Sula Iron & Gold plc

Annual Report 2012

Targeting iron and gold resources in Sierra Leone

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Sula is an AIM listed exploration company focussed on advancing its highly prospective 153 sq km iron and gold Licence in Sierra Leone.

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Highlights

Admitted to AIM in October 2012 raising £1.15 million and raised a further £0.45m in November 2012 to advance its 153 sq km iron and gold licence area in Sierra Leone

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Licence area is located in the Sula-Kangari Greenstone Belt and contiguous to African Minerals' operational Tonkolili Iron Ore Mine which has a JORC compliant resource of 12.8 billion tonnes

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Defined development programmes in place with the aim to delineate a JORC compliant iron resource and prove up gold mineralisation in 2013

Exploration target of 500Mt at 30.4% iron in magnetite and 55% iron in haematite, given by mining consultants SRK Exploration Services

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Gold prospectivity highlighted by extensive artisanal mining – identified five target areas where further exploration including detailed grand magnetic surveys and soil sampling is planned

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Experienced board and management team with in depth knowledge of Sierra Leone and a proven track record in developing African resource projects

Chairman's Statement

In the short space of time since listing on AIM in October 2012, when the Company successfully raised £1.15 million, I am delighted to report that Sula has made solid progress towards achieving its objective of establishing itself as a leading iron and gold exploration company.

Since admission, Sula has focussed on proving up the resource potential of its 100 per cent. owned 153 sq km exploration licence ('the Licence' or 'the Project') in Sierra Leone.

The Licence area is located in the Sula-Kangari Greenstone Belt in Sierra Leone and is contiguous to the Tonkolili Iron Ore Mine ('Tonkolili'), which has a JORC compliant resource of 12.8 billion tonnes and is operated by AIM's biggest miner, African Minerals Limited (AIM:AMI). Other nearby operations include Amara Mining plc's (AIM:AMA) 2.91Moz Au Baomahun greenstone-style gold deposit. Significantly, Sula's Licence is considered to be prospective for styles of iron ore and gold mineralisation similar to Tonkolili and Baomahun respectively. As a result, we are concurrently operating dual commodity focussed exploration programmes in order to maximise the resource potential of the Licence.

I am confident that our established Board and management team, with a proven track record in developing African resource projects, have the necessary skills to advance our highly prospective Project up the value development curve. CEO Nick Warrell has over 22 years' mining experience in Sierra Leone having discovered various gold and platinum deposits and founded Golden Prospect Mining, a former AIM company. Nick is also an Honorary Paramount Chief of the Diang Chiefdom, which controls the concession area, demonstrating Sula's strong in-country relations.

Post-period end we appointed Gareth O'Donovan to the Company as non-executive technical director. Gareth is a Corporate Consultant Geologist (Exploration) with over 27 years' experience in mining and exploration projects, and specialises in the design, implementation and management of exploration projects from grassroots to pre-feasibility. For the past ten years he has been Managing Director of SRK Exploration Services Ltd ('SRK'), which undertook early exploration work at Sula's Licence area resulting in the Competent Person's Report. I am confident that Gareth's knowledge and experience will be of great value as we look to prove up the resource potential of our Licence.

Sula intends to undertake further exploration as we work towards proving up a significant multi commodity resource. On listing in October 2012 we raised £1.15 million, and a further equity placing in November 2012, to satisfy market demand, raised an additional £450,000. The funds raised are being used to execute the defined development programmes in place to unlock the Licence's iron ore and gold resource potential. 2013 promises much activity, starting with a 2,000 metre diamond drilling programme in Q2 2013 to test the strike continuity, thickness and iron grade as we work towards delineating a JORC compliant iron resource later this year. In addition, we will continue to prove up the gold resource potential through ground magnetic surveys and soil sampling aimed at understanding better the gold structures and identifying the location of the most prospective targets for hard rock gold mineralisation, with the Dalakuru and Lagunda prospects marked as high priority targets.

Financials

The period to 30 September 2012 has resulted in a loss of £563,000. As is normal for an exploration company, no income has been generated. The loss results from administrative costs, primarily incurred in Sierra Leone.

Corporate Social Responsibility

In tandem with Sula's defined exploration work, the Company maintains a solid corporate social responsibility programme ('CSR') in the Chiefdoms of Diang and Samia Bendugu, the principal areas of exploration of Blue Horizon (SL) Limited, the Company's wholly owned subsidiary.

Since listing on AIM, Sula has completed the rebuilding of a 35 mile road network in the Diang Chiefdom and constructed a 30 mile road and four bridges in the Samia Bendugu Chiefdom. In addition to facilitating our exploration and drilling programmes, these road networks have revitalised the local economy and the Honourable Member of Parliament in both Chiefdoms has commended Sula's work to the Sierra Leone Government at the highest level.

Sula has also built a school in Dalakuru Town, Diang Chiefdom, complete with a toilet block, tables, chairs, and blackboards. In recognition of the Company's contribution to the education of the children of the town, the Dalakuru Town Chief and his Elders have named the school 'The Blue Horizon RC School' after our operating subsidiary. The school is presently educating 144 children.

Furthermore, Sula has provided schools in Kondembaia and Badalla in the Diang Chiefdom with books and writing materials, the Diang Youth Association who repaired the

RC Church in Kondembaia and the Mosque in Dalakuru with sand and cement, and the clinics in Kondembaia and Dalakuru with medical supplies.

Outlook

Sula's growth strategy is focussed on developing the Licence to create a leading iron ore and gold exploration company and, in the process, look to create value uplift for shareholders. I believe the Company presents a compelling investment opportunity and in this I am not alone. Mining consultant, SRK has at this early stage already assigned an exploration target of 500Mt at 30.4 per cent. iron for magnetite and 55 per cent. iron for haematite.

With an experienced Board and management team, and a highly prospective Licence that boasts a dual commodity focus, I am confident that we have the foundations in place to enhance the Project's attributable value.

Finally, I would like to take this opportunity to thank my fellow directors, management and advisors for their dedication and help, as well as our shareholders for their continuing support.

B Moritz
Chairman

27 March 2013

Operations Review

Sula's Licence, EL54/2011, is a renewable four year licence comprising 153 sq km and located within the Northern Province of Sierra Leone, 55 km south of Kabala, the nearest town, and 290 km north east of the capital Freetown. Good infrastructure connects the Project to Freetown via a tarred road followed by 80 km on bush roads, to the west of the Licence. A new 44 km road network has been constructed to the east of the Project, which links the Licence to African Minerals Limited's ('AML') road at Bumbuna. The Licence area also contains the outflow of Lake Sonfon, which dominates the local geography draining down through the centre of the area, flowing eventually into the Sende River and southwest towards the Atlantic Ocean.

The Licence area contains an exploration camp adjacent to the village of Dalakuru. The exploration camp was completely renovated by the Company in Q2 2012 with the installation of running water, sanitation, cooking and multiple air-conditioned accommodation facilities, all of which are powered by fully integrated diesel generators. The camp is ideally situated and equipped to facilitate future exploration work within the Licence area.

Local geology is composed of a mixture of greenstone volcano-sedimentary metamorphosed units of the Sula-Kangari Greenstone Belt as well as the Late and Syn-kinematic granites. The Directors believe that the region is highly prospective for iron ore and gold, as demonstrated by the work completed to date by the Company, historical work completed by previous operators, the work of SRK, and by the presence of a number of operators in the region.

Iron

- Exploration target of 500Mt at 30.4 per cent. iron in magnetite and 55 per cent. iron for haematite, given by SRK
- Presence of Banded Iron Formation ('BIF') confirmed at surface over a strike length of 3.1 km and drill-ready following detailed mapping and reconnaissance work completed January 2013
- Channel sampling of BIF intercepted 18 metres at 51.83 per cent. Fe and 22 metres at 56.22 per cent. Fe
- BIF presence located at Area 1 in the south-west of the Licence area – mineralisation extends NE from AML's Tonkolili 12.8 billion tonne iron ore mine ('Tonkolili')
- 2,000 metre diamond drilling programme planned to commence before the end of Q2 2013 to test the strike continuity, thickness and iron grade of BIF
- Aim to delineate JORC compliant iron resource in 2013

The prospectivity for iron mineralisation in the form of BIF supergene enriched oxidised zones is very strong within Sula's Licence area. In order to prove up the resource potential of the iron ore, the Company has a defined exploration programme in place focussed on Area 1 ('the target'), which is located in the south-western part of the Licence and directly along strike from an undrilled magnetic high within the Tonkolili licence. The target comprises a 2.7 km long, northeast trending, linear magnetic high. Detailed mapping and reconnaissance work completed by the Company at Area 1 in January 2013 defined BIF outcrop and BIF fragments in duricrust over a strike length of 3.1 km, coincident with this magnetic high. These findings in turn advanced the Project to a drill ready status.

Channel sampling completed in February 2012 confirmed the presence of high-grade iron mineralisation at Area 1, with two channel samples returning intercepts of 18 metres at 51.83 per cent. iron and 22 metres at 56.22 per cent. iron. Channel samples were taken across a 50 metre wide BIF outcrop; a 10 metre wide break in outcrop could not be sampled. Importantly, the samples revealed that grades were consistent across the outcrop, confirming field observations that the BIF does not suffer from dilution by non-ferrous bands.

A 2,000 metre diamond drill programme is scheduled before the end of Q2 2013 to test the strike continuity, thickness and iron grade of BIF at Area 1, with the ultimate aim of testing the potential for an iron deposit in excess of 0.5Bt, and delineating a JORC compliant resource in 2013. The drilling programme will comprise eight drill collars spaced 320 metres apart over a strike length of 2.2 km. Each hole will be drilled at an azimuth of 140˚ and a dip of 50˚, to a downhole depth of 250 metres.

Following this first phase of diamond drilling, shallow vertical holes are required to test the potential for direct shipping ore ('DSO') grade iron mineralisation. Initial field mapping completed in December 2012 has indicated that BIF outcrops are variably oxidised to higher grade haematite mineralisation; such supergene processes are responsible for the formation of the higher grade DSO ores.

The Board's confidence in the Project's iron ore prospectivity is further underpinned by local operators in the region. AML wholly owns the Tonkolili licence, which adjoins the Sula Licence to the south and hosts the BIF mineralisation proven to extend from Tonkolili into Sula's Project. In December 2010, AML declared a JORC compliant Mineral Resource estimate comprising 12.8Bt of iron ore. AML has since constructed an integrated mine, rail and port infrastructure and, in November 2011, announced loading of its first Tonkolili iron ore shipment.

Gold

- Areas prospective for gold are focussed on the highly prospective Sula-Kangari Greenstone Belt rocks (belt hosts Amara Mining Plc's 2.91Moz Au Baomahun deposit)
- Structures within the Licence area display a strong northeast-southwest trend - typical of the gold-mineralised greenstone trend throughout West Africa
- Five target areas for hard rock gold mineralisation have been identified that host source areas of placer gold
    - The Dalakuru and Lagunda prospects are high priority targets where further exploration including detailed ground magnetic surveys and soil sampling is planned
- Historic drilling intercepted hard rock mineralisation that is open in all directions at the Dalakuru prospect. Historic diamond drilling intercepted:
    - 2.00m @ 8.76g/t gold (83.14 to 85.10m, SDD004)
    - 8.72m @ 10.46g/t gold (89.40 to 98.10m, SDD004)
    - 1.55m @ 11.68g/t gold (171.00 to 173.00m, SDD016)
    - 9.03m @ 6.63g/t gold (161.37 to 170.00m, SDD033)
- Additional gold targets identified and remain to be explored

Artisanal miners have exploited placer gold within the Sula Licence area for more than 60 years, and active workings are observed in at least five separate areas within the Project. As a result, the Licence area is highly prospective for gold and the Board is confident that the Licence area hosts the source of primary gold.

In January 2013, Sula acquired Licence-wide GeoEye-1 satellite data with a resolution of 50cm per pixel. The imagery generated provided detailed information on the extent of artisanal placer gold workings and indicated the source of some of the placer gold within the Licence. As a result of this, five target areas for hard rock gold mineralisation have been identified based on the location of historic drill intercepts, the source areas for alluvial gold deposits, and the position of major structures as defined by airborne magnetic data and drainage orientation. Of these, the Dalakuru and Lagunda prospects are marked as high priority targets.

Gold mineralisation observed at the Licence is associated with quartz-sulphide, greenstone-style veins, lenses and breccias. This style of mineralisation is very common in West African Greenstone Belts and is recognised elsewhere in Sierra Leone Greenstone Belts. Greenstone-style deposits are typically located on or proximal to regional scale, deep seated faults and lineaments, and in general host all major gold deposits in West Africa, which are commonly recognised at surface by extensive artisanal workings. Mineralisation occurs in shoots and lenses on second and third order structures at low angles to the main structure, and is associated with quartz sulphide mineralisation and disseminated to massive sulphide.

Areas prospective for gold in the Licence are located in the highly prospective Sula-Kangari Greenstone Belt rocks. The Sula-Kangari belt hosts Amara Mining Plc's 2.91Moz Baomahun deposit in Sierra Leone. Major structures within the Sula Licence display a strong northeast-southwest trend, which is typical of the gold-mineralised greenstone trend throughout West Africa. The structures of the Sula-Kangari Greenstone Belt pass through the Sula Licence, and smaller scale sub-parallel northeast-southwest trending structures and contact zones are also common. Northeast trending lineaments are locally cross-cut and offset by small northwest-southeast and east-west trending faults. As a result, Sula consider the association of placer gold workings and major lineaments within Greenstone Belt rocks at the Licence to be highly significant. Furthermore, historic drilling in the Licence has discovered hard rock mineralisation which is open in all directions at the Dalakuru prospect, and also identified additional gold targets that remain to be explored.

Dalakuru is the most advanced prospect within the Licence. Previous operators on the Project completed 3,406 metres of RAB drilling and 5,392 metres of diamond drilling at three prospects considered prospective for

Operations Review (continued)

gold. Nineteen diamond drill holes totalling 3,402 metres were completed at Dalakuru and intercepted significant quartz-sulphide breccias:

- 2.00m @ 8.76g/t gold (83.14 to 85.10m, SDD004)
- 8.72 m @ 10.46 g/t gold (89.40 to 98.10 m, SDD004);
- 1.55 m @ 11.68 g/t gold (171.00 to 173.00 m, SDD016); and
- 9.03 m @ 6.63 g/t gold (161.37 to 170 m, SDD033)

Mineralisation is hosted in massive pyrite and pyrite cemented breccia with quartz fragments and is open in all directions.

Dalakuru is located on a major northeast-southwest trending structure that juxtaposes a strong magnetic high against a strong magnetic low. This difference in magnetic response indicates that different lithologies occur either side of the fault and the resultant competency contrasts are considered important in focusing mineralising fluids. The Dalakuru structure is at least 5 km long but extensive development of laterite masks bedrock geology along its length. Sula is planning a detailed ground magnetic survey to better constrain the location of the fault zone, which will then be followed by a soil and channel sampling programme to assist with drill targeting along strike to explore the size potential and morphology of Dalakuru. Step-out and step-back drilling of mineralisation intercepted in historic drill holes is a priority.

Lagunda is defined by extensive artisanal alluvial gold workings which outline a northeast-southwest trending target that is approximately 6 km long and 2 km wide. The northwest boundary of the prospect is marked by a regional northeast-southwest trending structure that juxtaposes a strongly magnetic unit against a weakly magnetic unit. The Lagunda target area displays a mottled mid-range magnetic response which identifies multiple northeast-southwest trending structures and contact zones. The potential presence of multiple structures and contact zones, juxtaposing different lithologies, coincident with the source area of the Lagunda alluvials is considered highly prospective by the Board. Regional magnetic data suggests that Lagunda is a dilational zone, where multiple faults and contact zones provide excellent structural preparation, and competency contrasts between lithological units which act as conduits for hydrothermal fluids and are excellent traps for gold mineralisation in greenstone-style environments. Consequently, Sula considers Lagunda a high priority target. A detailed ground magnetic survey is planned, in conjunction with reconnaissance soil sampling, in order to better define the structural architecture and location of prospective targets.

Post period end, Sula evaluated historical exploration work of the Licence area conducted by Mano River Resources Inc., ('Mano River') and Golden Prospect plc ('Golden Prospect') in 2003. The work programme included 879 samples covering an area of approximately 50 km sq, which were assayed by SGS Laboratories in Ghana. Mano River and Golden Prospect defined a 3 km long northwest trending gold-in-soil anomaly termed the Yanfarina-Dalakuru-Sende ('YDS') gold zone. The YDS zone is coincident with the extensive artisanal workings within the Licence area, and is located within a prominent structure, approximately 9 km long by 5 km wide. Mano River and Golden Prospect carried out trenching work which identified a series of high grade gold-bearing narrow veins that could represent a highly significant bulk tonnage gold target, with results including:

- 3.5m @ 3.6g/t Au
- 0.9m @ 1.6g/t Au
- 1.9m @ 24.9g/t Au, including 0.45m @ 108g/t Au
- 6.0m @ 0.5g/t Au
- 2.0m @ 0.2g/t Au
- 7.3m@7.4g/t Au

The mineralised quartz veins identified by Mano River and Golden Prospect trend north westerly and range between 0.1m and 1m wide and were traced continuously over a distance of at least 75m. Sula will use this historical data to supplement its current understanding of the gold mineralisation within the Licence area and to help target future gold exploration.

The other prospect areas, known as Simbako, Simbako East and Northeast are located on regional, northeast trending lineaments which define the contact between magnetic highs and magnetic lows. Localised alluvial workings are associated with each prospect indicating the potential for hard rock gold mineralisation. These prospects are not covered by regional magnetic data and the structural architecture of the projects is unknown. Further work comprising acquisition of ground magnetic data and reconnaissance geochemical sampling will be conducted following completion of the Dalakuru and Lagunda work programmes.

Conclusion

Reconnaissance work completed by Sula combined with historical workings, independent reviews and local operators in the region demonstrate how prospective Sula's Licence area is. The Company has numerous value trigger points ahead thanks to its defined work plan aimed at better understanding the gold structures and identifying the location of the most prospective gold targets, and testing the strike continuity, thickness and iron grade of BIF in order to delineate a JORC compliant iron resource in 2013.

The Project boasts a close proximity to existing producers with solid infrastructure in place. AML's 12.8Bt Tonkolili iron ore mine is of great significance for Sula, with BIF mineralisation proven to extend into Sula's Licence area. Likewise, Amara Mining Plc's 2.91Moz Baomahun gold deposit in Sierra Leone appears to share the same, highly prospective geology as Sula's Licence area.

With exposure to both base and precious metals, and defined exploration programmes in place to accelerate these resources up the value development curve, Sula offers significant upside potential for investors.

N Warrell
Chief Executive Officer

27 March 2013

Directors' Report

The Directors present their report together with the audited financial statements of Sula Iron & Gold plc ('Sula' or the 'Company') and its subsidiary, (the 'Group') for the period from incorporation on 6 October 2011 to 30 September 2012.

Principal activity

The principal activity of the Group is mineral resources exploration and exploitation.

The Group's main project is exploring for iron ore and gold on the Group's exploration Licence area in the Sula Hills area of Sierra Leone.

Detailed information is set out in the Operations Review.

Review of business and financial performance

Information on the financial position and development of the Group are set out in the Chairman's Statement and the annexed financial statements.

Results

The Group reports a loss before and after tax of £563,000 for the period from incorporation on 6 October 2011 to 30 September 2012.

Major events after the balance sheet date

The following events occurred after the balance sheet date and are further discussed in note 24 to these financial statements:

- The Company listed on AIM on 9 October 2012;
- The convertible notes in issue at 30 September 2012 fully converted into 13,000,000 ordinary shares on 9 October 2012 at £0.04 per ordinary share;
- 19,166,674 ordinary shares were issued at a price of £0.06 per ordinary share on 9 October 2012;
- 9,750,000 share options and 1,666,667 share warrants were issued to the Directors on 9 October 2012; and
- On 2 November 2012 a further 7,500,000 ordinary shares were issued for cash at a price of £0.06 to raise a further £450,000 before costs.

Dividends

The Directors do not recommend payment of a dividend for the period from incorporation on 6 October 2011 to 30 September 2012.

Financial risk management

The Group's operations are exposed to a variety of financial risks and are detailed in note 22 to these financial statements.

Political and charitable donations

There were no political or charitable donations during the period from incorporation on 6 October 2011 to 30 September 2012. However, the Group is active in assisting local communities in Sierra Leone as detailed in the Operations Review.

Corporate governance statement

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Company complies as far as possible with the Corporate Governance Guidelines for smaller quoted companies published by the Quoted Companies Alliance and, as the Company develops, the Board intends to comply as far as practicable with the Corporate Governance Code. The Company has established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee, comprising G Burnell and B Moritz, is chaired by B Moritz, and is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls. Meetings of the Audit Committee are held at least twice a year, at appropriate times in the reporting and audit cycle. The Audit Committee is required to report formally to the Board on its proceedings after each meeting on all matters for which it has responsibility. The members of the Audit Committee will be re-elected annually by the Board.

Remuneration Committee

The Remuneration Committee, comprising G Burnell as Chairman and B Moritz, meets not less than twice each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company.

Bribery legislation

The Directors have adopted appropriate procedures to ensure compliance with the Bribery Act 2010.

Directors

The following Directors served during the period from incorporation on 6 October 2011 to 30 September 2012:

G Burnell	Appointed 14 October 2011
B Moritz	Appointed 14 October 2011
N Warrell	Appointed 14 October 2011
Dr. C Wilson	Appointed 13 July 2012
Philippa Keith	Appointed 6 October 2011 and resigned 14 October 2011
Lea Yeat Limited	Appointed 6 October 2011 and resigned 14 October 2011

Dr. C Wilson resigned on 5 March 2013. G O'Donovan was appointed a Director on 25 March 2013.

Directors' Report (continued)

Directors' interests

The beneficial interests of the Directors holding office on 30 September 2012 in the issued share capital of the Company were as follows:

	30 September 2012	
	Number of ordinary shares of 0.01p each	Percentage of issued ordinary share capital
B Moritz	10,750,000	13.11%
N Warrell	45,000,000	54.88%
G Burnell*	10,000,000	12.19%
Dr. C Wilson	-	-

* G Burnell is Managing Director and a shareholder of Hot Rocks Investment plc and Woodland Capital Limited, which, at 30 September 2012, held in aggregate 16,250,000 ordinary shares, representing 19.82 per cent. of the issued share capital.

There have been no changes to these shareholdings since 30 September 2012, but the percentage of the total share capital has reduced due to further issues of ordinary shares.

G O'Donovan has no interest in the issued share capital of the Company.

Details of share options and share warrants granted to Directors/key management personnel, following the Company's admission to AIM on 9 October 2012, are disclosed in note 24 to the financial statements.

Directors' remuneration

Emoluments in respect of each Director were as follows:-

	06-Oct-11 to 30-Sep-12 £ '000
G Burnell	17
B Moritz	17
N Warrell	55
Dr. C Wilson	-
	89

Directors' indemnities

The Group maintains Directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors and/or officers.

Going concern

The Directors have adopted the going concern basis in preparing these financial statements. This is further explained in note 2 to the financial statements.

Creditors' payment policy

It is the Group's policy to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are generally settled within the terms agreed with the supplier, usually 30 days, at the time of supplying.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the Group's result for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

Statement of disclosure to auditor

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- all the Directors have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

A resolution to re-appoint Chantrey Vellacott DFK LLP as auditor of the Company will be proposed at the Annual General Meeting.

By order of the Board

B Moritz
Director

27 March 2013

Independent Auditor's Report to the Members of Sula Iron & Gold plc

We have audited the financial statements of Sula Iron & Gold plc for the period ended 30 September 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the 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 (IFRS) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, 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 the financial and non-financial information in the annual 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 of the parent company's affairs as at 30 September 2012 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern and the requirement for further finance to enable the Directors to initiate further exploration. The group incurred a net loss of £563,000 during the period ended 30 September 2012. These factors indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial period 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 where, under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

IAN STAUNTON FCA CF (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London

27 March 2013

Consolidated Statement of Comprehensive Income
for the period from incorporation on 6 October 2011 to 30 September 2012

	Notes	2012 £'000
Continuing operations		
Revenue		-
Cost of sales		-
Gross profit		-
Administrative expenses	9	(563)
Loss from operating activities		(563)
Net finance costs		-
Loss before tax		(563)
Taxation	12	-
Loss for the period		(563)
Total comprehensive loss for the period		(563)
Loss per share		
Basic and diluted loss per share (pence)	19	(1.03)

Consolidated Statement of Financial Position
as at 30 September 2012

	Notes	2012 £'000
Assets		
Property, plant and equipment	13	270
Intangible assets	14	3,824
Non-current assets		4,094
Trade and other receivables	16	28
Cash and cash equivalents	17	76
Current assets		104
Total assets		4,198
Equity		
Share capital	18	820
Share premium		3,226
Convertible notes	20	520
Retained deficit		(563)
Total equity		4,003
Liabilities		
Loans and borrowings	20	93
Trade and other payables	21	102
Current liabilities		195
Total liabilities		195
Total equity and liabilities		4,198

The financial statements of Sula Iron & Gold plc, company number 07800337, were approved by the Board of Directors and authorised for issue on 27 March 2013. They were signed on its behalf by:

B Moritz
Director

Consolidated Statement of Changes in Equity
for the period from incorporation on 6 October 2011 to 30 September 2012

	Notes	Share capital £'000	Share premium £'000	Convertible notes £'000	Retained deficit £'000	Total equity £'000
Balance at 6 October 2011		-	-	-	-	-
Loss for the period		-	-	-	(563)	(563)
Total comprehensive loss for the period		-	-	-	(563)	(563)
Issue of ordinary shares on acquisition of subsidiary	8	500	3,187	-	-	3,687
Issue of ordinary shares	18	320	39	-	-	359
Issue of convertible notes	20	-	-	520	-	520
		820	3,226	520	-	4,566
Balance at 30 September 2012		820	3,226	520	(563)	4,003

Consolidated Statement of Cash Flows
for the period from incorporation on 6 October 2011 to 30 September 2012

	Notes	2012 £'000
Cash flows from operating activities		
Loss for the period		(563)
Adjustments for:		
– Depreciation		63
		(500)
Changes in:		
– trade and other receivables		(28)
– trade and other payables		(295)
Cash used in operating activities		(823)
Cash flows from investing activities		
Acquisition of property, plant and equipment		(84)
Net cash used in investing activities		(84)
Cash flows from financing activities		
Proceeds from issue of share capital		359
Proceeds from issue of convertible notes		520
Proceeds from loans and borrowings		78
Net cash flows from financing activities		957
Net increase in cash and cash equivalents		50
Cash and cash equivalents at beginning of period		-
Cash acquired with subsidiary		11
Cash and cash equivalents at 30 September 2012	17	61

Company Statement of Financial Position
as at 30 September 2012

	Notes	2012 £'000
Assets		
Investments	15	3,687
Non-current assets		3,687
Trade and other receivables	16	903
Cash and cash equivalents	17	30
Current assets		933
Total assets		4,620
Equity		
Share capital	18	820
Share premium		3,226
Convertible notes	20	520
Retained deficit		(99)
Total equity		4,467
Liabilities		
Loans and borrowings	20	66
Trade and other payables	21	87
Current liabilities		153
Total liabilities		153
Total equity and liabilities		4,620

The financial statements of Sula Iron & Gold plc, company number 07800337, were approved by the Board of Directors and authorised for issue on 27 March 2013. They were signed on its behalf by:

B Moritz
Director

Company Statement of Changes in Equity
for the period from incorporation on 6 October 2011 to 30 September 2012

	Notes	Share capital £'000	Share premium £'000	Convertible notes £'000	Retained deficit £'000	Total equity £'000
Balance at 6 October 2011		-	-	-	-	-
Loss for the period		-	-	-	(99)	(99)
Total comprehensive loss for the period		-	-	-	(99)	(99)
Issue of ordinary shares on acquisition of subsidiary	8	500	3,187	-	-	3,687
Issue of ordinary shares	18	320	39	-	-	359
Issue of convertible notes	20	-	-	520	-	520
		820	3,226	520	-	4,566
Balance at 30 September 2012		820	3,226	520	(99)	4,467

Company Statement of Cash Flows
for the period from incorporation on 6 October 2011 to 30 September 2012

	Notes	2012 £'000
Cash flows from operating activities		
Loss for the period		(99)
Changes in:		
- trade and other receivables		(903)
- trade and other payables		87
Net cash used in operating activities		(915)
Cash flows from financing activities		
Proceeds from issue of share capital		359
Proceeds from issue of convertible notes		520
Proceeds from loans and borrowings		66
Net cash flows from financing activities		945
Net increase in cash and cash equivalents		30
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at 30 September 2012	17	30

Notes to the Consolidated Financial Statements
for the period from incorporation on 6 October 2011 to 30 September 2012

1. Reporting entity

Sula is a company incorporated and domiciled in England and Wales. The address of the Company's registered office is 190 High Street, Tonbridge, Kent, TN9 1BE. The consolidated financial statements of the Company as at and for the period ended 30 September 2012 comprise the Company and its subsidiaries. The Group is primarily involved in the exploration and exploitation of mineral resources in Sierra Leone.

2. Going concern

After making enquiries, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts. In forming this judgement the Directors have taken account of funds raised in October 2012, which were adequate for the exploration programme outlined in the AIM admission document and funds raised in November 2012 to fund, *inter alia,* a drilling programme. After evaluating the exploration results, the Directors intend to initiate further exploration with a view to enhancing the Group's assets. The funding for this will require further finance, which may be by way of joint ventures, but may require further equity. On the basis of discussions with their brokers the Directors consider that such extra equity finance will be available if required.

3. Basis of preparation

(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements having taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive loss for the period from incorporation on 6 October 2011 to 30 September 2012 was £99,000.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2013.

(b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency
These consolidated financial statements are presented in Pounds Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand, except when otherwise indicated.

(d) Use of estimates and judgements
The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Carrying value of intangible assets – Notes 4(e) and 14
- Carrying value of investments

Accounting entries are made in accordance with the accounting policies detailed below.

4. Significant accounting policies

The accounting policies set out below have been applied consistently throughout the period presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase price is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the periods, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

4. Significant accounting policies (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to Pounds Sterling at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Pounds Sterling at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (exchange reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income, and presented in the exchange reserve in equity.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 4(f)(i)).

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Notes to the Consolidated Financial Statements (continued)
for the period from incorporation on 6 October 2011 to 30 September 2012

4. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, overdrafts and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) Compound financial instruments
Compound financial instruments issued by the Group comprise convertible notes denominated in Pounds Sterling that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

(d) Property, plant and equipment
(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

4. **Significant accounting policies (continued)**

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation
Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current period of significant items of property, plant and equipment are as follows:
- Buildings 25 years
- Plant and equipment 5-10 years
- Fixtures and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets
(i) Prospecting and exploration rights
Rights acquired with subsidiaries are recognised at fair value at the date of acquisition. Other rights acquired and development expenditure are recognised at cost.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

(ii) Other intangible assets
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation
Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:
- Prospecting and exploration rights Life of mine

4. Significant accounting policies (continued)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is included within administrative expenses in the statement of comprehensive income.

(f) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit ('CGU') exceeds its recoverable amount.

The recoverable amount of an asset of CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

4. Significant accounting policies (continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Revenue

Revenue from the sale of precious metals is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer excluding sales taxes.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(k) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

4. Significant accounting policies (continued)

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(a) IFRS 10 *Consolidated Financial Statements*, IFRS 12 Disclosure of Interests in Other Entities (2011)
IFRS 10 introduces a single control model to determine whether an investee should be consolidated.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements or interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(b) IFRS 13 *Fair Value Measurement* (2011)
IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values (see Note 6). IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The Directors have not yet evaluated the effect of these standards on the Group's financial statements.

6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. Determination of fair values (continued)

(i) Property, plant and equipment
The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which an asset could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

(ii) Intangible assets
The fair value of intangible assets is based on external valuations or on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Trade and other receivables
The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(iv) Other non-derivative financial liabilities
Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

(v) Share based payment transactions
The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

7. Operating segments

The Company acts as a holding company of a group involved in mineral resources exploration and exploitation in Sierra Leone and is, therefore, considered to operate in a single geographical and business segment.

8. Acquisition of subsidiary

On 24 February 2012, the Group obtained control of Blue Horizon (SL) Limited ('Blue Horizon'), by acquiring 100 per cent. of the shares and voting interests in that company.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred

	Note	£'000
50,000,000 ordinary shares	18	3,687

Equity instruments issued
The fair value of the ordinary shares issued was based on the fair value of the net identifiable assets of Blue Horizon at the acquisition date.

Notes to the Consolidated Financial Statements (continued)
for the period from incorporation on 6 October 2011 to 30 September 2012

8. Acquisition of subsidiary (continued)

Identifiable assets acquired and liabilities assumed

	Note	£'000
Property, plant and equipment	13	249
Intangible assets	14	3,824
Cash and cash equivalents		11
Trade and other payables		(397)
		3,687

The following fair values have been determined on a provisional basis.

- The fair value of intangible assets (Blue Horizon's exploration licence (EL54/2011), Sierra Leone) has been determined by reference to an independent valuation produced by SRK Exploration Services Limited dated 22 February 2012. The report valued the licence at $USD 6,000,000.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provision that existed at the acquisition date, then the acquisition accounting will be revised.

9. Administrative expenses

Administrative expenses include:	2012 £'000
Staff costs	257
Depreciation	63
Auditor's remuneration – audit services	25

Auditor's remuneration in respect of the Company amounted to £10,000.

10. Staff costs

	2012 £'000
Wages and salaries	208
Social security contributions	15
Fees	34
	257

The monthly average number of employees (including Directors) during the period was:

	2012
Directors	3
Other employees	14
	17

11. Directors' emoluments

	Executive £'000	Non-executive £'000	Total £'000
Wages and salaries	55	-	55
Social security contributions	-	5	5
Fees	-	34	34
	55	39	94

The fees of £34,000 due to the non-executive Directors remain unpaid.

Emoluments disclosed above include the following amounts paid to the highest Director:

	2012 £'000
Emoluments for qualifying services	55

12. Taxation

	2012 £'000
Current tax expense	
Current period	-
Deferred tax expense	
Origination and reversal of temporary differences	-
Total tax expense from continuing operations	-

Reconciliation of effective tax rate

		2012 £'000
Loss before tax from continuing operations		(563)
Tax using the Company's domestic tax rate	20.5%	(115)
Effects of:		
Current losses for which no deferred tax asset recognised		115
		-

Factors that may affect future tax charges

At the period end, the Group has unused tax losses available for offset against suitable future profits of approximately £563,000. A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

13. Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
Balance at 6 October 2011	-	-	-	-
Acquired with subsidiary	7	227	15	249
Other additions	35	36	13	84
Balance at 30 September 2012	42	263	28	333
Depreciation				
Balance at 6 October 2011	-	-	-	-
Depreciation	10	48	5	63
Balance at 30 September 2012	10	48	5	63
Carrying amounts				
At 6 October 2011	-	-	-	-
At 30 September 2012	32	215	23	270

14. Intangible assets

Group

	Prospecting and exploration rights £'000	Total £ '000
Cost		
Balance at 6 October 2011	-	-
Acquired with subsidiary	3,824	3,824
Balance at 30 September 2012	3,824	3,824
Amortisation		
Balance at 6 October 2011	-	-
Amortisation		
Balance at 30 September 2012	-	-
Carrying amounts		
Balance at 6 October 2011	-	-
Balance at 30 September 2012	3,824	3,824

15. Investments

	Notes	2012 £ '000
Non-current investments		
Investment in subsidiary	8	3,687

Directly	Activity	Country of incorporation	Ownership interest
Blue Horizon (SL) Ltd	Mining and exploration	Sierra Leone	100%

16. Trade and other receivables

Group

	2012 £'000
Other receivables	19
Prepayments	9
	28

Company

	2012 £'000
Receivables due from related parties	885
Other receivables	18
	903

The Group and Company's exposure to credit, market and currency risk related to other receivables is disclosed in note 22.

17. Cash and cash equivalents

Group

	2012 £'000
Bank balances	76
Bank overdrafts	(15)
Cash and cash equivalents in the statement of cash flows	61

Notes to the Consolidated Financial Statements (continued)
for the period from incorporation on 6 October 2011 to 30 September 2012

17. Cash and cash equivalents (continued)

Company

	2012 £'000
Bank balances	30
Cash and cash equivalents in the statement of cash flows	30

18. Capital and reserves

Share capital and share premium

	Note	Number of ordinary shares 2012
In issue at beginning of period		-
Issued for cash		32,000,000
Issued for acquisition of subsidiary	8	50,000,000
In issue at 30 September – fully paid (par value £0.01)		82,000,000

	Ordinary share capital 2012 £'000
Balance at beginning of period	-
Share issues	820
Balance at 30 September	820

Ordinary shares
All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Issue of ordinary shares
On incorporation on 6 October 2011, the Company issued 1 ordinary share at par. The share was issued and fully paid during the period.

On 13 October 2011, a general meeting of shareholders authorised the issue of 4,999,999 ordinary shares at par. These shares were issued and fully paid during the period.

Additionally, 5,000,000 ordinary shares were authorised for issue on 4 November 2011 at par. These shares were issued and fully paid during the period.

Between 21 November 2011 and 16 January 2012, 15,000,000 ordinary shares were authorised for issue at par. These shares were issued and fully paid during the period.

18. Capital and reserves (continued)

On 24 February 2012, 2,500,000 ordinary shares were authorised for issue at £0.02, a premium of £0.01 per share. These shares were issued and fully paid during the period.

Also on 24 February 2012, 50,000,000 shares were issued in consideration for the acquisition of Blue Horizon (SL) Ltd (see note 8). Taking account of the value of net assets acquired, the shares have been treated as issued at a premium of £0.06374 per share.

A further 2,000,000 ordinary shares were authorised for issue on 30 March 2012 at £0.02, a premium of £0.01 per share. These shares were issued and fully paid during the period.

Finally, 2,500,000 ordinary shares were authorised for issue on 10 April 2012 at £0.02, a premium of £0.01 per share. These shares were issued and fully paid during the period.

Issue costs of £31,000 have been offset against the share premium account.

19. Loss per share

Basic and diluted loss per share
The calculation of basic and diluted loss per share at 30 September 2012 was based on the loss attributable to ordinary shareholders of £563,000, and a weighted average number of ordinary shares outstanding of 54,411,111.

As detailed in note 24, the Company entered into a number of share transactions subsequent to the balance sheet date which would have significantly increased the number of ordinary shares outstanding at the end of the period if these transactions had occurred prior to the end of the reporting period. The issues would have an anti-dilutive effect.

20. Loans and borrowings

For more information about the Group's and Company's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see note 22.

Group

	2012 £'000
Current liabilities	
Bank overdrafts	15
Directors' loans – interest free	78
	93

Company

	2012 £'000
Current liabilities	
Directors' loans	66

Notes to the Consolidated Financial Statements (continued)
for the period from incorporation on 6 October 2011 to 30 September 2012

20. Loans and borrowings (continued)

Convertible notes
The convertible notes have been classified in full in equity due to there being no material difference between the fair value of the liability and equity components. The notes were fully converted into 13,000,000 ordinary shares at £0.04 per share on 9 October 2012.

21. Trade and other payables

Group

	2012 £'000
Trade payables	2
Other payables	47
Accrued expenses	53
	102

Company

	2012 £'000
Trade payables	2
Other trade payables	38
Accrued expenses	47
	87

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

22. Financial instruments

Financial risk management
Overview
The Group has exposure to the following risks arising from financial instruments.
- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework
The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

22. Financial instruments (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

Group

	Note	Carrying Amount 2012 £'000
Trade and other receivables	16	28
Cash and cash equivalents	17	76
		104

Company

	Note	Carrying Amount 2012 £'000
Trade and other receivables	16	903
Cash and cash equivalents	17	30
		933

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

22. Financial instruments (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group
30 September 2012

	Carrying amount £'000	2 months or less £'000	2-12 months £'000	More than 1 year £'000
Non-derivative financial liabilities				
Bank overdraft	15	(15)	-	-
Directors' loans	78	-	(78)	-
Convertible notes	520	(520)	-	-
Trade payables	102	(102)	-	-
	715	(637)	(78)	-

Company
30 September 2012

	Carrying amount £'000	2 months or less £'000	2-12 months £'000	More than 1 year £'000
Non-derivative financial liabilities				
Directors' loans	66	-	(66)	-
Convertible notes	520	(520)	-	-
Trade payables	87	(87)	-	-
	673	(607)	(66)	-

The Company reviews its facilities regularly to ensure that it has adequate funds for operations and expansion plans.

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

Due to the nature of the Group's operations, it will be mainly exposed to fluctuations in the price of iron and gold.

Currency risk
The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are USD.

The Group places deposits in foreign currencies to manage the exposure to changes in future cash outflows in these currencies.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of equity which at 30 September 2012 for the Group totalled £4,003,000 and for the Company totalled £4,467,000.

22. Financial instruments (continued)

Accounting classifications and fair values

Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows.

Group

30 September 2012

	Loans and receivables £'000	Other financial liabilities £'000	Total carrying amount £'000	Fair value £'000
Cash and cash equivalents	76	-	76	76
Trade and other receivables	28	-	28	28
	104	-	104	104
Bank overdraft	-	(15)	(15)	(15)
Directors' loans	-	(78)	(78)	(78)
Trade payable	-	(102)	(102)	(102)
	-	(195)	(195)	(195)

Company

30 September 2012

	Loans and receivables £'000	Other financial liabilities £'000	Total carrying amount £'000	Fair value £'000
Cash and cash equivalents	30	-	30	30
Trade and other receivables	903	-	903	903
	933	-	933	933
Directors' loans	-	(66)	(66)	(66)
Trade payable	-	(87)	(87)	(87)
	-	(153)	(153)	(153)

23. Related parties

Ultimate controlling party

As a result of the acquisition of Blue Horizon (SL) Ltd on 24 February 2012, the ultimate controlling party was N Warrell.

Since the Company's admission to trading on AIM on 9 October 2012, there has been no ultimate controlling party.

23. Related parties (continued)

Loans from Directors

Unsecured loans from Directors received during the period by the Group totalled £78,000 (from N Warrell - £36,000, from B Moritz - £29,000 and from G Burnell - £13,000) and by the Company totalled £66,000 (from N Warrell - £24,000, from B Moritz - £29,000 and from G Burnell - £13,000). No interest is payable and the loans are repayable in cash in full within 12 months of the grant date. At 30 September, the balance outstanding from the Group was £78,000 and from the Company was £66,000 and these amounts are included in loans and borrowings (see note 20).

Other related party transactions

Company

The Company advanced funds, interest free, to Blue Horizon (SL) Ltd totalling £885,000. As at 30 September 2012, the balance outstanding totalled £885,000.

24. Subsequent events

On 9 October 2012, Sula was admitted to trading on AIM. On admission, the convertible notes in issue converted to 13,000,000 ordinary shares at a price of £0.04 per ordinary share. In addition, 19,166,674 ordinary shares were issued at a price of £0.06 per ordinary share.

Following admission to AIM, the Directors were granted the following share options and share warrants as disclosed in the table below.

		Number of ordinary shares under option or warrant	Exercise price per ordinary share
G Burnell	Options	7,466,667	6p
B Moritz	Options	2,283,333	6p
Dr. C Wilson	Warrants	1,666,667	6p

All of the options granted to G Burnell and B Moritz and half of the warrants granted to Dr. C Wilson are exercisable for a period of ten years from admission.

Half of the warrants granted to Dr. C Wilson are exercisable from the earlier of the first anniversary of admission and a change of control of the Company, and until the tenth anniversary of admission.

On 2 November 2012 the Company issued a further 7,500,000 ordinary shares for cash at £0.06 per share, together with warrants to subscribe for one ordinary share at £0.08 on the basis of 1 warrant for each 2 ordinary shares subscribed for. The warrants are exercisable at any time up to 2 November 2013.

Company Information

Directors:	G Burnell	Non-Executive Director
	B Moritz	Non-Executive Chairman
	G O'Donovan	Non-Executive Director
	N Warrell	Chief Executive Officer
Company secretary:	L Young	
Company number:	07800337	
Registered office:	190 High Street Tonbridge Kent TN9 1BE	
Auditors:	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF	
Sierra Leone office:	19F Hill Cot Road Freetown Sierra Leone	

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