follows:

Michael Silver, Executive Chairman of the Company, holds a beneficial interest in Meridien Capital Limited ("Meridien"). Meridien holds a beneficial interest in 10% of the issued equity share capital of Gold Crest Holdings Limited ("Gold Crest"). Meridien was paid US\$31,250 as guarantor of a loan provided to ACS Asia (1996) Company Limited ("ACS Asia"), a subsidiary undertaking of Gold Crest.

Michael Silver has also provided a loan to Gold Crest on which interest of US\$103,803 (net of withholding tax at 15%) was charged for the financial year, calculated at 2% per month on the balance outstanding. The loan amount outstanding on 30 September 2010 was AUD\$381,166. This amount is repayable on demand and is secured by a floating charge over the trade receivables of Gold Crest plus a guarantee from ACS Asia.

The services of Stephen Clayson, Chief Financial Officer of the Company, are provided by a company under his control; compensation for the year to 30 September 2010 amounted to £84,000 (2009 £nil).

## 18 Advances made to a Director

During the year advances were made to Patrick Harford as follows:	2010 £	2009 £
Advances	13,992	34,659
Repayments achieved through expense claims	(10,314)	(38,979)
Amount owed at the year end	3,678	(4,320)

## 19 Commitments and contingencies

### *Capital expenditure commitment*

As at 30 September 2010, the Group had commitments for future expenditure on its SAP software system of approximately £36,583 (2009: £nil).

### *Operating lease commitments*

Details of operating lease commitments are set out in Note 20 below.

### *Guarantees*

As at 30 September 2010, the Company had agreed to guarantee loans made by THEMAC Resources Group Ltd to Copper Flat Corporation ("CFC"), a wholly owned subsidiary of the Company incorporated in New Mexico, USA. These loans are identified as liabilities of both the Company and the Group in the financial statements, and represent advances made on behalf of CFC and/or the Company by THEMAC Resources Group in order to fund continued development work on the Copper Flat project in New Mexico, USA and to make payments to exercise the option held by CFC over a 100% interest in the Copper Flat project. On 11 November 2010, CFC granted to THEMAC Resources Group a mortgage over CFC's interest in the Copper Flat option, as security for the repayment of the loans. The loans are only repayable in the event that the agreement for the sale of the option over the Copper Flat project held by CFC to THEMAC Resources Group is terminated without completion. On completion of the agreement, the loans would be deemed forgiven. Definitive terms of the sale of the option to THEMAC Resources Group were agreed in June 2010 and completion of the sale is expected in early 2011.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## 20 Operating leases

Non-cancellable operating lease liabilities of the Group are as follows:

	2010	2009
Payable:	£	£
In less than one year	–	13,843

## 21 Risk management objectives and policies

The Group's principal financial assets comprise cash and cash equivalents, other receivables, investments and prepayments. In addition the Company's financial assets include amounts due from its operating subsidiary, Mercator Gold Australia Pty Ltd, which is held at cost less a provision for impairment. The Group's liabilities comprise trade payables, other payables including taxes and social security, and accrued expenses.

All the Group's financial liabilities are measured at amortised cost. All the Group's financial assets are classified as loans, investments and receivables.

The Board determines as required the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts to mitigate financial risks.

### *Credit risk*

The Group's cash at bank is held with reputable international banks. Cash is held either on current account or on short-term deposit at floating rates of interest determined by the relevant prevailing base rate. The fair value of cash and cash equivalents at 30 September 2010 and 30 September 2009 did not differ materially from their carrying value.

The Company has material exposure to receivables risk in respect of the loan to its subsidiary, Mercator Gold Australia Pty Ltd, presently under administration. Since the subsidiary is not under the Company's control, this risk cannot presently be mitigated.

### *Market risk*

The Group's financial instruments potentially affected by market risk include bank deposits, and trade payables. An analysis is required by IFRSS 7, intended to illustrate the sensitivity of the Group's financial instruments (as at period end) to changes in market variables, being exchange rates and interest rates.

Since the bank deposits were relatively immaterial and the loan to the subsidiary was interest free, there is no material sensitivity to changes in interest rates. There is no sensitivity to exchange rates because all the Company's assets and liabilities are denominated in Pound Sterling.

### *Interest rate risk*

The Company has no material exposure to interest rate risk.

### *Foreign currency risk*

The Company has limited exposure to foreign currency risk because all dealings with overseas based assets are in Sterling and the exposure to the impaired Australian subsidiary is not considered to be material in the context of the provision made against it.

### *Fair value of financial instruments*

The fair values of the Company's financial instruments at 30 September 2010 and 30 September 2009 did not differ materially from their carrying values.

The Company's long term convertible loan note borrowing, a compound financial instrument, did not differ from its carrying value.

### *Liquidity risk*

The Company, at its present stage of development is partially funded by revenue from operations. It therefore finances its operations through the issue of equity share capital and debt in order to ensure sufficient cash resources are maintained to meet short-term liabilities and future project development requirements. Management monitors availability of funds in relation to forecast expenditures in order to ensure timely fundraising. Funds are raised in discrete tranches to finance activities for limited periods. Funds surplus to immediate requirements may be placed in liquid, low risk investments.

The Company's ability to raise finance is subject to market perceptions of the success of its current established and developing projects, and of the other ventures undertaken by the Company during the year and subsequently. Due to the uncertain state of financial markets there can be no certainty that future funding will continue to be available.

The table below sets out the maturity profile of financial liabilities as at 30 September 2010.

Due in less than one month	676
Due between one and three months	256
Due between three months and one year	2,851
Due after one year	283
	4,066

In addition, as disclosed in Note 14, the Company has in issue £2,720,130 of convertible loan notes currently classed as non-current liabilities that are redeemed at the option of the Company.

## 22 Segmental report

The Company is engaged in mining exploration and development. One of the Group undertakings is involved in the manufacture of metal products. An analysis of the Group's revenue, results, assets and liabilities, capital expenditure and depreciation is provided below:

	Year ended 30 September 2010			Period ended 30 September 2009		
	Metal products £	Mining and exploration £	Total group £	Metal products £	Mining and exploration £	Total group £
External revenue	4,768,492	–	4,768,492	4,064,306	–	4,064,306
Interest income	1,221	724	1,945	2,181	13,959	16,140
Interest expense	108,714	328,140	436,854	32,809	434,088	466,897
Other finance costs	–	59,984	59,984	–	74,981	74,981
Net profit / (loss)	(108,831)	(3,382,731)	(3,491,562)	237,048	(4,489,353)	(4,252,305)
Total assets	1,781,692	8,763,855	10,545,547	2,984,937	6,359,967	9,344,904
Total liabilities	967,453	5,625,678	6,593,131	2,181,528	2,910,032	5,091,560
Capital expenditure	52,204	7,665	59,869	60,736	804	61,540
Depreciation & amortisation	77,895	3,207	81,102	55,847	2,669	58,516
(Impairment of and loss)/profit on disposal of other investments	–	(1,364,635)	(1,364,635)	–	65,194	65,194
Share of loss in associate	–	–	–	–	(371,630)	(371,630)

No geographical analysis is provided as this would replicate the analysis above with the metal products activity being in Asia and the mining and exploration being in Europe, Argentina and USA. The management do not segment the mining and exploration by geographical region when evaluating performance.

During the year to 30 September 2010, sales made to two customers accounted for approximately 29.8% of total revenues (2009: 37.2%). Sales to Customer A amounted to £768,197 (2009: £955,851). Sales to Customer B amounted to £652,718 (2009: £83,868). All these sales related to the metal products segment.

## 23 Consolidated cash flow statement

### Non-cash transactions

Standard Equity Distribution Agreement fee	83,333
Fee payable to Uranio AG	18,976
Acquisition of shares in Uranio AG at market value	624,000
	726,309

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 30 September 2010

## 24 Post balance sheet events

- On 7 October 2010 the Company announced the acquisition of the Sierra de las Minas and Los Aquirres gold/base metal projects in La Rioja Province, Argentina.
- On 21 October 2010 the Company announced the issue of 27,576,178 shares for gross proceeds of £300,000 pursuant to a Standby Equity Distribution Agreement (SEDA) signed with YA Global Master SPV Ltd in April 2010.
- On 9 December 2010 the Company announced the change of its name to ECR Minerals plc, having changed its name from Mercator Gold plc to Electrum Resources plc on 29 September 2010.
- On 9 December 2010 the Company announced the placement of 100,000,000 new ordinary shares at 1.4p per share for gross proceeds of £1.4 million.
- On 29 December 2010 the Company announced the issue of 14,222,175 ordinary shares in respect of the exercise of 11,949,446 warrants at 1p per share and the conversion of £25,000 in face value of convertible loan notes based on a price of 1.1p per share
- On 5 January 2011 the Company announced the acquisition of the El Abra and Jazmin mineral exploitation concessions in La Rioja Province, Argentina. The concessions are primarily prospective for gold.
- On 14 January 2011 the Company announced that the administrators of its wholly owned Australian subsidiary Mercator Gold Australia Pty Ltd had agreed to sell the Meekatharra Gold project in Western Australia to Reed Resources Ltd.
- On 4 February 2011, the Company announced an agreement between Paniai Gold Ltd and West Wits Mining Ltd for the sale of Paniai's interest in the Derewo River project to West Wits. The Company owns 16% of Paniai's issued shares.

**Please note that this document is important and requires your immediate attention. If you are in any doubt as to the action to be taken, please consult an independent adviser immediately.**

**If you have sold or transferred or otherwise intend to sell or transfer all of your holding of ordinary shares in the Company prior to the Annual General Meeting of the Company at the East India Club, 16 St James's Square, London SW1Y 4LH on Thursday 31 March 2011 at 10:00 a.m., you should send this document, together with the accompanying Form of Proxy, to the (intended) purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is to be effected for transmission to the (intended) purchaser or transferee.**



Company Number: 5079979

## Notice of Annual General Meeting

ECR MINERALS PLC (the "Company")

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the East India Club, 16 St James's Square, London SW1Y 4LH on Thursday 31 March 2011 at 10:00 a.m. in order to consider and, if thought fit, pass resolutions 1 to 3 as Ordinary Resolutions and resolution 4 as a Special Resolution:

### Ordinary Resolutions

- 1 To receive, consider and adopt the directors' report and accounts of the Company for the year ended 30 September 2010.
- 2 To re-appoint Nexia Smith & Williamson Audit Ltd of 25 Moorgate, London EC2R 6AY, as auditors of the Company and to authorise the directors to determine their remuneration.
- 3 That the Directors be generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £800,000, provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing this resolution, but so that the directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority hereby conferred had not expired.

## Special Resolutions

4 That, subject to the passing of Resolution 3, the Directors be given the general power to allot equity securities (as defined by Section 560 of the Act) for cash, either pursuant to the authority conferred by Resolution 3 or by way of a sale of treasury shares, as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

4.1 the allotment of equity securities in connection with an offer by way of a rights issue:

4.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

4.1.2 to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

4.2 the allotment (otherwise than pursuant to paragraph 4.1 above) of equity securities up to an aggregate nominal amount of £800,000.

The power granted by this resolution will unless otherwise renewed, varied or revoked by the Company, expire at the conclusion of the next Annual General Meeting of the Company following the date of the passing of this resolution or (if earlier) 12 months from the date of passing this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561(1) of the Act did not apply, but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the Board



**Patrick Harford**  
*Managing Director*

### Registered Office:

Peek House  
20 Eastcheap  
London, EC3M 1EB

Dated 7 March 2011

## NOTES

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
- 2 Completion and return of the form of proxy will not preclude ordinary shareholders from attending or voting at the meeting, if they so wish.
- 3 To be effective, this proxy form must be lodged with the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom not later than 48 hours before the time of the meeting or any adjournment thereof, together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the proxy form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
- 4 In the case of a joint holding, a proxy need only be signed by one joint holder. If more than one such joint holder lodges a proxy only that of the holder first on the register of members will be counted. Any alterations made to this proxy should be initialled.
- 5 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- 6 In the case of a corporation this proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised.
- 7 Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- 8 A copy of the balance sheet and every document required by law to be annexed to it, which are to be laid before the above mentioned meeting, are enclosed. The register of interests of the directors in the share capital of the Company and copies of contracts of service of directors with the Company will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.
- 9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is on Tuesday 29 March 2011 at 10:00 a.m., (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.
- 10 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Computershare Investor Services plc (whose CREST ID is 3RA50) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(A) of the Uncertificated Securities Regulations 2001.

**DIRECTORS & MANAGEMENT**

M B Silver *Executive Chairman*  
P A Harford *Managing Director*  
M Elias *Non-Executive Director*  
S Clayson *Chief Financial Officer*

**COMPANY SECRETARY**

Cobbetts (Secretarial) Ltd  
c/o Cobbetts LLP  
58 Mosley Street  
Manchester M2 3HZ

**REGISTERED OFFICE**

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70 Gray's Inn Road  
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**REGISTRARS**

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Bristol BS13 8AE

**BANKERS**

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Woking  
Surrey GU21 6XW

**SOLICITORS**

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**NOMINATED ADVISER & STOCKBROKER**

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36 Old Jewry  
London EC2R 8DD

**STOCKBROKER**

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49 Berkeley Square  
London W1J 5AZ

**PUBLIC RELATIONS**

Blythe Weigh Communications  
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Black Prince Road  
London SE1 7SJ

Barry Kaplan Associates  
623 River Road, Suite 200  
Fair Haven NJ 07704  
USA

Company no. 5079979

**Share Analysis** as at 22 February 2011

Holdings	No of Accounts	No of shares held	% of share capital
1 - 10,000	327	1,023,767	0.20
10,001 - 50,000	148	4,327,826	0.85
50,001 - 100,000	114	9,765,733	1.91
100,001 - 500,000	205	47,729,029	9.35
500,001 - 1,000,000	30	22,832,362	4.47
1,000,001 - 5,000,000	33	72,615,567	14.22
5,000,001 +	16	352,314,890	69
<b>Total</b>	<b>873</b>	<b>510,609,174</b>	<b>100</b>



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