RAMBLER
METALS & MINING PLC

# UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

## FOR THE QUARTER ENDED JANUARY 31, 2014

The accompanying financial information for the quarter ended January 31, 2014 and January 31, 2013 has not been reviewed or audited by the Group's auditor and has an effective date of March 20, 2014.

# Rambler Metals and Mining Plc

## Unaudited Consolidated income statement

**For the Quarter Ended January 31, 2014**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Quarter ended January 31 2014 $,000 | Quarter ended January 31 2013 $,000 | Six months ended January 31 2014 $,000 | Six months ended January 31 2013 $,000 |
|---|---|---|---|---|
| Revenue | 15,237 | 11,407 | 31,982 | 11,407 |
| Production costs | (8,075) | (7,328) | (15,363) | (7,328) |
| Depreciation and amortisation | (2,218) | (2,040) | (4,734) | (2,040) |
| Gross profit | 4,944 | 2,039 | 11,885 | 2,039 |
| | | | | |
| Administrative expenses | (1,271) | (925) | (2,240) | (1,742) |
| Exploration expenses | (29) | - | (41) | - |
| Operating profit | 3,644 | 1,114 | 9,604 | 297 |
| | | | | |
| Bank interest receivable | 47 | 20 | 54 | 44 |
| Gain on derivative financial instruments | 2 | 541 | 395 | 582 |
| Finance costs | (940) | 266 | (1,764) | 264 |
| Foreign exchange differences | (1,233) | (11) | (1,505) | 25 |
| Net financing (expense)/income | (2,124) | 816 | (2,820) | 915 |
| | | | | |
| Profit before tax | 1,520 | 1,930 | 6,784 | 1,212 |
| | | | | |
| Income tax expense | (493) | 28 | (2,049) | 28 |
| Profit for the period and attributable to owners of the parent | 1,027 | 1,958 | 4,735 | 1,240 |

**Earnings per share**

| | Quarter ended January 31 2014 $ | Quarter ended January 31 2013 $ | Six months ended January 31 2014 $ | Six months ended January 31 2013 $ |
|---|---|---|---|---|
| Basic and diluted earnings per share | 0.007 | 0.014 | 0.033 | 0.009 |

## Rambler Metals and Mining Plc

## Unaudited Consolidated statement of comprehensive income

**For the Quarter Ended January 31, 2014**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Quarter ended January 31 2014 $ | Quarter ended January 31 2013 $ | Six months ended January 31 2014 $,000 | Six months ended January 31 2013 $,000 |
|---|---|---|---|---|
| Profit for the period | 1,027 | 1,958 | 4,735 | 1,240 |
| **Other comprehensive income** | | | | |
| *Items that may be reclassified into profit or loss* | | | | |
| Exchange differences on translation of foreign operations (net of tax) | 159 | (7) | 244 | (3) |
| (Loss)/gain on available for sale investment (net of tax) | (155) | 356 | (99) | 508 |
| Other comprehensive income for the period | 4 | 349 | 145 | 505 |
| Total comprehensive income for the period and attributable to the owners of the parent | 1,031 | 2,307 | 4,880 | 1,745 |

## CONSOLIDATED BALANCE SHEET

**As at January 31, 2014**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Note | Unaudited January 31 2013 $,000 | Audited July 31 2013 $,000 |
|---|---|---|---|
| Assets | | | |
| Intangible assets | 3 | 18,396 | 17,450 |
| Mineral properties | 4 | 51,169 | 49,395 |
| Property, plant and equipment | 5 | 27,238 | 28,460 |
| Available for sale investments | 6 | 2,064 | 1,703 |
| Deferred tax | | 4,161 | 5,916 |
| Total non-current assets | | 103,028 | 102,924 |
| Inventory | 7 | 3,200 | 3,373 |
| Trade and other receivables | | 1,001 | 1,096 |
| Derivative financial asset | 8 | 2,207 | 639 |
| Cash and cash equivalents | | 5,154 | 5,566 |
| Restricted cash | | 3,255 | 3,261 |
| Total current assets | | 14,817 | 13,935 |
| Total assets | | 117,845 | 116,859 |
| Equity | | | |
| Issued capital | | 2,629 | 2,613 |
| Share premium | | 75,505 | 75,164 |
| Merger reserve | | 214 | 214 |
| Translation reserve | | 384 | 140 |
| Fair value reserve | | 200 | 299 |
| Accumulated profits | | 4,037 | (738) |
| Total equity | | 82,969 | 77,692 |
| Liabilities | | | |
| Interest-bearing loans and borrowings | 9 | 20,663 | 20,576 |
| Provision | 10 | 1,951 | 1,903 |
| Total non-current liabilities | | 22,614 | 22,479 |
| Interest-bearing loans and borrowings | 9 | 7,371 | 10,898 |
| Trade and other payables | | 4,891 | 5,790 |
| Total current liabilities | | 12,262 | 16,688 |
| Total liabilities | | 34,876 | 39,167 |
| Total equity and liabilities | | 117,845 | 116,859 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (EXPRESSED IN CANADIAN DOLLARS) | Share capital $,000 | Share premium $,000 | Merger reserve $,000 | Translation reserve $,000 | Fair value reserve $,000 | Accumulated Losses $,000 | Total $,000 |
|---|---|---|---|---|---|---|---|
| **Audited** | | | | | | | |
| Balance at August 1, 2012 | 2,599 | 74,756 | 214 | 143 | (422) | (9,888) | 67,402 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | - | - | 9,053 | 9,053 |
| Foreign exchange translation differences | - | - | - | (3) | - | - | (3) |
| Gain on available for sale investments (net of tax) | - | - | - | - | 721 | - | 721 |
| Total other comprehensive income | - | - | - | (3) | 721 | - | 718 |
| Total comprehensive income for the year | - | - | - | (3) | 721 | 9,053 | 9,771 |
| **Transactions with owners** | | | | | | | |
| Issue of share capital | 14 | 408 | - | - | - | - | 422 |
| Share-based payments | - | - | - | - | - | 97 | 97 |
| Transactions with owners | 14 | 408 | - | - | - | 97 | 519 |
| Balance at July 31, 2013 | 2,613 | 75,164 | 214 | 140 | 299 | (738) | 77,692 |
| **Unaudited** | | | | | | | |
| Balance at August 1, 2013 | 2,613 | 75,164 | 214 | 140 | 299 | (738) | 77,692 |
| **Comprehensive income** | | | | | | | |
| Profit for the period | - | - | - | - | - | 4,735 | 4,735 |
| Foreign exchange translation differences | - | - | - | 244 | - | - | 244 |
| Loss on available for sale investments (net of tax) | - | - | - | - | (99) | - | (99) |
| Other comprehensive income | - | - | - | 244 | (99) | - | 145 |
| Total comprehensive income for the period | - | - | - | 244 | (99) | 4,735 | 4,880 |
| **Transactions with owners** | | | | | | | |
| Issue of share capital | 16 | 341 | - | - | - | - | 357 |
| Share-based payments | - | - | - | - | - | 40 | 40 |
| Transactions with owners | 16 | 341 | - | - | - | 40 | 397 |
| Balance at January 31, 2014 | 2,629 | 75,505 | 214 | 384 | 200 | 4,037 | 82,969 |

## RAMBLER METALS AND MINING PLC

## UNAUDITED STATEMENTS OF CASH FLOWS

**For the Quarter Ended January 31, 2014**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Quarter ended January 31 2014 | Quarter ended January 31 2013 | Six months ended January 31 2014 | Six months ended January 31 2013 |
|---|---|---|---|---|
| | $,000 | $,000 | $,000 | $,000 |
| **Cash flows from operating activities** | | | | |
| Operating profit | 3,644 | 1,114 | 9,604 | 297 |
| Depreciation | 2,238 | 2,066 | 4,781 | 2,090 |
| Share based payments | 21 | 28 | 40 | 65 |
| Decrease/(increase) in inventory | 1,035 | (1,416) | 173 | (1,527) |
| Decrease/(increase) in receivables | 60 | (661) | 95 | (581) |
| Increase in derivative financial instruments | 404 | - | (1,173) | - |
| (Decrease)/increase in payables | (727) | 4,109 | (1,177) | 3,741 |
| Cash generated from operations | 6,675 | 5,240 | 12,343 | 4,085 |
| Income tax received | - | 28 | - | 28 |
| Interest paid | (231) | (290) | (451) | (292) |
| **Net cash generated from operating activities** | 6,444 | 4,978 | 11,892 | 3,821 |
| **Cash flows from investing activities** | | | | |
| Interest received | 47 | 20 | 54 | 44 |
| Redemption/(acquisition) of bearer deposit note | - | 1 | 6 | (5) |
| Acquisition of available for sale investments | (250) | - | (250) | - |
| Acquisition of evaluation and exploration assets | (314) | - | (628) | (60) |
| Acquisition of mineral properties - net | (2,074) | (1,053) | (3,355) | (1,496) |
| Acquisition of property, plant and equipment | (616) | (126) | (1,025) | (646) |
| **Net cash utilised in investing activities** | (3,207) | (1,158) | (5,198) | (2,163) |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of share capital | - | 4 | 7 | 21 |
| Repayment of Gold Loan (note 9) | (432) | (388) | (1,017) | (760) |
| Repayment of Credit Facility | (2,750) | (500) | (4,900) | (500) |
| Capital element of finance lease payments | (653) | (529) | (1,263) | (963) |
| **Net cash utilised in financing activities** | (3,835) | (1,413) | (7,173) | (2,202) |
| Net (decrease)/increase in cash and cash equivalents | (598) | 2,407 | (479) | (544) |
| Cash and cash equivalents at beginning of period | 5,655 | 4,893 | 5,566 | 7,826 |
| Effect of exchange rate fluctuations on cash held | 97 | 25 | 67 | 43 |
| **Cash and cash equivalents at end of period** | 5,154 | 7,325 | 5,154 | 7,325 |

# UNAUDITED NOTES TO THE FINANCIAL STATEMENTS

## 1 Nature of operations and going concern

The principal activity of the Group is the development and exploration of the Ming Copper-Gold Mine (“Ming Mine”) located in Baie Verte, Newfoundland and Labrador, Canada.

Since the commencement of commercial production the Group has generated operating cash flows of $18 million and reduced the working capital deficit from $2.7 million at July 31, 2013 to positive working capital of $2.6 million at January 31, 2014. The Group expects to remain cash flow positive based on current projections and production forecasts maintaining a working capital surplus. The current economic conditions do, however, create uncertainty particularly over

(a) the price of copper, gold and silver;
(b) the exchange rate between Canadian and US dollars and thus the consequence for the cash generated from US dollar revenues ;
(c) the production targets being met; and

The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should continue to be cash flow positive.
Based on the above management concludes the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## 2 Accounting policies

Details of the main accounting policies of the Group are included in note 2 of the financial statements for the year ended July 31, 2013.

Income tax

The income tax expense comprises the deferred tax charge on the results of the Group at the effective tax rates in Canada and the UK of 29% and 20% respectively.

Joint operations

The Group has an agreement with another company whereby the Group owns a project jointly with that company and shares in the costs and ownership of the project. The property is jointly controlled by the Group and its partner, and each accounts for its own expenditures.

## UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. Intangible assets

| | Ming Mine $,000 | Little Deer Copper Deposit $,000 | Exploration and evaluation cost $,000 |
|---|---|---|---|
| Cost | | | |
| Balance at August 1, 2012 | 17,260 | - | 17,260 |
| Acquisitions | 190 | - | 190 |
| Balance at July 31, 2013 | 17,450 | - | 17,450 |
| | | | |
| Balance at August 1, 2013 | 17,450 | - | 17,450 |
| Acquisitions | 396 | 550 | 946 |
| Balance at January 31. 2014 | 17,846 | 550 | 18,396 |
| Carrying amounts | | | |
| At July 31, 2013 | 396 | 550 | 946 |
| At January 31 2014 | 17,846 | 550 | 18,396 |

### 4. Mineral Properties

| | Mineral Property $,000 |
|---|---|
| Cost | |
| Balance at August 1, 2012 | 48,064 |
| Acquisitions | 5,664 |
| Transfer to inventory on commercial production | (2,129) |
| Balance at July 31, 2013 | 51,599 |
| | |
| Balance at August 1, 2013 | 51,599 |
| Acquisitions | 3,355 |
| Balance at January 31, 2014 | 54,954 |
| | |
| Amortisation | |
| Balance at August 1, 2012 | - |
| Amortisation charge | 2,204 |
| Balance at July 31, 2013 | 2,204 |
| | |
| Balance at August 1, 2013 | 2,204 |
| Amortisation charge | 1,581 |
| Balance at January 31, 2014 | 3,785 |
| | |
| Carrying amounts | |
| At July 31, 2013 | 49,395 |
| At January 31, 2014 | 51,169 |

## UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Property, plant and equipment

| | Land and buildings | Assets under construction | Motor vehicles | Plant and equipment | Fixtures, fittings and equipment | Computer equipment | Total |
|---|---|---|---|---|---|---|---|
| | $,000 | $,000 | $,000 | $,000 | $,000 | $,000 | $,000 |
| Cost | | | | | | | |
| Balance at August 1, 2012 | 3,674 | 21,499 | 212 | 17,354 | 93 | 753 | 43,585 |
| Additions | 30 | 131 | 47 | 2,349 | 17 | 46 | 2,620 |
| Reclassification | 613 | (21,604) | - | 20,991 | - | - | - |
| Balance at July 31, 2013 | 4,317 | 26 | 259 | 40,694 | 110 | 799 | 46,205 |
| | | | | | | | |
| Balance at August 1, 2013 | 4,317 | 26 | 259 | 40,694 | 110 | 799 | 46,205 |
| Additions | 77 | 338 | - | 1,527 | - | 36 | 1,978 |
| Balance at January 31, 2014 | 4,394 | 364 | 259 | 42,221 | 110 | 835 | 48,183 |
| | | | | | | | |
| Depreciation and impairment losses | | | | | | | |
| Balance at August 1, 2012 | 1,259 | - | 129 | 10,018 | 72 | 613 | 12,091 |
| Depreciation charge for the year | 399 | - | 54 | 5,087 | 16 | 98 | 5,654 |
| Balance at July 31, 2013 | 1,658 | - | 183 | 15,105 | 88 | 711 | 17,745 |
| | | | | | | | |
| Balance at August 1, 2013 | 1,658 | - | 183 | 15,105 | 88 | 711 | 17,745 |
| Depreciation charge | 205 | - | 25 | 2,920 | 8 | 42 | 3,200 |
| Balance at January 31, 2014 | 1,863 | - | 208 | 18,025 | 96 | 753 | 20,945 |
| | | | | | | | |
| Carrying amounts | | | | | | | |
| At July 31, 2013 | 2,659 | 26 | 76 | 25,589 | 22 | 88 | 28,460 |
| At January 31, 2014 | 2,531 | 364 | 51 | 24,196 | 14 | 82 | 27,238 |

### 6. Available for sale investments

| | $'000 |
|---|---|
| Cost or valuation | |
| Balance at August 1, 2012 | 712 |
| Acquisitions | 148 |
| Revaluation | 843 |
| Balance at July 31, 2013 | 1,703 |
| | |
| Balance at August 1, 2013 | 1,703 |
| Acquisitions | 515 |
| Revaluation | (154) |
| Balance at January 31, 2014 | 2,064 |
| Carrying amounts | |
| At July 31, 2013 | 1,703 |
| At January 31, 2014 | 2,064 |

## UNAUDITED NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventories

| | January 31 2014 $,000 | July 31 2013 $,000 |
|---|---|---|
| Metals in process | 1,630 | 1,977 |
| Operating supplies | 1,570 | 1,396 |
| | 3,200 | 3,373 |

### 8. Derivative financial asset

| | January 31 2014 $,000 | July 31 2013 $,000 |
|---|---|---|
| Concentrate receivables from off-taker | 2,207 | 639 |

### 9. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 13.

| | January 31 2014 $,000 | July 31 2013 $,000 |
|---|---|---|
| Non-current liabilities | | |
| Bank loan | - | 19 |
| Finance lease liabilities | 4,122 | 4,613 |
| Gold Loan | 16,541 | 15,944 |
| | 20,663 | 20,576 |
| Current liabilities | | |
| Current portion of bank loan | - | 3 |
| Current portion of finance lease liabilities | 2,631 | 2,427 |
| Current portion of Gold Loan | 3,756 | 2,847 |
| Credit Facility | 984 | 5,621 |
| | 7,371 | 10,898 |

### 9. Interest-bearing loans and borrowings (continued)

**Finance lease liabilities**
Finance lease liabilities are payable as follows:

| | Minimum lease Payments January 31 2014 $,000 | Interest January 31 2014 $,000 | Principal January 31 2014 $,000 | Minimum lease Payments July 31 2013 $,000 | Interest July 31 2013 $,000 | Principal July 31 2013 $,000 |
|---|---|---|---|---|---|---|
| Less than one year | 2,963 | 332 | 2,631 | 2,759 | 332 | 2,427 |
| Between one and five years | 4,278 | 156 | 4,122 | 4,867 | 254 | 4,613 |
| | 7,241 | 488 | 6,753 | 7,626 | 586 | 7,040 |

Under the terms of the lease agreements, no contingent rents are payable. The finance lease liabilities are secured on the underlying assets.

**Gold Loan**

In March 2010, the Group entered into an agreement (“Gold Loan”) with Sandstorm to sell a portion of the life-of-mine gold production from its Ming Mine.

Under the terms of the agreement Sandstorm made staged upfront cash payments for the gold to the Group totalling US$20 million.

For this, in each production year following the first year of production, until 175,000oz of payable gold has been produced, the Group has agreed to sell a percentage equal to 25% x (85% divided by the actual percentage of metallurgical recovery of gold realized in the immediately preceding production year) provided that, if the payable gold production in any production year after the third production year is less than 15,000 ounces, then in each such production year, Sandstorm payable gold shall not be less than 25% of the payable gold. In each production year following the first year of production, after 175,000oz of payable gold has been produced, the Group has agreed to sell a percentage equal to 12% x (85% divided by the actual percentage of metallurgical recovery of gold realized in the immediately preceding production year) provided that, if the payable gold production in any production year after the third production year is less than 15,000 ounces, then in each such production year, Sandstorm payable gold shall not be less than 12% of the payable gold for the remainder of the period ending 40 years after the date of the agreement. After the expiry of the 40 year term, the agreement is renewable in 10 year terms at the option of Sandstorm.

The Gold Loan is accounted for as a financial liability carried at amortised cost. In determining the effective interest rate implicit in the cash flows arising from the loan the cash flows are forecast at each quarter end based on management’s best estimates of the time of delivery of payable gold, the total amount of gold expected to be produced over the mine life and the timing of that production.

The Gold Loan is secured by a fixed and floating charge over the assets of the Group.

### 9. Interest-bearing loans and borrowings (continued)

**Credit Facility**

On September 29, 2011 the Group agreed a Credit Facility of up to $10 million with Sprott Resource Lending Partnership ('Sprott') for use as additional funding for the development of the Ming Mine. On March 26, 2013 this agreement was amended such that the principal is repayable by March 31, 2014 and secured by a fixed and floating charge over the assets of the Group. On November 29 2013, December 31, 2013 and January 31, 2014 the Group made repayments of $1,000,000, $750,000 and $1,000,000 respectively reducing the outstanding balance to $1,000,000 at January 31, 2014.

### 10. Provisions

| | **January 31 2013** | July 31 2013 |
|---|---|---|
| | **$,000** | $,000 |
| Reclamation and closure provision | | |
| Opening balance | 1,903 | 1,812 |
| Unwinding of discount | 48 | 91 |
| Ending balance | 1,951 | 1,903 |

The reclamation and closure provision has been made in respect of costs of land restoration and rehabilitation expected to be incurred at the end of the Ming Mine's useful life. The provision has been calculated based on the present value of the expected future cash flows associated with reclamation and closure activities as required by the Government of Newfoundland and Labrador. The provision relates to restoration of all three sites associated with the Ming Mine project: mill, mine and port sites. The liability is secured by Letters of Credit for $3,255,155.

### 11. Related parties

**Transactions with key management personnel**

Total key management personnel compensations were as follows:

| | **Quarter ended January 31 2014** | Quarter ended January 31 2013 | **Six months ended January 31 2014** | Six months ended January 31 2013 |
|---|---|---|---|---|
| | **$,000** | $,000 | **$,000** | $,000 |
| Salaries | 199 | 206 | 402 | 378 |
| | 199 | 206 | 402 | 378 |

### 12. Share-based payments

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

| | Weighted average exercise price January 31 2014 $ | Number of options January 31 2014 No. 000 | Weighted average exercise price July 31 2013 $ | Number of options July 31 2013 No. 000 |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 0.45 | 4,113 | 0.46 | 3,937 |
| Granted during the period | 0.40 | 155 | 0.47 | 622 |
| Exercised | - | - | 0.24 | (117) |
| Cancelled during the period | 0.55 | (88) | 0.63 | (329) |
| Outstanding at the end of the period | 0.46 | 4,180 | 0.45 | 4,113 |
| Exercisable at the end of the period | 0.46 | 3,377 | 0.45 | 3,339 |

The options outstanding at January 31, 2014 have an exercise price in the range of $0.17 to $1.10 and a weighted average remaining contractual life of 7 years (July 31, 2013: 7 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

| Fair value of share options and assumptions | **Quarter ended Jan. 31 2014** | Quarter ended Jan. 31 2013 | **Six months ended Jan. 31 2014** | Six months ended Jan. 31 2013 |
|---|---|---|---|---|
| Fair value at measurement date of options granted in the period | - | $0.241 | $0.192 | $0.241 |
| Share price (weighted average) | - | $0.580 | $0.550 | $0.525 |
| Exercise price (weighted average) | - | $0.580 | $0.550 | $0.525 |
| Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes model) | - | 56.1% | 46.3% | 53.8% |
| Expected option life (years) | - | 5 | 5 | 5 |
| Expected dividends (%) | - | 0 | 0 | 0 |
| Risk-free interest rate (based on national government bonds) | - | 1.39% | 1.74% | 1.39% |

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. There are no performance or market conditions associated with the share option grants.

### 12. Share-based payments (continued)

| | **Quarter ended Jan. 31 2014 $,000** | Quarter ended Jan. 31 2013 $,000 | **Six months ended Jan. 31 2014 $,000** | Six months ended Jan. 31 2013 $,000 |
|---|---|---|---|---|
| Total expense recognised as employee costs | 21 | 28 | 40 | 65 |

### 13. Financial risk management

The Group’s principal financial assets comprise: cash and cash equivalents, restricted cash, available for sale investments, derivative financial instruments and trade and other receivables. The Group’s financial liabilities comprise: trade payables and other payables. The Group’s financial liabilities also include interest bearing loans and borrowings.

All of the Group’s financial liabilities are measured at amortised cost and their financial assets are classified as loans and receivables and measured at amortised cost with the exception of available for sale investments and derivative financial instruments as described in notes 6 and 8 respectively.

The board of directors determines, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign exchange risk, interest rate risk, credit risk and liquidity risk each of which is discussed below.

**Foreign currency risk**

The Group's cash resources are held in Canadian dollars, GB pounds and US Dollars and certain receivables and the Gold Loan are denominated in US dollars. The Group has a downside exposure to any strengthening of the GB pound as this would increase expenses in Canadian dollar terms. This risk is mitigated by reviewing the holding of cash balances in GB pounds. Any weakening of the GB pound would however result in the reduction of the expenses in Canadian dollar terms and preserve the Group's cash resources. In addition, any such movements would affect the Consolidated Balance Sheet when the net assets of the Parent Company are translated into Canadian dollars. The Group has a downside exposure to any strengthening of the US dollar as this would increase the amount repayable on the Gold Loan in Canadian dollar terms. Repayment is envisaged in payable gold which is denominated in US dollars. Exposure to this foreign currency risk has been mitigated since the commencement of production. Any weakening of the US dollar would however result in a reduction in revenue and receivables in Canadian dollar terms. The Group has not hedged its exposure to currency fluctuations.

The Group does not hedge its exposure of foreign investments held in foreign currencies. There is no significant impact on profit or loss from foreign currency movements associated with the Parent company’s assets and liabilities as the foreign currency gains or losses are recorded in the translation reserve.

### 13. Financial risk management (continued)

Exchange rate fluctuations may adversely affect the Group's financial position and results. The following table details the Group`s sensitivity to a 10% strengthening and weakening in the US Dollar against the Canadian Dollar. 10% represents management's assessment of the reasonable possible exposure.

| | Profit for the period | | Equity | |
|---|---|---|---|---|
| | **January 31 2014** | July 31 2013 | **January 31 2014** | July 31 2013 |
| | **$,000** | $,000 | **$,000** | $,000 |
| 10% strengthening of US dollar | (2,029) | (1,879) | (2,029) | (1,879) |
| 10% weakening of US dollar | 1,845 | 1,708 | 1,845 | 1,708 |

### Liquidity risk

With finite cash resources the liquidity risk is significant. This risk is managed by controls over expenditure and concentrating on achieving the payment milestones under the financing arrangement. Success will depend largely upon the outcome of on-going and future exploration and development programmes. Given the nature of the Group's current activities the entity will remain dependent on a mixture of debt and equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of mineral resources.

The Group's trade payables, other payables and accrued expenses are generally due between one and three months and the Group's financial liabilities are due as follows:

| Financial liabilities | **Jan. 31 2013** | July 31 2013 |
|---|---|---|
| | **$,000** | $,000 |
| Due within one year | 8,001 | 11,621 |
| Due within one to two years | 6,172 | 5,865 |
| Due within two to three years | 4,679 | 4,732 |
| Due within three to four years | 4,124 | 3,764 |
| Due within four to five years | 3,636 | 3,404 |
| Due after five years | 15,530 | 16,576 |
| | 42,142 | 45,962 |

### Fixed rate financial liabilities

At the period end the analysis of finance leases, hire purchase contracts and loans which were all due in Canadian Dollars and are at fixed interest rates was as follows:

| Fixed rate liabilities | **Jan. 31 2013** | July 31 2013 |
|---|---|---|
| | **$,000** | $,000 |
| Due within one year | 3,963 | 8,663 |
| Due within one to two years | 2,797 | 2,640 |
| Due within two to three years | 1,174 | 1,916 |
| Due within three to four years | 304 | 306 |
| Due within four to five years | 1 | 23 |
| Due after five years | - | - |
| | 8,239 | 13,548 |

**13. Financial risk management (continued)**

The average fixed interest rate for the finance leases and hire purchase contracts outstanding at January 31, 2014 was 6.14%.

**Credit risk**

The Group generally holds the majority of its cash resources in Canadian dollars given that the majority of the Group's outgoings are denominated in this currency. Given the current climate, the Group has taken a very risk averse approach to management of cash resources and management and Directors monitor events and associated risks on a continuous basis. There is little perceived credit risk in respect of trade and other receivables. The Group maximum exposure to credit risk at January 31, 2014 was represented by receivables and cash resources.

**Interest rate risk**

The Group's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. Details of the Group's borrowings are described in note 9.

If the interest rate on deposits were to fluctuate by 1% there would be no material effect on the Group's reported results.

**Commodity price risk**

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities. The Group is exposed to commodity price risk as its future revenues will be derived based on contracts with customers at prices that will be determined by reference to market prices of copper and gold at the delivery date.

The Group calculates the effective interest rate on the Gold Loan based on estimates of future cash flows arising from the sale of payable gold. In estimating the cash flows the following table details the Group's sensitivity to a 10% increase and a 25% decrease in the price of gold. These percentages represent management's assessment of the reasonable possible exposure.

| | **Profit for the period** | | **Equity** | |
|---|---|---|---|---|
| | **January 31 2014** | July 31 2013 | **January 31 2014** | July 31 2013 |
| | **$,000** | $,000 | **$,000** | $,000 |
| 10% increase in the price of gold | (2,030) | (1,843) | (2,030) | (1,843) |
| 25% decrease in the price of gold | 5,074 | 4,609 | 5,074 | 4,609 |

Receivables in respect of the sale of copper concentrate which contain an embedded derivative linking them to future commodity prices are measured at fair value through profit and loss and are treated as derivative financial assets or liabilities. In estimating the value of the derivative the following table details the Group's sensitivity to a 5% increase and a 5% decrease in the price of copper, gold and silver. These percentages represent management's assessment of the reasonable possible exposure.

### 13. Financial risk management (continued)

| | Profit for the period | | Equity | |
|---|---|---|---|---|
| | **January 31 2014** | July 31 2013 | **January 31 2014** | July 31 2013 |
| | **$,000** | $,000 | **$,000** | $,000 |
| 5% increase in the price of copper, gold and silver | 1,236 | 441 | 1,236 | 441 |
| 5% decrease in the price of copper, gold and silver | (1,236) | (441) | (1,236) | (441) |

**Financial assets**

The floating rate financial assets comprise interest earning bank deposits at rates set by reference to the prevailing LIBOR or equivalent to the relevant country. Fixed rate financial assets are cash held on fixed term deposit.

At the period end the floating rate cash and short term deposits were as follows:

| | **January 31 2014** | July, 31 2013 |
|---|---|---|
| | **$,000** | $,000 |
| GB Pounds | 200 | 61 |
| US $ | 2,328 | 3,293 |
| Canadian $ | 2,626 | 2,212 |
| | 5,154 | 5,566 |

**Fair values**

In the directors' opinion there is no material difference between the book value and fair value of any of the group's financial instruments.

### 14. Subsequent Events

On February 28, 2014 the Group made a final payment of $1 million to repay the outstanding balance of the $10 million credit facility with Sprott Resource Lending Partnership.