Orogen Gold plc

Annual Report
for year ended
31 December 2013

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Chairman's statement

2013 was a difficult year for many junior gold exploration companies with a 28% fall in gold prices and a tight market for equity capital. Against this backdrop it has become increasingly important for junior explorers to focus their spending and to concentrate on executing efficient work programmes to recognise near term value for shareholders. Following a share placing in late 2012, Orogen entered the current year in a strong financial position to progress the Deli Jovan project in Serbia and to expand the asset base with the Mutsk project in Armenia.

Technical Progress and Mutsk Discovery

In January 2013 Orogen agreed a Memorandum of Understanding with Georaid CJSC covering the Mutsk gold project in southern Armenia. This represented a rare opportunity to acquire a project with early indications of significant gold mineralisation within an emerging epithermal gold district. Having been encouraged by the initial results achieved at Mutsk, Orogen moved quickly to advance the project and completed a ten-hole diamond drill programme in late 2013. Results from the programme included the exciting discovery of a new thicker, more extensive lower grade gold zone which is open along strike and down-dip. This opens up the possibility of substantial lower-grade zones at shallow levels and indicates potential for a large gold deposit at Mutsk.

At Deli Jovan a drill programme was completed at Gindusa West to follow up on high gold grade trenching results discovered in late 2012 and 2013. Significant gold-bearing intervals were encountered. Orogen is encouraged by the gold grades and widths encountered but continuity of the gold-bearing veins proved more difficult to establish. Following an impairment review of the carrying value of exploration and evaluation assets, an impairment charge of £3,702,000 has been made against the carrying value of the Deli Jovan asset. The Company remains committed to the Deli Jovan gold project and in conjunction with our partner on the project, Orogen is reviewing the results encountered to date to identify a 2014 work programme to advance the project.

Corporate

I was pleased to be appointed Chairman of Orogen in November 2013, following the resignation of John Barry from the Board as non-executive Chairman. Ed Slowey and Alan Mooney continue as Chief Executive and Finance Director respectively and Michael Nolan remains as a non-executive Director.

In October 2013, the Company raised £650,000 before costs through the issue of 216,666,667 new ordinary shares of £0.001 each at £0.003 per share. At 31 December 2013 the Group held cash resources of £1,208,000 (2012: £1,621,000).

The Year Ahead

With a challenging market for juniors expected to continue in 2014, it is important for companies to have a flexible approach to the development of their projects. Orogen is very excited about the prospects for the Mutsk gold project and will continue to prioritise the development of the project over the coming months, working towards the delineation of a resource within the near-surface Mutsk gold discovery.

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Adam Reynolds
Chairman

Date: 22 April 2014

STRATEGY AND OBJECTIVES

The principal activity of Orogen Gold plc ("Orogen" or the "Company") is the development of mineral exploration and production projects in Europe, with an emphasis on gold exploration and project development.

Orogen's strategy is to acquire prospective early-stage growth opportunities at a low entry cost within the European arena. The three steps in the Orogen strategy are to:

(1) Identify and secure low entry cost gold projects in underexplored and frontier locations in Europe,
(2) Undertake an efficient cost controlled programme of project evaluation and appraisal,
(3) Move to establish gold resources at an early stage.

Orogen currently operates two gold exploration projects.

The Mutsk Gold Project ("Mutsk") is located in the Syunik Province in southern Armenia 210km southeast of the capital city Yerevan at about 2,000m elevation.

Orogen has an exclusive Joint Venture agreement with Georaid CJSC ("Georaid"), an Armenia registered company, to earn an 80% interest in Mutsk by incurring a total of US$2.5m in exploration expenditure on the project by the end of August 2016. Limited historic exploration had been carried out until drilling by Georaid in 2011, which intersected low sulphidation epithermal-type pyrite-gold mineralisation in altered and brecciated tuffs, similar in age to those that host the Lydian International high sulphidation Amulsar gold deposit located 30km to the northwest, also in Armenia. Confirmatory drilling by Orogen has demonstrated both higher gold grades than previously reported and wider zones of lower grade mineralisation.

The Company's second gold exploration project, the Deli Jovan Gold Project ("Deli Jovan"), is located in the Zajecar municipality in eastern Serbia approximately 250 kilometres from Belgrade.

Under the terms of an earn-in agreement with Reservoir Minerals Inc. ("Reservoir"), a company listed on the TSX Venture Exchange (ticker: RMC), Orogen received the exclusive right to earn-in to an initial 55% interest in Deli Jovan by committing CAD$1.5 million to the project by 23 June 2012. This earn-in was completed in June 2012 and Orogen has the exclusive option to earn-in to an additional 20% interest by incurring total exploration expenditures on the project of CAD$3.5 million (an additional CAD$2.0 million) by 23 December 2013. Orogen is reviewing the completion of the additional 20% earn-in with Reservoir. Deli Jovan is an historic gold mining camp which was last in production prior to World War II with the major part of gold production taking place during the period from 1900 to 1912. There are two former gold mines within the Deli Jovan exploration permit area and there had been no systematic exploration of the property since mining ceased in 1938. There is clear evidence that significant mining activity occurred on the property episodically from Roman times to the earlier part of the last century.

REVIEW OF BUSINESS

Mutsk Gold Project

In January 2013, Orogen signed a Memorandum of Understanding ("MOU") on the Mutsk Gold Project in Southern Armenia. Our initial aim was to confirm the potential of a low-sulphidation gold epithermal system discovered by our partner, Georaid, in 2011 through a programme of shallow vertical drilling. Orogen's verification work comprised re-logging and sampling of existing drill core, as well as detailed mapping and sampling in the under-explored permit area.

Orogen believed that the original sampling during the 2011 drill programme may have understated the grades and widths of the mineralisation zone, as not all drill core was sampled and the sampling process may not have been fully compliant with best practice. Re-sampling of most of the historic core was carried out under Orogen's supervision, with tighter quality control over the process. This confirmed substantially higher grades and greater widths than reported previously. Confirmatory drilling in Q2 2013 of six short vertical and angled holes undertaken by Orogen repeated the higher tenor of gold grades, with assay intervals including 11.0m @ 5.56g/t Au (hole OG13-01) and 10.2m @ 5.73g/t Au (hole OG13-02). The re-sampling and drilling programme undertaken by the Company suggested that the mineralised zone extends over almost 1km of strike, with possible extension to over 2km. The results demonstrated an exciting new gold discovery at shallow depths within an established epithermal district.

Following interpretation of the results of the initial drill programme at Mutsk, Orogen agreed with Georaid to move into Phase 2 of the programme detailed under the MOU which includes an exclusive option to earn-in to an 80% interest in the project. A full Joint Venture Agreement was drawn up and signed in February 2014 to implement the terms of the MOU.

Following a share placing in October 2013, Orogen accelerated the Mutsk evaluation and appraisal programme and in Q4 2013 successfully completed a 10-hole diamond drill programme totalling 921.2 metres. Short vertical and angled diamond drill holes were laid out to test the continuity of the north-south zone of hydrothermal alteration and epithermal gold mineralisation previously located by widely-spaced drilling. Logging of drill core from several holes identified zones of kaolinite-sericite-quartz alteration which is associated with gold mineralisation in earlier drill holes. Assay results suggest that the higher grade gold values seen to date are centred around structural loci and/or intrusive quartz-diorite dykes along the southern part of the Mutsk trend. These high grade centres appear to be linked to a newly-discovered wider zone of interest.

An extensive interval of hydrothermal alteration and lower-grade gold mineralisation was located in angled hole OG13-15 along profile 3610N which was stepped out about 60 metres to the west of previously recorded high grade intercepts in vertical holes OG13-01 (11m @ 5.56g/t Au) and DDB-04 (39m @ 3.64g/t Au). An intercept of 59.5m from 28.0m to 86.5m down-hole depth in OG13-15 averaged 0.42g/t Au, including an interval of 8.0m @ 0.87g/t Au. Another angled hole, OG13-04, drilled previously closer to the original high-grade intercepts, had cut 42m @ 0.78g/t Au, including 9m @ 2.5g/t Au. While the true width of these two longer intercepts is not yet clearly established, current interpretation suggests that they may be close to true width. This is the first drill profile to test the interpreted down-dip extension of the main mineralised trend at Mutsk and opens up the possibility of extensive lower-grade gold zones at shallow levels. These new intercepts are not dissimilar in width and gold tenor to some of those reported at the Lydian International's Amulsar gold project which is currently at feasibility stage.

Deli Jovan Gold Project

Following excellent trenching results from work carried out in 2012 at Deli Jovan, the Board took the decision to prioritise drilling to focus on shallow testing of the high grade trench discoveries at Gindusa West.

Exploration undertaken during the year included further high-density soil sampling, followed by step-out trenching from the 2012 discovery trench, TAG-2 (3m @ 29.6g/t Au), in order to extend and define the mineralised zone.

Highlights of the 2013 work based on channel sample assaying include a 3.5m intercept grading 61.42 g/t Au including a 2m zone assaying 107 g/t Au in trench T6, on a separate structure to the north of the TAG-2 intercept. A further 350m to the northwest, trench T8 intersected a mineralised shear zone assaying 5.75 g/t Au over 2.0m, including 1m @ 8.88 g/t Au.

Interpretation of the results received indicated that the main gold-mineralised, steeply north-dipping east-west shear structure intersected in trench TAG-2 extends for at least 300m. Widths of mineralised structures ranged from 1.0-13.0m and gold grades ranged from 1.44-29.55 g/t Au. The continuity and width of this zone at surface was considered particularly encouraging as previously mapped vein structures at Deli Jovan tend to be narrower and of shorter strike extent.

A programme of 15 short, angled drill holes totalling 1,426.2 metres was completed at Gindusa West in Q3 2013 to test the sub-surface extensions of the mineralised zones encountered in trenching. Holes were drilled on seven profiles 40 metres apart, covering much of the 300 metre strike length of the complex shear zone.

Significant gold-bearing intervals from the drill programme included 0.5m @ 102 g/t Au (hole DE-GEA06), 0.7m @ 83 g/t Au (hole DE-GEA10) and 5.1m @ 3.04 g/t Au (hole DE-GEA14). Continuity of the shear zone was confirmed along strike and as far as the drilled depth of 80-90 metres vertically. Quartz veining and gold-bearing pyrite mineralisation within the zone however appear to be irregularly distributed, with some locally very high grade intercepts, sometimes enveloped by lower grade haloes.

Financial

The loss for the year amounted to £4,176,000 (2012: £651,000). The loss for the year comprises general and administrative expenses of £493,000 (2012: £499,000), share based payment charge of £1,000 (2012: £196,000), impairment charge of £3,702,000 (2012: nil) and finance income of £20,000 (2012: £37,000). The impairment charge is as a result of a review performed on the carrying value of the exploration and evaluation assets related to the Deli Jovan Gold Project.

FUTURE DEVELOPMENTS

Mutsk Gold Project

In February 2014 the Company signed a Joint Venture Agreement with Georaid, an Armenian registered company and holder of Exploration Licence EHTV 29/066, granting the Company an exclusive right to earn-in to the Mutsk Gold Project. Under the Joint Venture Agreement the Company has the option to acquire an 80% undivided interest in Georaid by incurring exploration expenditures of US$2.5 million by 31 August 2016.

Orogen is now preparing for the re-commencement of exploration at Mutsk after the spring snow-melt. Plans include completion of a ground geophysical survey to trace known mineralisation along strike and down-dip beneath overburden and cover rocks as well as searching for new, previously unidentified, targets. Further drilling will focus on delineation of both high grade and more extensive low-grade gold mineralisation, as well as follow-up of targets defined by soil sampling and geophysical surveying. Only a small part of the prospective target has been drill tested to date and newly-identified zones of wide, lower grade mineralisation further support the potential for a large gold deposit at Mutsk.

The Company plans to focus its work on Mutsk in the early part of 2014 because the positive results received to date suggest that this has strong potential for discovery of shallow gold mineralisation at relatively low exploration cost compared to the Deli Jovan project.

Deli Jovan Gold Project

Orogen is continuing to review the 2013 drilling results in tandem with the surface trench data in order to assess the potential for definition of a shallow gold resource at the Gindusa West and Gindusa Mine zones. The Company is encouraged by some of the high grades and widths encountered. The mineralised vein systems appear to continue to depth, however the continuity along strike is less clear and detailed infill drilling could be required to establish the extent of such continuity.

Orogen has the exclusive option to earn-in to an additional 20% interest in Deli Jovan beyond its current 55% interest. The Company is currently reviewing the earn-in and a future work programme on the project with its partner, Reservoir.

KEY PERFORMANCE INDICATORS

The key indicators of performance for the Group is its success in identifying, acquiring and developing and divesting of investment in exploration projects so as to create shareholder value. The Group carries out its operations by way of execution of operational plans that are approved and budgeted in advance by the Board. Operational progress is reviewed by the Board on a regular basis and actual costs are compared to budgets.

Control of bank and cash balances is a priority for the Group and these are budgeted and monitored closely to ensure that the Group maintains adequate liquidity to meet financial commitments as they arise. At 31 December 2013 the Company has £1,208,000 of cash resources.

Mutsk Gold Project

The Company initially secured an exclusive option to earn-in the Mutsk Gold Project in January 2013 and has subsequently signed a full joint venture earn-in agreement in February 2014. The Company was highly encouraged by the results received during the initial due diligence and evaluation of the project in Q2 2013 and in Q4 2013; the Company accelerated the drilling programme on the project having raised £650,000, before costs, in October 2013 for this purpose. During the current year the Company incurred £387,000 of exploration costs on Mutsk.

Deli Jovan Gold Project

During the year 2013 operational expenditure and operational results achieved on the Deli Jovan project in Serbia were in line with the Board approved budgets and timing plans.

The Group completed the planned 55% earn-in on Deli Jovan on schedule in June 2012 and progress towards completing the additional 20% earn-in, to bring the Group's interest in Deli Jovan to 75%, is on-going. During the current year the Group incurred £465,000 of exploration costs on Deli Jovan.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group considers that the principal risks to the achievement of its business plans are as follows:

Operational

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

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

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

Climate

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

Political, economic, legal, regulatory and social

The Group operates in different countries where political, economic, legal, regulatory and social uncertainties are potential risk factors. The Group has restricted its activities to Europe where such risks could be considered to be less than in many developing countries in other parts of the world.

Organisational

The Group is dependent on the experience and skills of the executive Directors and senior management to successfully execute its strategy; the loss of such key contributors would present a risk to the business. Staffing levels and development of business processes and policies are kept under regular review to ensure that they are appropriate and adequate for the scale and growth of the Group's business.

Financial

The Group’s projects are at an early stage and currently do not generate any cash flow to support the exploration activities. The valuation and future earnings of the Company are exposed to movements in the market price of gold which is sold in US$. Orogen is also subject to exchange rate risk with the Company’s accounts in GBP while the Company’s projects require funding in US$ and CAD$. The operating entities of the projects to which Orogen has earn-in agreements incur substantial costs in Armenian Dram and Serbian Dinar.

Insurance

The Group has in place insurance protection, including a directors and officers liability policy, to insure against risks of loss where management deems appropriate and cost effective; however in some cases risks cannot be effectively covered by insurance and the cover in place may not be sufficient to cover the extent of potential liabilities.

Health and safety

Health and safety of all those working in and visiting the Group's installations is a priority. The Group's operations can take place in dangerous environments particularly where underground mining and exploration activities are being pursued. The Group has in place a comprehensive health and safety policy alerting all concerned to the risks involved and to the required precautions that staff and visitors to the Group’s operations must take. Staff and authorised visitors are only permitted access to underground facilities when safety inspection has been completed and certificates issued by the appropriate and competent authority.

Environment and community

The Company recognises its social responsibilities and seeks to adopt the best contemporary practice applicable to each country and region of operation. To ensure this standard is met the Company aims to:

- plan and conduct exploration activities in a manner that complies with legislation pertaining to the protection of the environment and employees;
- in the absence of legislation, apply best contemporary practice relating to the protection of the environment;
- undertake internal environmental reviews associated with operational fieldwork;
- train staff to apply best contemporary practices;
- engage in research to study the impact of mining activities on the locality and implement technologies that are environmentally friendly;
- participate in the development of environmental legislation to ensure a balance is attained between protecting the environment and developing practical laws;
- inform government, employees, local communities and other stakeholders of our activities, and encourage joint venture partners and suppliers to adopt the principles of this statement.

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Ed Slowey	**Alan Mooney**
Director	Director

Date: 22 April 2014

Biographical details of the Directors

Adam Reynolds – Non-Executive Chairman
Adam began his career as a stockbroker before moving into investor relations. In 2000, he established Hansard Group plc, a financial PR firm, admitting its shares to trading on AIM in November 2000, before jointly leading a management buy-out of the business in 2004. Adam is also a non-executive director of EKF Diagnostics plc and HubCo Investments plc and a director of Wilton International Marketing Limited and Autoclenz Holdings Limited.

Ed Slowey – Chief Executive Officer
Ed Slowey has worked throughout his career as an economic geologist in the minerals sector. Apart from his work with Orogen Gold, he is also a non-executive director of a Greenland-based exploration company, NunaMinerals A/S. He previously acted as technical consultant for Stratex International plc on its Dalafin gold project in Senegal, West Africa, where a significant new gold discovery has recently been announced. He was attached for several years to the CSA Consultancy Group working out of London and Dublin as Project Manager responsible for independent review, valuation and due diligence in mining and exploration, covering base metals, bulk commodities, precious metals and diamonds in Europe, Africa, Asia and America. Work included completion of Competent Person's Reports and 43-101 independent reports for the AIM, ISDX and TSX markets. Other roles undertaken in a consultancy capacity include Exploration Manager, Russia for AIM-listed Eurasia Mining plc, as well as minerals project management through feasibility studies, including at the giant Sukhoi Log gold deposit in Siberia (>12Moz). He has also worked in the Balkans on a range of base metal projects, primarily in Macedonia and Kosovo.

Previously, he managed the Irish exploration arm of Rio Tinto over a 12-year period, leading to the discovery of the small, high-grade Cavanacaw gold deposit in Northern Ireland. Prior to that, he worked as an underground mine geologist at the world-class Navan zinc-lead deposit. Ed holds a geology degree from University College, Dublin and is a professional member of the Institute of Geologists of Ireland and the European Federation of Geologists.

Alan Mooney – Finance Director
Alan Mooney has worked in the natural resource sector since 2001. He has worked with Fastnet Oil & Gas plc, Cove Energy plc, Tiger Resource Finance plc, GoldQuest Mining Corp, Rathdowney Resources Limited and Aventine Resources plc. He was previously divisional CFO at Sonae SA, Portugal's largest commercial group. Prior to that he worked with Continental AG the German tyre manufacturer, and was Finance Director of their operations in the UK and in Portugal. He also worked in Mergers and Acquisitions at Continental's headquarters in Hanover, Germany and formally as Chief Accountant at their Irish tyre manufacturing plant. He trained with PWC in Dublin and is a Chartered Accountant and MBA.

Michael Nolan – Non-Executive Director
A Director since 2010, Michael Nolan is a Chartered Accountant having worked in practice with Deloitte in Dublin. He is currently a non-executive director of Cove Energy Limited, formerly an AIM quoted oil and gas exploration company focussed on East Africa which was sold to PTTEP of Thailand in August 2012. He acts as a non-executive director of Vancouver based, Rathdowney Resources Limited, a private natural resource company operating in Europe and supported by the Hunter Dickinson group and listed on TSX-V. He is also a director of AIM quoted companies, Tiger Resource Finance plc and Fastnet Oil & Gas plc. He acted as chief executive officer of AIM listed, mining company, Minmet plc from 1999 to 2007. He also serves on the Board of several resource exploration and investment companies.

Corporate governance statement

Corporate governance

The Directors are committed to maintaining a high standard of corporate governance. The Board aims to comply, as far as practicable given the Company's size, with the provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ("Combined Code"). As an AIM listed Company, Orogen is not required to comply with the Combined Code but it is applied as far as it is appropriate.

The Board of Directors ("the Board")

The Board's main roles are to create value for shareholders, to provide entrepreneurial leadership to the Group and to develop and approve the Group's strategic objectives. While operational and financial management are delegated to Executive Directors, key financial and compliance issues and significant operational and management matters are subject to Board approval. The Board is responsible for the determination of capital structure, communication with shareholders, Board and executive management appointments and for ensuring that necessary financial and other resources are made available to the Group to meet its objectives.

Matters for which the Board is specifically responsible include setting and monitoring business strategy, evaluating exploration opportunities and risks, approving capital expenditure on exploration projects, approving investments and disposals, approving budgets and monitoring performance against budgets, reviewing the Group's health and safety policy and considering and appointing new Directors and the Company Secretary.

The Board comprises a non-executive Chairman, two executive Directors and one other non-executive Director. All Directors participate in the Company's share option scheme and full details of Directors' shareholdings in the Company are presented in the Group Directors' report.

The Board meets on average once every 6 weeks and all Directors are expected to attend the Board meetings. All Directors participate in preparing the agenda for Board meetings and they receive relevant reports and documentation on matters to be discussed on a timely basis so as to ensure that they can fully participate in the discussion on the agenda items. The Directors have access to the Company Secretary and may obtain independent professional advice at the Group's expense.

Under the terms of the articles of association all Directors must retire by rotation every three years and may seek re-election to the Board at the Annual General Meeting of the Company. All new Directors appointed since the previous Annual General Meeting must seek re-election at the next Annual General Meeting in order to ratify their appointment to the Board by the members.

The Directors have access to comprehensive financial, operational and strategic information to assist them in the discharge of their duties.

Board committees

The Board has established an Audit Committee and a Remuneration Committee, each of which has formal terms of reference approved by the Board; details are available on the Company's website.

Communications with shareholders

The Company communicates regularly with shareholders through announcements of interim and annual results and of significant developments as they arise. The Annual General Meeting is normally attended by all of the Directors. Shareholders are invited to ask questions on matters including the Group's operations and performance and to meet with the Directors after the formal proceedings have concluded.

The Group maintains a website (www.orogengold.com) on which all announcements and published reports are posted and comprehensive information relating to the Company and its operations is available.

The Group also runs a Facebook page on which shareholders and friends of the Company can interact.

Internal controls

The Directors are responsible for the Group's system of internal controls, the setting of appropriate policies on these controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk.

The Audit Committee monitors the Group's internal control procedures, reviews the internal control process and risk management procedures and reports its conclusions and recommendations to the Board.

The Group's system of internal control is designed to manage risks so as to achieve the Group's business objectives and provides reasonable but not absolute safeguards against loss or material misstatement.

The Board considers that the Company's internal control systems operated appropriately during the year and up to the date of signing this Annual Report.

Group directors' report

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

Results and dividends

The Group loss after tax for the year ended 31 December 2013 amounts to £4,176,000 (2012: £651,000).

The Directors are not recommending payment of a final dividend for the year (2012 £nil).

Directors

The Directors of the Company are:

- Adam Reynolds
- Ed Slowey
- Alan Mooney
- Michael Nolan

John Barry resigned from the Board as Chairman and as a non-executive Director on 5 November 2013.

All of the Directors are subject to retirement by rotation under the Company's articles of association. Ed Slowey retires from the board by rotation and offers himself for re-election at the next Annual General Meeting of the Company.

Shares and listing

The Company's ordinary shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange (ticker: ORE.L). Details of the nominated advisor and brokers are presented on the Company information at the end of this annual report. The closing mid-price of the Company's shares at 31 December 2013 was 0.25 pence (2012: 0.47 pence).

Substantial shareholdings

As at 21 March 2014 the following held 3% or more of the share capital of the Company:

Rank	Shareholder	No of shares at 21 March 2014	% Issued Capital[1]
1	Barclays Stockbrokers	255,933,295	10.68
2	HSDL Stockbrokers	224,462,022	9.37
3	TD Waterhouse Stockbrokers	220,770,889	9.21
4	Hargreaves Lansdown Stockbrokers	202,902,934	8.47
5	Interactive Investor	154,385,654	6.44
6	Anton Bilton	140,330,000	5.86
7	Ed Slowey	126,222,158	5.27
8	Alan Mooney	89,936,994	3.75
9	Michael Nolan	89,936,994	3.75
10	HSBC Private Bank	73,882,412	3.08

1 Based on 2,395,839,120 ordinary shares at 21 March 2014

Remuneration policy

The Board has established a remuneration committee. The Remuneration Committee comprises of Adam Reynolds as Chairman and Michael Nolan who review the performance of the executive Directors and determine their terms and conditions of service, including their remuneration and the granting of options, having due regard to the interests of shareholders.

The Remuneration Committee meets no less than once every year.

The Group has 3 employees in addition to the Directors the Group. Operational services are provided by competent suppliers on a contract basis the terms of which are negotiated in advance and approved by the executive Directors.

Directors' remuneration
Details of emoluments received by Directors of the Company for the year ended 31 December 2013 are as follows:

	Base emoluments £	Annual bonus £	Total £
Ed Slowey	80,000	20,000	100,000
Alan Mooney	55,000	20,000	75,000
John Barry – resigned 5 November 2013	25,000	20,000	45,000
Adam Reynolds	20,000	20,000	40,000
Michael Nolan	20,000	20,000	40,000
Total	**200,000**	**100,000**	**300,000**

Directors and their interests
The Directors of the Company held the following beneficial interests in the shares and share options of Orogen Gold plc at 31 December 2013 and at the date of this report:

		Share Options	
	Ordinary shares of £0.001 each	Ordinary shares of £0.001 each	Option exercise price
Ed Slowey	126,222,158	40,000,000	0.60p
Alan Mooney	89,936,994	40,000,000	0.60p
Michael Nolan	89,936,994	40,000,000	0.60p
Adam Reynolds	47,366,667	40,000,000	0.60p

The share options held by the Directors of Orogen Gold plc were granted on 16 February 2011 and are exercisable at £0.006 at any time up to 15 February 2021. The exercise price of these share options was re-priced in December 2012 to £0.006 from their original exercisable price of £0.0095 per share.

Going concern
After making appropriate enquires, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. As part of their enquiries the Directors have reviewed cash forecasts for the company's operations for the 12 months from the date of approval of the financial statements. The Company has adequate cash to cover its corporate overheads and management costs over this period. The Group has earn-in options on gold exploration projects in Armenia and Serbia. The Group acts as operator on these projects which gives it flexibility in managing the Group's resources and exploration programmes.

Events after the reporting period
Further information on events after the reporting period is set out in note 20.

Principal risks and uncertainties
The principal risks and uncertainties of the business are discussed in the Strategic Report and in note 21.

Directors' responsibilities
The Directors are responsible for preparing the Group Directors' report and financial statements in accordance with applicable law and International Financial Reporting Standards.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union that give a true and fair view of the state of the 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 apply them consistently; and
- make judgements and estimates that are reasonable and prudent; and
- state whether the Company financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditors
The Board are recommending Jeffreys Henry LLP for re-appointment as auditor of the Company. Jeffreys Henry LLP have expressed their willingness to accept this appointment and a resolution re-appointing them will be submitted to the forthcoming Annual General Meeting.

Disclosure of information to auditors
Each Director confirms that, so far as that he is aware, there is no relevant audit information of which the Company's auditor is unaware and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Ed Slowey	**Alan Mooney**
Director	Director

Date: 22 April 2014

Independent Auditors' report to the members of Orogen Gold plc

We have audited the financial statements of Orogen Gold plc for the year ended 31 December 2013, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, of the state of the Group's and Parent Company's affairs as at 31 December 2013 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS's 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 properly prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and in the Group 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 audit have not been received from branches not visited by us; or
- the Company's 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.

Sanjay Parmar
SENIOR STATUTORY AUDITOR
For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

Date: 22 April 2014

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Continuing operations			
Revenue		**—**	7
Operational costs		**—**	—
Gross profit		**—**	7
General and administrative expenses		**(493)**	(499)
Share based payments	16	**(1)**	(196)
Impairment of exploration and evaluation assets	9	**(3,702)**	—
Group operating loss		**(4,196)**	(688)
Finance income	5	**20**	37
Loss on ordinary activities before taxation		**(4,176)**	(651)
Tax on loss on ordinary activities	7	**—**	—
Loss for the year from continuing operations		**(4,176)**	(651)
Attributable to:			
Equity holders of the parent		**(4,175)**	(651)
Non-controlling interests		**(1)**	—
Group loss for the year		**(4,176)**	(651)
Exchange translation differences		**16**	17
Total comprehensive loss for the year		**(4,160)**	(634)
Attributable to:			
Owners of the parent		**(4,159)**	(634)
Non-controlling interests		**(1)**	—
		(4,160)	(634)
Loss per share:			
Loss per share – basic and diluted, attributable to ordinary equity holders of the parent (pence)	8	**(0.19)**	(0.03)

Consolidated statement of financial position
As at 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Assets			
Non-current assets			
Exploration and evaluation assets	9	**2,136**	4,986
Property, plant and equipment	10	**22**	23
Total non-current assets		**2,158**	5,009
Current assets			
Trade and other receivables	13	**82**	368
Cash and cash equivalents	14	**1,208**	1,621
Total current assets		**1,290**	1,989
Total assets		**3,448**	6,998
Equity and liabilities			
Equity			
Share capital	15	**3,057**	2,841
Share premium	15	**11,704**	11,325
Other reserves		**625**	729
Retained earnings	17	**(12,431)**	(8,377)
Equity attributable to owners of the parent		**2,955**	6,518
Non-controlling interests		**402**	403
Total equity		**3,357**	6,921
Current liabilities			
Trade and other payables	18	**91**	77
Total current liabilities		**91**	77
Total liabilities		**91**	77
Total equity and liabilities		**3,448**	6,998

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2014 and were signed on its behalf by:

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Ed Slowey
Director

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Alan Mooney
Director

Company Number: 5379931

Consolidated statement of cash flows
For the year ended 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Cash flows from operating activities			
Group operating loss		**(4,196)**	(688)
Decrease/(increase) in trade and other receivables		**289**	(272)
Increase/(decrease) in trade and other payables		**14**	(156)
Impairment of exploration and evaluation assets	9	**3,702**	—
Share based payments	16	**1**	196
Net cash flow from operating activities		**(190)**	(920)
Cash flow from investing activities			
Expenditure on exploration and evaluation assets and project earn-ins		**(852)**	(1,016)
Net cash inflow on acquisition of subsidiary		**—**	130
Bank interest received	5	**20**	37
Net cash flow from investing activities		**(832)**	(849)
Cash flow from financing activities			
Net proceeds from issue of equity instruments	15	**595**	1,360
Net cash flow from financing activities		**595**	1,360
Net change in cash and cash equivalents		**(427)**	(409)
Net foreign exchange difference		**14**	26
Cash and cash equivalents at beginning of year	14	**1,621**	2,004
Cash and cash equivalents at end of year	14	**1,208**	1,621

Consolidated statement of changes in equity
For the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	**Total £'000**	Non-controlling interests £'000	**Total equity £'000**
Balance at 1 January 2012		2,567	10,239	516	(7,726)	—	**5,596**	—	**5,596**
Loss for the year		—	—	—	(651)	—	**(651)**	—	**(651)**
Share based payments	16	—	—	196	—	—	**196**	—	**196**
Foreign exchange translation reserve		—	—	—	—	17	**17**	—	**17**
Acquisition of subsidiary	12	—	—	—	—	—	**—**	403	**403**
Issue of share capital	15	274	1,086	—	—	—	**1,360**	—	**1,360**
Balance at 31 December 2012		2,841	11,325	712	(8,377)	17	**6,518**	403	**6,921**
Balance at 1 January 2013		2,841	11,325	712	(8,377)	17	**6,518**	403	**6,921**
Loss for the year		—	—	—	(4,175)	—	**(4,175)**	(1)	**(4,176)**
Share based payments	16	—	—	(120)	121	—	**1**	—	**1**
Foreign exchange translation reserve		—	—	—	—	16	**16**	—	**16**
Issue of share capital	15	216	379	—	—	—	**595**	—	**595**
Balance at 31 December 2013		3,057	11,704	592	(12,431)	33	**2,955**	402	**3,357**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses. Share issue expenses comprise a proportion of the costs incurred in respect of new shares issued in the year.

Share based payments reserve relate to the charge for share based payments in accordance with International Financial Reporting Standard 2.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

Foreign currency translation reserve represents the retranslation of foreign subsidiaries.

Non-controlling interests represent the share of ownership of subsidiary companies outside the Group.

Company statement of financial position
As at 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Assets			
Non-current assets			
Investments	11	**—**	3,370
Loans to subsidiaries	11	**3,346**	3,378
Total non-current assets		**3,346**	6,748
Current assets			
Trade and other receivables	13	**24**	215
Cash and cash equivalents	14	**43**	40
Total current assets		**67**	255
Total assets		**3,413**	7,003
Equity and liabilities			
Equity			
Share capital	15	**3,057**	2,841
Share premium	15	**11,704**	11,325
Other reserves		**592**	712
Retained earnings	17	**(11,986)**	(7,911)
Total equity		**3,367**	6,967
Current liabilities			
Trade and other payables	18	**46**	36
Total current liabilities		**46**	36
Total liabilities		**46**	36
Total equity and liabilities		**3,413**	7,003

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2014 and were signed on its behalf by:

______________________ ______________________

Ed Slowey
Director

Alan Mooney
Director

Company Number: 5379931

Company statement of cash flows
For the year ended 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Cash flows from operating activities			
Operating loss		**(4,196)**	(388)
Increase/(decrease) in trade and other receivables	13	**191**	(198)
Decrease/(increase) in trade and other payables	18	**10**	(91)
Impairment of investments and loans to subsidiaries	11	**4,000**	—
Share based payments	16	**1**	196
Net cash flow from operating activities		**6**	(481)
Cash flow from investing activities			
Bank interest received		**—**	9
Net cash flow from investing activities		**—**	9
Cash flow from financing activities			
Net proceeds from issue of equity instruments	15	**595**	1,360
Funds advanced to subsidiary companies		**(598)**	(2,123)
Net cash flow from financing activities		**(3)**	(763)
Net change in cash and cash equivalents		**3**	(1,235)
Cash and cash equivalents at beginning of year	14	**40**	1,275
Cash and cash equivalents at end of year	14	**43**	40

Company statement of changes in equity
For the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 January 2012		2,567	10,239	516	(7,532)	**5,790**
Loss for the year		—	—	—	(379)	**(379)**
Issue of share capital	15	274	1,086	—	—	**1,360**
Share based payments	16	—	—	196	—	**196**
Balance at 31 December 2012		2,841	11,325	712	(7,911)	**6,967**
Balance at 1 January 2013		2,841	11,325	712	(7,911)	**6,967**
Loss for the year		—	—	—	(4,196)	**(4,196)**
Issue of share capital	15	216	379	—	—	**595**
Share based payments	16	—	—	(120)	121	**1**
Balance at 31 December 2013		3,057	11,704	592	(11,986)	**3,367**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses. Share issue expenses comprise a proportion of the costs incurred in respect of new shares issued in the year.

Share based payments reserve relate to the charge for share based payments in accordance with International Financial Reporting Standard 2.

Retained earnings represent the cumulative loss of the Company attributable to the equity shareholders.

Notes to the consolidated financial statements

1 General information

Orogen Gold plc (the “Company”) is a company incorporated and domiciled in England and Wales. Details of the registered office, the officers and advisers to the Company are presented on the Company information page at the end of this report. The Company's offices are in London and Dublin. The Company is listed on the AIM market of the London Stock Exchange (ticker: ORE.L). Since March 2011, the principal activity of the Company is gold and mineral exploration and production in Europe.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiaries (together the “Group” or “Orogen”). The consolidated financial statements of the Group and the individual financial statements of the Company are prepared in accordance with applicable UK law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Directors consider that the financial information presented in these Financial Statements represents fairly the financial position, operations and cash flows for the period, in conformity with IFRS.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and associated undertakings. All consolidated subsidiaries have a reporting date of 31 December.

Subsidiaries are all entities over which Orogen Gold plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Pounds Sterling (£), which is the Group’s presentation currency and the Company’s functional currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year. New standards and amendments to IFRS effective as of 1 January 2013 have been reviewed by the Group and there has been no material impact on the financial statements as a result of these standards and amendment. The new standards are outlined below:

Reference	Title	Summary	Application date of Group
IFRS 10	Consolidated Financial Statements	Replaces IAS 27 section that addressed accounting for consolidated financial statements. Establishes a single control model applicable to all entities	1 January 2013
IFRS 11	Joint Arrangements	Replaces IAS 31 Interests in Joint Ventures	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Increases disclosure requirements in relation to an entity's interests in subsidiaries, joint arrangements, associates and structured entities	1 January 2013
IFRS 13	Fair Value Measurement	Guidance on how to measure fair value when fair value is required or permitted	1 January 2013

Standards issued but not yet effective

There were a number of standards and interpretations which were in issue at 31 December 2013 but were either not effective at 31 December 2013 or have not been applied in preparing these Financial Statements. The Directors have assessed the full impact of these accounting changes on the Company. To the extent that they may be applicable, the Directors have concluded that none of these pronouncements will cause material adjustments to the Group's Financial Statements. They may result in consequential changes to the accounting policies and other note disclosures.

Accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. In the consolidated Financial Statements, acquisition costs incurred are expensed and included in general and administrative expenses.

Exploration and evaluation assets

Exploration and evaluation assets are measured using the cost method of recognition. Exploration and evaluation expenditure is capitalised and recognised as an exploration and evaluation asset when the rights to an area of interest are current, the expenditures are expected to be recouped through successful development and exploitation activities and the operations are current and have not reached such a stage that a reasonable assessment of recoverable reserves can be made.

Exploration and evaluation expenditure includes:

- acquisition of rights to explore
- researching, analysing and collating of historical data
- exploratory drilling, sampling and trenching
- evaluation of technical feasibility and commercial viability
- administrative and general overheads related to an area of interest

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment comprises office and field equipment and freehold land. Freehold land is not depreciation. Office and field equipment are depreciated over 3 to 10 years.

Equity

Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Impairment of non-financial assets
At each statement of financial position date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation
Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Company at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments.

Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Exploration and evaluation assets (Note 9)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Impairment of investments (Note 9, 11)

Investments held are subject to impairment review. The Group's management undertakes an impairment review annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The Directors have carried out a detailed impairment review in respect of investments. The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted. The cash flow projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored.

Share based payments (Note 16)
The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

3 Segmental information

In the opinion of the Directors the Group has one class of business being the exploration for, and development and production of gold and other related activities.

The Group's primary reporting format is determined by the geographical segment according to the location of the exploration asset. There are currently three geographic reporting segments: Armenia and Serbia involved in Gold exploration and development and the United Kingdom & Ireland being the head and administrative offices.

Segment information of the business is presented below:

	2013				2012		
	United Kingdom & Ireland £'000	**Serbia £'000**	**Armenia £'000**	**Total £'000**	United Kingdom & Ireland £'000	Serbia £'000	Total £'000
Income statement							
Revenue	**—**	**—**	**—**	**—**	—	7	7
General and administrative expenses	**(491)**	**(2)**	**—**	**(493)**	(492)	(7)	(499)
Share based payments	**(1)**	**—**	**—**	**(1)**	(196)	—	(196)
Impairment charge	**—**	**(3,702)**	**—**	**(3,702)**	—	—	—
Group operating loss	**(492)**	**(3,704)**	**—**	**(4,196)**	(688)	—	(688)
Finance revenue	**20**	**—**	**—**	**20**	37	—	37
Group loss before tax	**(472)**	**(3,704)**	**—**	**(4,176)**	(651)	—	(651)
Assets and liabilities							
Segment assets	**1,221**	**1,840**	**387**	**3,448**	1,823	5,175	6,998
Segment liabilities	**(72)**	**(19)**	**—**	**(91)**	(60)	(17)	(77)
	1,149	**1,821**	**387**	**3,357**	1,763	5,158	6,921

4 Operating loss

	2013 £'000	2012 £'000
Operating loss is stated after charging/(crediting):		
Directors' emoluments	**300**	275
Directors' share based payments expense	**—**	196
Services provided by the Company's auditors:		
– Audit fees and expenses	**19**	19
– Tax compliance	**2**	2
– Other services pursuant to legislations	**1**	1
Foreign currency loss	**1**	18

5 Finance income

	2013 £'000	2012 £'000
Bank interest received	**20**	37

6 Employees

	2013 £'000	2012 £'000
Aggregate Directors' emoluments including consulting fees	**300**	275
Share based payments - Directors	**—**	195
Wages and salaries	**35**	2
Social security costs	**5**	—
Total	**340**	472

The Group has three employees in addition to the Directors of the Group.

7 Income tax benefit / (expense)

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	**(4,176)**	(651)	**(4,196)**	(379)
Tax at the UK corporation tax rate of 23% (24%)	**(960)**	(156)	**(965)**	(91)
Tax effect of expenses not deductible for tax	**851**	47	**920**	47
Tax effect of utilisation of previously unrecognised tax losses	**109**	109	**45**	44
Tax on loss on ordinary activities	**—**	—	**—**	—

The Group has tax losses of £1,875,000 (2012: £1,435,000) to carry forward against future taxable profits. The deferred tax asset on these tax losses at 23% of £431,000 (2012: £345,000) has not been recognised due to the uncertainty of the recovery.

8 Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:

	2013	2012
Loss after tax attributable to equity holders of the parent (£'000)	**(4,175)**	(651)
Weighted average number of ordinary shares in issue (share in millions)	**2,220**	1,955
Fully diluted average number of ordinary shares in issue (share in millions)	**2,220**	1,955
Basic and diluted loss per share (pence)	**(0.19)**	(0.03)

Basic and diluted earnings per share are the same, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The share options outstanding as at 31 December 2013 totalled 225,000,000 (2012: 265,000,000) and are potentially dilutive.

9 Exploration and evaluation assets

	Armenia £'000	**Serbia £'000**	**Total £'000**
Cost			
At 1 January 2012	—	—	—
Acquisition of Deli Jovan Exploration d.o.o.	—	1,132	1,132
Transfers (see note 12)	—	3,173	3,173
Additions	—	681	681
At 31 December 2012	—	4,986	4,986
Carrying value 31 December 2012	—	**4,986**	**4,986**
Cost			
At 1 January 2013	—	4,986	4,986
Additions	387	465	852
At 31 December 2013	387	5,451	5,838
Impairment			
At 1 January 2013	—	—	—
Impairment charge	—	3,702	3,702
At 31 December 2013	—	3,702	3,702
Carrying value 31 December 2013	**387**	**1,749**	**2,136**

As part of the annual impairment review of asset carrying values a charge of £3,702,000 was recorded in relation to the Deli Jovan project in Serbia.

A multiple of exploration expenditure method was used when calculating the recoverable value of the project. As there is not yet an established mineral resource for the project, a discounted cash flow model was not appropriate. Orogen has the exclusive option to earn-in to an additional 20% interest in Deli Jovan beyond its current 55% interest. The Company is currently reviewing the earn-in and a future work programme with its partner on the project.

10 Property, plant and equipment

	Freehold Land £'000	Office and Field Equipment £'000	Total £'000
Cost			
At 1 January 2012	—	—	—
Acquisition of Deli Jovan Exploration d.o.o.	2	25	27
Foreign currency exchange differences	—	1	1
At 31 December 2012	2	26	28
Accumulated depreciation			
At 1 January 2012	—	—	—
Acquisition of Deli Jovan Exploration d.o.o.	—	2	2
Depreciation charge	—	3	3
At 31 December 2012	—	5	5
Carrying value 31 December 2012	**2**	**21**	**23**
Cost			
At 1 January 2013	2	26	28
Additions	—	1	1
At 31 December 2013	2	27	29
Accumulated depreciation			
At 1 January 2013	—	5	5
Depreciation charge	—	2	2
At 31 December 2013	—	7	7
Carrying value 31 December 2013	**2**	**20**	**22**

11 Non-current assets

Investments in subsidiaries and associates:

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Cost as at 1 January	**—**	549	**6,748**	4,625
Transfer and disposals	**—**	(549)	**—**	—
Additions	**—**	—	**598**	2,123
Cost at 31 December	**—**	—	**7,346**	6,748
Impairment as at 1 January	**—**	—	**—**	—
Impairment charge	**—**	—	**4,000**	—
Impairment at 31 December	**—**	—	**4,000**	—
Carrying value as at 31 December	**—**	—	**3,346**	6,748

Break down of carrying value of investment:

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Emotion Fitness Mag Kft – investment	**339**	339	**339**	339
Emotion Fitness Mag Kft -impairment	**(339)**	(339)	**(339)**	(339)
Medavinci Gold Limited - investment	**—**	—	**3,370**	3,370
Medavinci Gold Limited - impairment	**—**	—	**(3,370)**	—
Investments	**—**	—	**—**	3,370
Medavinci Gold Limited – loan	**—**	—	**3,976**	3,378
Medavinci Gold Limited – loan provision	**—**	—	**(630)**	—
Loans to subsidiaries	**—**	—	**3,346**	3,378
Total non-current assets	**—**	—	**3,346**	6,748

As part of the annual impairment review of asset carrying values a charge of £3,370,000 was recorded in relation to the Company's investment in Medavinci Gold Limited. In addition a provision of £630,000 was made against the intercompany receivable from Medavinci Gold Limited. This follows the review of the carrying value of the Deli Jovan project (see note 9). Medavinci Gold Limited operates as a holding company of Orogen Gold Limited an Irish registered company with gold exploration interests in Serbia and Armenia.

Emotion Fitness Mag Kft

The Group's investment in Emotion Fitness Mag Kft (a Hungarian registered company) represents a 47% interest in that company. Emotion Fitness Mag Kft discontinued the operation of a fitness centre from its Budapest premises in 2011. The company is now the landlord to an independent tenant operating a fitness centre from the premises.

The Directors consider it is unlikely that the Company will recover any value from this investment and accordingly have fully impaired the value of the investment.

Subsidiary companies	Activities	Incorporation	Holding	**% holding 2013**	% holding 2012
Deli Jovan Exploration d.o.o.	Gold exploration	Serbia	Indirect	**55**	55
Orogen Gold Limited	Holding company	Ireland	Indirect	**100**	100
Medavinci Gold Limited	Holding company	UK	Direct	**100**	100
Orogen Gold (Serbia) Limited	Holding company	Ireland	Indirect	**100**	100
Orogen Gold (Armenia) Limited	Holding company	Ireland	Indirect	**100**	—
Emotion Fitness Limited	Holding company	UK	Direct	**100**	100

12 Business combinations, goodwill and non-controlling interests

Acquisition of Deli Jovan Exploration d.o.o.

On 13 June 2012, the Group earned a 55% interest in the Serbian company Deli Jovan Exploration d.o.o. following the completion of CAD1.5 million Phase 1 exploration financing of the Deli Jovan gold project. The remaining 45% interest is held by Reservoir Minerals Inc.. At the date of acquisition non-controlling interests have been measured at their proportionate interest in the book values of the subsidiary net assets as adjusted for the accounting policies of the Group (the total subsidiary net assets after accounting policy adjustments was £895,000 – the adjustments to the subsidiary net assets included the capitalisation of exploration and evaluation assets of £749,000).

Assets acquired and liabilities assumed:

	At date of acquisition £'000
Assets	
Exploration and evaluation assets (see note below)	1,132
Cash and cash equivalents	130
Property, plant and equipment	25
Trade and other receivables	39
Inventories	22
Total assets	1,348
Liabilities	
Trade and other payables	70
Total liabilities	70
Total net assets	1,278
Non-controlling interest	403
Purchase consideration	**875**

At the acquisition date a fair value adjustment of £383,000 was made to the exploration and evaluation assets to reflect the value of the Group's investment in the Deli Jovan gold project.

Movement on goodwill:

	2012 £'000
Cost as at 1 January	3,173
Additions	—
Transfer to exploration and evaluation assets	(3,173)
Cost at 31 December	—
Carrying value as at 31 December	—

100% of the goodwill balance at 1 January 2012 relates to the acquisition of Orogen Gold Limited – the main asset of that company on the date of acquisition was the earn-in agreement on the Deli Jovan gold project. On completion of the first phase of the earn-in which triggered the application of the 55% earn-in to the transfer of ownership of 55% of Deli Jovan Exploration d.o.o. (the holding company of the Deli Jovan Exploration permit) to the Group, the balance of the goodwill figure was transferred to exploration and evaluation assets.

13 Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
VAT recoverable	**66**	159	**12**	10
Other receivables and prepayments	**16**	17	**12**	13
Unpaid share capital	**—**	192	**—**	192
Trade and other receivables	**82**	368	**24**	215

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

14 Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Cash at bank	**1,208**	1,621	**43**	40
Cash and cash equivalents	**1,208**	1,621	**43**	40

15 Share capital

	Ordinary shares of £0.001 each		Deferred shares of £0.009 each			
	Number	Nominal value £'000	Number	Nominal value £'000	Share premium £,000	Total consideration £,000
Authorised	**5,000,000,000**	**5,000**	**73,599,817**	**662**		
Allotted, called up and fully paid						
Balance at 1 January 2012	1,905,172,453	1,905	73,599,817	662	10,239	12,806
Issue of new shares	274,000,000	274	—	—	1,086	1,360
Balance at 31 December 2012	**2,179,172,453**	**2,179**	**73,599,817**	**662**	**11,325**	**14,166**
Issue of new shares	216,666,667	216	—	—	379	595
Balance at 31 December 2013	**2,395,839,120**	**2,395**	**73,599,817**	**662**	**11,704**	**14,761**

On 24 October 2013, 216,666,667 new ordinary shares of £0.001 each were issued at £0.003 per share by way of share placing. The cash consideration received by the Company was £595,000.

On 27 December 2012, 34,000,000 new ordinary shares of £0.001 each were issued at £0.006 per share by way of share placing. The cash consideration received by the Company was £192,000.

On 17 October 2012, 240,000,000 new ordinary shares of £0.001 each were issued at £0.005 per share by way of share placing. The cash consideration received by the Company was £1,137,000.

16 Share based payments

The Group has a share ownership compensation scheme for senior executives of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous general meeting, senior executives may be granted options to purchase ordinary shares in the Company.

The Group has on occasion issued warrants, or share options to third parties by way of settlement of liabilities to strategic suppliers. Each share option converts into one ordinary share of Orogen Gold plc upon exercise. No amounts are paid or payable by the recipient of the option for the option. The options carry neither rights to dividends nor voting rights at shareholders meetings.

On 29 November 2012 warrants of 20,000,000 ordinary shares in the Company were issued to Darwin Strategic Limited. These warrants are exercisable at 0.95p per ordinary share at any time within 3 years of the grant date.

On 4 March 2011 share options of 240,000,000 ordinary shares in the Company were issued to members of the board under the Company's Share Option Plan. These share options fully vested on 15 February 2012 and are exercisable at 0.95p per share during the period 16 February 2012 to 15 February 2021. During December 2012, 200,000,000 of these share options were re-priced to 0.60p per share from their original exercisable price. 40,000,000 of these share options lapsed during the year and the charge recognised in relation to the forfeited share options in prior years (£121,000) has been reversed from the share based payment reserve and credited to retained earnings in the current year.

During the last quarter of 2010 share options of 10,000,000 ordinary shares in the Company were granted to strategic suppliers at an average strike price of 0.30p. During 2011, 5,000,000 of these share options were exercised at a price of 0.40p per share.

These equity instruments were valued using the Black-Scholes option pricing model.

	2013		2012	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Balance at 1 January	**265,000,000**	**0.67p**	245,000,000	0.85p
Granted during the year	**—**	**—**	20,000,000	0.95p
Lapsed during the year	**(40,000,000)**	**0.60p**	—	—
Re-priced during the year (old price)	**—**	**—**	(200,000,000)	(0.95p)
Re-priced during the year (new price)	**—**	**—**	200,000,000	0.60p
Balance at 31 December	**225,000,000**	**0.68p**	265,000,000	0.67p
Exercisable at 31 December	**225,000,000**	**0.68p**	265,000,000	0.67p

The fair value of equity based share options granted is estimated at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options have been granted. The following are the inputs to the model for the options granted:

	Share Options 2012	Warrants 2012	Share Options 2011
Strike price	0.60p	0.95p	0.95p
Total units	200,000,000	20,000,000	200,000,000
Underlying asset price	0.49p	0.59p	0.95p
Time (days)	2,972	1,095	3,600
Volatility	20%	20%	20%
Interest rate p.a.	1.75%	0.75%	3.5%

200,000,000 share options held by the Directors of Orogen Gold plc were re-priced in December 2012 to 0.60p per share from their original exercisable price of 0.95p per share. A fair value calculation of the equity instruments granted versus the old equity instruments was performed on the date of modification with the incremental fair value recognised immediately on the modification date.

The calculated fair value of share options and warrants charged to the Group and Company financial statements in the year is as follows:

	2013 £'000	2012 £'000
Share options	**—**	195
Warrants	**1**	1
Total	**1**	196

17 Retained earnings

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Opening balance	**(8,377)**	(7,726)	**(7,911)**	(7,532)
Loss for the year	**(4,175)**	(651)	**(4,196)**	(379)
Adjustment for forfeited share options	**121**	—	**121**	—
Closing balance	**(12,431)**	(8,377)	**(11,986)**	(7,911)

In accordance with the provisions of the Companies Act 2006, the Company has not presented a statement of profit or loss and other comprehensive income. The Company's loss for the year was £4,196,000 (2012: loss £379,000).

18 Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade payables	**18**	16	**8**	—
Accruals and deferred income	**60**	43	**36**	34
Amounts due to Directors	**13**	18	**2**	2
Trade and other payables	**91**	77	**46**	36

Amounts due to Directors are unsecured, interest free and are current liabilities.

19 Related party transactions

See the Directors report for details of remuneration of Directors. Subsidiary information is presented in note 11; transactions between Group entities have been eliminated on consolidation and are not disclosed.

Shares purchased by Directors

Shares in Orogen Gold plc were acquired by the Directors of the Company as part of share placings as follows:

	Subscription shares Oct 2013	**Subscription shares Oct 2012**
Adam Reynolds	6,666,667	4,000,000
Alan Mooney	6,666,667	4,000,000
Ed Slowey	6,666,667	4,000,000
John Barry	6,666,667	4,000,000
Michael Nolan	6,666,667	4,000,000
Total	**33,333,335**	**20,000,000**

Other transactions with Directors

The following amounts were charged during the year to the Company by entities related to the Directors:

	2013	**2012**
	£	**£**
Office facilities and administration	**6,000**	33,799
Total	**6,000**	33,799

Parent transactions with Group companies

During the year the Company advanced £598,000 (2012: £2,123,000) to Medavinci Gold Limited by way of intercompany loans for exploration activities. The balance outstanding from Medavinci Gold Limited at 31 December 2013 is £3,976,000 (2012: £3,378,000). The Company made a provision against this receivable in the current year (see note 11).

20 Events after the reporting period

In February 2014 the Company, through its wholly owned subsidiary Orogen Gold (Armenia) Limited, signed a Joint Venture Agreement with Georaid CJSC ("Georaid"), an Armenian registered company and holder of Exploration Licence EHTV 29/066 ("Mutsk gold project"), granting the Company an exclusive option to earn-in to the Mutsk gold project in southern Armenia. Under the Joint Venture Agreement the Company has the option to acquire an 80% undivided interest in Georaid by incurring exploration expenditures of US$2,500,000 by 31 August 2016.

21 Financial instruments – risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Company's operations expose it to some financial risks arising from its use of financial instruments, the most significant ones being cash flow interest rate risk, foreign exchange risk, liquidity risk and capital risk. Further details regarding these policies are set out below:

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that attractive rates of interest are received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Interest rates on financial assets

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at 31 December 2013 of these assets was as follows:

	Total	Financial assets on which interest is earned	Financial assets on which interest in not earned
	£'000	£'000	£'000
31 December 2013			
UK Sterling	**1,179**	1,113	66
Euro	**40**	1	39
Canadian Dollar	**22**	1	21
Serbian Dinar	**49**	—	49
	1,290	1,115	175
31 December 2012			
UK Sterling	**1,807**	1,534	273
Euro	**35**	6	29
Canadian Dollar	**3**	—	3
Serbian Dinar	**144**	—	144
	1,989	1,540	449

The Group earned interest on its interest bearing financial assets at rates between 0.9% and 2% (2012: 1% and 3%) during the year.

A change in interest rates on the statement of financial position date would increase/ (decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2012 was prepared under the same assumptions.

	2013		2012	
	Increase in 1%	**Decrease of 1%**	Increase in 1%	Decrease of 1%
	£'000	**£'000**	£'000	£'000
Instruments bearing interest	**13**	**(13)**	19	(19)

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous year end and that therefore this risk has had no material impact on earnings or shareholders' equity.

Foreign exchange risk

Foreign exchange risk may arise because the Group has operations located in various parts of the world where the local currency is not the same as the functional currency in which the Company operates.

Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that surplus funds over and above immediate working capital requirements are held in Sterling deposits.

The Group considers this policy minimises any unnecessary foreign exchange exposure. In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an on-going basis.

The following table discloses the major exchange rates of those currencies utilised by the Group:

Foreign currency units to £1 UK Sterling (rounded)	EUR	CAD	USD	RSD
Average 2013	1.179	1.621	1.568	132.54
At 31 December 2013	1.198	1.763	1.649	136.60
Average 2012	1.230	1.587	1.587	143.29
At 31 December 2012	1.223	1.610	1.617	138.53

(EUR = Euro; CAD = Canadian Dollar, USD = United States Dollar and RSD = Serbian Dinar)

Liquidity risk

Liquidity risk arises from the Group's management of working capital; it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The principal obligations of the Group arise in respect of committed expenditure in respect of its on-going exploration work. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements and to raise new equity finance to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its on-going exploration work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes. For cash and cash equivalents, the Company only uses recognised banks with medium to high credit ratings.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Company information

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Secretary	Ross Crockett
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