

Sula Iron & Gold plc ('Sula' or 'the Company')
Interim Results

Sula Iron & Gold plc, an iron ore and gold exploration company focussed on Sierra Leone, announces its interim results for the six months ended 31 March 2013.

Overview

- Defined exploration programme in place to delineate a maiden JORC compliant iron resource in 2013 at its 153 sq km licence area
- 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
- Commenced 2,000m drilling programme to target iron mineralisation post period end – to test the strike, thickness and iron grade of a 3.1km banded iron formation ('BIF')
- Five target areas identified as hosting potential for hard rock gold mineralisation – detailed ground magnetic surveys and soil sampling planned, subject to availability of appropriate financing

Chairman's Statement

Sula Iron & Gold is establishing itself as an iron and gold exploration company in Africa and I believe the outlook for the Company is very positive. Sula continues to make solid progress in exploring its highly prospective licence area in Sierra Leone that offers dual commodity upside potential, and a defined exploration programme is in place that aims to delineate a maiden JORC compliant iron resource in 2013. With this in mind, we expect to be active with news flow from our exploration programme through the rest of the year. In addition, with a strong Board and management team in place with in-depth knowledge of Sierra Leone, a proven track record in developing African resource projects and a prospective flagship project, I believe we have all the foundations in place to deliver growth and create shareholder value.

Sula's 100% owned 153 sq km exploration licence in Sierra Leone ('the Licence') is prospective for iron and gold. The area's prospectivity is underpinned by local operators in the region, including African Minerals Limited's ('AML') wholly-owned 12.8Bt iron ore Tonkolili mine, which adjoins the Licence to the south, and hosts BIF mineralisation proven to extend from Tonkolili into the Licence. The Licence area is also located within the highly prospective Sula-Kangari Greenstone Belt rocks, which hosts Amara Mining Plc's 2.91Moz Baomahun deposit in Sierra Leone. As a result, we are focussed on simultaneously developing the resource potential of both iron and gold through defined exploration programmes, with the ultimate aim of delineating a significant multi commodity resource.

Within the Licence area, the iron mineralisation in the form of BIF supergene enriched oxidised zones is prospective. Exploration consultants SRK Exploration Services Ltd issued an exploration target for the Licence of 500Mt at 30.4% iron for magnetite and 55% iron for haematite. Furthermore, in February 2013 positive channel sampling results confirmed the presence of high grade iron mineralisation, with best intersections of 18m at 51.83% Fe and 22m at 56.22% Fe. As a result, Sula commenced a 2,000m drilling programme in April 2013, which aims to test the strike continuity, thickness and iron grade of a 3.1km BIF located in target Area 1 in the south-western part of the Licence, directly along strike from an undrilled magnetic high within AML's 12.8Bt Tonkolili iron mine.

The diamond drilling programme will comprise eight drill collars over a strike length of 2.2km. Each hole will be drilled at an azimuth of 140° and a dip of 50°, to a downhole depth of 250m. Depending on the results of the diamond drilling, a second phase programme of shallow vertical holes may be required to test Area 1's potential for direct shipping ore ('DSO'). Initial field mapping completed in December 2012 indicated that the BIF outcrops are variably oxidised to higher grade haematite mineralisation; such supergene processes are responsible for the formation of the higher grade DSO ores.

In addition to our iron exploration work, we will seek in the future to prove up the gold resource potential through ground magnetic surveys and soil sampling aimed at improving our knowledge of the gold structures within our Licence, and identifying the location of the most prospective targets for hard rock gold mineralisation. Sula considers the association of placer gold workings and major lineaments within Greenstone Belt rocks at the Licence to be significant.

In January 2013, Sula identified five target areas that appear to be prospective for hosting hard rock gold mineralisation. GeoEye-1 satellite imagery generated provided detailed information on the extent of placer gold workings and indicated the source of some of the placer gold within the Licence. This imagery, combined with Sula's understanding of the location of historic gold drill intercepts, the source areas for alluvial gold deposits, and the position of major structures as defined by airborne magnetic data and drainage orientation, helped the Company to identify the five target areas. Sula now remains focussed on better understanding and proving up the gold mineralisation at these targets, with the Dalakuru and Lagunda prospects marked as high priority.

Dalakuru is the most advanced prospect within the Licence. Historic drilling at the target has already discovered hard rock mineralisation, which is open in all directions, with previous operators returning gold highs of 1.55m @ 11.68g/t gold (171.00 to 173.00m, SDD016 and 8.72m @ 10.46g/t gold (89.40 to 98.10m, SDD004)) from a 19 diamond drill hole programme totalling 3,402m. The Dalakuru structure is at least 5km long but extensive development of laterite masks bedrock geology along its length. Sula is consequently 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.

The Lagunda prospect is defined by extensive artisanal alluvial gold workings which outline a northeast-southwest trending target that is approximately 6km long and 2km wide. 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. As a result, the Board believe the potential presence of multiple structures and contact zones, juxtaposing different lithologies, coincident with the source area of the Lagunda alluvials, is very strong. 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.

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. Following the planned exploration of the Dalakuru and Lagunda targets, Sula plans to acquire ground magnetic data and conduct reconnaissance geochemical sampling to better understand the prospects' mineralisation.

Financials

As would be expected for an exploration company, I am reporting a loss for the six months ended 31 March 2013, of £988,000 (Year ended 30 September 2012: £563,000). The loss reflects increased operating levels and therefore costs in Sierra Leone following Sula's admission to AIM, as we look to prove up the resource potential of iron and gold within our highly prospective Licence. A major part of this loss, £331,000, is a charge arising under IFRS 2 as being the value of options issued at the time of the AIM admission. It should be stressed that this is a non recurring charge and is not a cash payment.

Outlook

Sula remains focussed on proving up the JORC resource potential of its Licence in Sierra Leone, which appears to be prospective for iron and gold. With defined work programmes in place to ensure the resource potential of both commodities is concurrently realised, I firmly believe Sula is well placed to deliver growth and generate shareholder value and Sula looks forward to keeping shareholders updated with our exploration activity.

Finally, I am announcing that I plan to step down as Chairman and as a Director of the Company at the end of July 2013. Having been with Sula, prior to its successful Admission in October 2012, at the age of 77, I am now seeking to reduce my business commitments. I would like to thank the Sula Board and management team for their hard work and commitment, and shareholders for their continued support in what has been a significant year of progress for the Company.

A further announcement will be made in due course regarding the appointment of a new Chairman and Director.

B Moritz

Chairman

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 MARCH 2013

	6 months ended 31-Mar-13 (unaudited) £'000	6-Oct-11 to 31-Mar-12 (unaudited) £'000	6-Oct-11 to 30-Sep-12 (audited) £'000
Continuing operations			
Revenue	-	-	-
Cost of sales	-	-	-
Gross profit	-	-	-
Administrative expenses	(988)	(107)	(563)
Results from operating activities	(988)	(107)	(563)
Finance income	-	-	-
Finance costs	-	-	-
Net finance costs	-	-	-
Loss before taxation	(988)	(107)	(563)
Taxation	-	-	-
Loss for the period	(988)	(107)	(563)

Other comprehensive income			
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive loss for the period	(988)	(107)	(563)
Loss per share – continuing operations			
Basic and diluted loss per share (pence)	(0.83)	(0.647)	(1.03)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013**

	Notes	6 months ended 31- Mar-13 (unaudited) £'000	6-Oct-11 to 31-Mar-12 (unaudited) £'000	6-Oct-11 to 30-Sep-12 (audited) £'000
Assets				
Property, plant and equipment	7	248	254	270
Intangible assets	8	4,034	3,824	3,824
Non-current assets		4,282	4,078	4,094
Trade and other receivables		19	2	28
Cash and cash equivalents		605	44	76
Current assets		624	46	104
Total assets		4,906	4,124	4,198
Equity				
Share capital	9	1,220	795	820
Share premium	9	4,681	3,232	3,226
Convertible notes		-	-	520
Reserves		331	-	-
Retained deficit		(1,551)	(107)	(563)
		4,681	3,920	4,003
Liabilities				
Loans and borrowings		94	-	93
Trade and other payables		131	204	102
Current liabilities		225	204	195
Total liabilities		225	204	195
Total equity and liabilities		4,906	4,124	4,198

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2012

	Share capital £'000	Share premium £'000	Attributable to owners of the Company		
			Convertible notes £'000	Retained deficit £'000	Total equity £ '000
Balance at 6 October 2011 (unaudited)	-	-		-	-
Loss for the period	-	-	-	(107)	(107)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107)</u>	<u>(107)</u>
Issue of ordinary shares on acquisition of subsidiary	500	3,187	-	-	3,687
Issue of ordinary shares	295	45	-	-	340
	<u>795</u>	<u>3,232</u>	<u>-</u>	<u>-</u>	<u>4,027</u>
Balance at 31 March 2012 (unaudited)	<u>795</u>	<u>3,232</u>	<u>-</u>	<u>(107)</u>	<u>3,920</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012**

	Share capital £'000	Share premium £'000	Attributable to owners of the Company		
			Convertible notes £'000	Retained deficit £'000	Total equity £ '000
Balance at 1 April 2012 (unaudited)	795	3,232	-	(107)	3,920
Loss for the period	-	-	-	(456)	(456)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(456)</u>	<u>(456)</u>
Issue of ordinary shares	25	25	-	-	50
Issue of convertible notes	-	-	520	-	520
Issue costs	-	(31)	-	-	(31)
	<u>25</u>	<u>(6)</u>	<u>520</u>	<u>-</u>	<u>539</u>
Balance at 30 September 2012 (audited)	<u>820</u>	<u>3,226</u>	<u>520</u>	<u>(563)</u>	<u>4,003</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2013**

	Share capital £'000	Share premium £'000	Convertible notes £'000	Attributable to owners of the Company		Total equity £ '000
				Share base payment reserve £'000	Retained deficit £'000	
Balance at 1 October 2012 (audited)	820	3,226	520	-	(563)	4,003

Loss for the period	-	-	-	-	(988)	(988)
Total comprehensive loss for the period	-	-	-	-	(988)	(988)
Issue of ordinary shares	400	1,738	(520)	-	-	1,618
Issue costs	-	(283)	-	-	-	(283)
Share based payment transactions	-	-	-	331	-	331
	400	1,455	(520)	331	-	1,666
Balance at 31 March 2013 (unaudited)	1,220	4,681	-	331	(1,551)	4,681

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2013**

	6 months ended 31-Mar-13 (unaudited) £'000	6-Oct-11 to 31-Mar-12 (unaudited) £'000	6-Oct-11 to 30-Sep-12 (audited) £'000
Cash flows from operating activities			
Results from operating activities:	(988)	(107)	(563)
- Depreciation	72	-	63
- Share based payment transaction	331	-	-
	(585)	(107)	(500)
Changes in:			
- trade and other receivables	9	(2)	(28)
- trade and other payables	29	(181)	(295)
Net cash from operating activities	(547)	(290)	(823)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(50)	(6)	(84)
Exploration expenditure	(210)	-	-
Net cash used in investing activities	(260)	(6)	(84)
Cash flows from financing activities			
Proceeds from issue of share capital	1,335	340	359
Proceeds from issue of convertible notes	-	-	520
Proceeds from loans and borrowings	-	-	78
Net cash flows from financing activities	1,335	340	957
Net increase in cash and cash equivalents	528	44	50
Cash and cash equivalents at beginning of period	61	-	-
Cash acquired with subsidiary	-	-	11
Cash and cash equivalents at end of period	589	44	61

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

1. Reporting entity

Sula Iron & Gold plc (the “Company”) is a company domiciled in the United Kingdom. The condensed consolidated interim financial report of the Company as at and for the period ended 31 March 2013 comprise the Company and its subsidiary (together referred to as the “Group”). The Group primarily is involved in the exploration and exploitation of mineral resources in Sierra Leone.

2. Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial performance and position of the Group since the last annual consolidated financial statements as at and for the period ended 30 September 2012. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

This condensed consolidated interim financial report was approved by the Board of Directors on 27 June 2013.

(b) Judgements and estimates

Preparing the interim financial report requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, significant judgements made by Management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period ended 30 September 2012.

3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the period ended 30 September 2012.

4. Financial instruments

Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the period ended 30 September 2012.

5. Operating segments

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

6. Seasonality of operations

The Group is not considered to be subject to seasonal fluctuations.

7. Property, plant and equipment

Acquisitions

During the six months ended 31 March 2013 the Group acquired assets with a cost, excluding capitalised borrowing costs, of £50,000 (period ended 31 March 2012: £254,000, period ended 30 September 2012: £333,000).

8. Intangible Assets

During the six months ended 31 March 2013 the Group has capitalised exploration expenditure of £210,000 (period ended 31 March 2012 (acquired with subsidiary): £3,824,000, period ended 30 September 2012: £nil).

9. Share capital and reserves

Issue of ordinary shares

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.

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 17 January 2013 the Company issued 300,000 ordinary shares at £0.06 per share in consideration of an amount owed to supplier.

Issue costs of £283,000 have been offset against the share premium account.

Dividends

No dividends were declared or paid in the six months ended 31 March 2013 (period ended 31 March 2012: £nil, period ended 30 September 2012: £nil).

10. Share-based payment arrangements

At 31 March 2013 the Company had the following share-based payment arrangements.

Share option programme

On 9 October 2012, the Company issued options to certain directors to purchase shares in the Company at a price of £0.06 per ordinary share.

The terms and conditions related to the grants of the share option programme are as follows:

Grant date/employees entitled	Number of instruments
Option grant to G Burnell	7,466,667
Option grant to B Moritz	2,283,333
Warrant grant to Dr C Wilson	833,334
Total directors' share options/warrants as at 31 March 2013	10,583,334

Measurement of fair values

The fair value of the share-based payments was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility for similar entities on AIM.

Equity-settled share-based payment plans

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	Options	Warrants
Grant date	9 Oct 12	9 Oct 12
Vesting period ends	9 Oct 12	9 Oct 12
Share price at date of grant	6.0	6.0
Volatility	40%	40%
Option life	10 years	10 years
Dividend yield	0%	0%
Risk free investment rate	1.87%	1.87%
Fair value at date of grant	3.13	3.13
Exercise price at grant date	0.06	0.06
Exercise from/to	9 Oct 12/ 9 Oct 22	9 Oct 12/ 9 Oct 22

Employee expenses

	31 March 2013 £'000
Total expense recognised as employee benefit expense	<u>331</u>

Reconciliation of outstanding directors' share options and warrants

	2013	
	Number of options/ warrants	Weighted average exercise price £
Outstanding at beginning of period	-	-
Granted during the period	10,583,334	0.06
Outstanding at 31 March 2013	10,583,334	0.06
Exercisable at 31 March 2013	10,583,334	0.06

The options/warrants outstanding at 31 March 2013 have an exercise price of £0.06 and a remaining weighted average contractual life of 9 years 194 days.

11. Share warrants

Reconciliation of outstanding share warrants

	2013	
	Number of warrants	Weighted average exercise price £
Outstanding at beginning of period	-	-
Granted during the period	22,028,705	0.072
Outstanding at 31 March 2013	22,028,705	0.072
Exercisable at 31 March 2013	19,833,336	0.072

The weighted average remaining contractual life of the warrants outstanding at the balance sheet date was 342 days.

Warrants were subscribed on admission to AIM 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 9 October 2013.

Further warrants were issued on admission, 6,500,000 warrants to Pre-IPO investors at £0.06, exercisable at any time up to 9 October 2013, and 2,195,369 warrants to the Advisers at £0.06 exercisable at any time up to 9 October 2017.

Warrants were subscribed after the issue of 7,500,000 ordinary shares at £0.08 on 2 November 2012 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.

12. Related parties

The Company advanced funds, interest free, to Blue Horizon (SL) Ltd totalling £688,000 during the period. As at 31 March 2013, the balance outstanding totalled £1,573,000.

13. Capital commitments

The Company has agreed to a drilling programme on its exploration licence in Sierra Leone. A deposit was paid during the period under review and the balance to be paid is approximately £200,000