

**Report of the Directors and
Audited
Consolidated Financial Statements
for the year ended 30 September 2011
for
Ascot Mining Plc and Subsidiaries**

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for the year ended 30 September 2011**

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Ascot Mining Plc and Subsidiaries
Company Information
for the year ended 30 September 2011

DIRECTORS: D B Jackson
A Von Kursell
M Filgas
A T Panko
J M Benavides

SECRETARY: G P May

REGISTERED OFFICE: 4th Floor
36 Spital Square
London
E1 6DY

REGISTERED NUMBER: 06009952 (England and Wales)

BANKERS: HSBC
117 Great Portland Street
Marylebone
London
W1W 6QJ

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Chairman Statement
for the year ended 30 September 2011**

Business review

The Company is continuing to develop gold exploration, mining and production through its Costa Rican subsidiaries: Veritas Mining CR, S.A. (Corporate ID 3-101-468793), Veritas Gold CR, S.A. (Corporate ID 3-101-473214) and Veritas Resource CR, S.A. (Corporate ID 3-101-531913). It is also pursuing its previously stated strategy of expanding its portfolio beyond Costa Rica having completed its initial investment in an equity stake in a Canadian junior exploration and development company, Mineral Hill Industries Ltd.

Management Discussion and Analysis

Significant Events:

- ✓ Chassoul, Tres Hermanos and El Recio concessions - 100% ownership.
- ✓ Continued mine development at Chassoul - Cajeta vein development advanced
- ✓ Stabilized mill operations - Chassoul gold processing plant commissioned.
- ✓ Gold production achieved & forecast to steadily increase.
- ✓ Advanced the La Toyota litigation.
- ✓ US\$13 million in newly committed and standby funding facilities.
- ✓ Paid out US\$4 million in gold forward hedging.
- ✓ Expanded the board.

Gold production has been increasing from a nominal 58 ounces in August 2011; previous production estimates are now regarded as ambitious in the short term, although the Company hopes to substantially increase production from 2012 onward.

Chassoul Mine and Mill

Following the recommendations of the Company's Competent Person in his recent NI 43-101 report, the exploration and resource development team has been strengthened and is concentrating on developing two additional recently accessed mineralized veins.

In accordance with the Company's operating policy, a number of safety-related construction projects were undertaken to ensure a "work safe" environment for the workers. The Company continues to maintain a zero record of accidents.

With the process plant now upgraded and operating satisfactorily, the Company's efforts will be concentrated on underground mining, exploration and development with a view to increasing overall understanding of the significant new vein structures that have been identified, as well as increasing production and delivery to the mill of gold bearing ore, particularly from the new Amarilla/Negra veins, which is wide enough to accommodate efficient mechanized mining.

The Company will continue focusing on its stated strategy of building shareholder value through its increasing portfolio of attractive advanced stage assets and by achieving sustained revenues at its Chassoul operations, where the Board believes that immediate value can be realized.

La Toyota

The Company initiated litigation is progressing satisfactorily. Expenditure on La Toyota was written off in the 2010 Financial Statements. A satisfactory resolution is anticipated. The exact timing remains unknown.

Corporate Update

The Company is currently working on providing due diligence and informational items required for an AIM admission, and it remains committed to listing on AIM and on the TSX as soon as possible. Furthermore, and in keeping with the Company's strategy to broaden its asset base and diversify its operations geographically beyond Costa Rica, additional projects within the Americas are being considered.

**Chairman Statement - Continued
for the year ended 30 September 2011**

Post Balance Sheet Events and Comment

Gold production was 159 ounces in October 2011; and 203 ounces in November 2011. The Company recorded its first operating profit in November, and whilst modest, this represents a positive stage in the development of its operations going forward. Production in December was reduced at 87 ounces, as a result of a shortage of leaching chemical, timber and the Christmas holiday period. These shortages continued into January, but have since been overcome, such that production in February increased again to 153 ounces. The Company remains confident that production will now gradually increase over the coming months towards its stated target of at least 1,500 ounces per quarter.

Tres Hermanos and El Recio Exploration Concessions

As announced previously, the Company received notification on 23rd December 2011 of the administrative cancellation of its 100% owned Tres Hermanos & El Recio exploration concessions. The Board has received a legal opinion that the decision by the Ministry of Environment, Energy and Telecommunications is incorrectly based on Article 15 of the current Mining Code (Law No. 6797) which establishes that the right of the concession owner to transfer or lease their concessions required a prior authorization of the Department of Geology and Mines (DGM) in order for it to be effective or legal.

The Concessions for Tres Hermanos and El Recio were granted under the previous Mining Code (Law No. 1551 of April 20, 1953), which was in force until April 4, 1982, when the current Mining Code (Law No. 6797) came into effect.

The previous mining code remains applicable in the case of Tres Hermanos and El Recio. Since then, the concession owners have been in compliance with the conditions under which the concessions were originally granted. The current Mining Code states "all permits and concessions awarded before the effective date of [the current Mining Code] shall be governed, by the rights conferred on areas of exploration or exploitation for the term of the validity of the concession under the previous legislation. In all other aspects, the rules set forth in this law shall prevail."

For further clarity, the previous Mining Code, which is applicable to Tres Hermanos & El Recio, did not require approval for the lease or transfer of the concessions. Article 22 of the previous Mining Code states that "any transfer is valid as from the date of its entry in the records of this Department". As a result, the Company's legal team in Costa Rica strongly believes that by applying

Article 15 of the current Mining Code to the concessions of Tres Hermanos and El Recio, the Ministry has implemented the law retroactively and contrary to the constitutional principle prohibiting the retroactive effect of a law against already acquired or grandfathered rights, and their action is therefore illegal.

Having now received this legal opinion, the Company has postponed its planned exploration programme at these locations pending a final resolution, and has taken appropriate action to protect its investment by filing lawsuits against the Ministry for the illegal notice of administrative cancellation, including seeking costs and damages related to the potential future losses from its proposed exploration and development activities. Further information will be released as it becomes available.

Chassoul Mine and Mill

Recently, the Company focused on making substantial improvements to the processing plant. Rubber liners were installed in the primary ball mill, considerably improving the ore grind to an optimized fine pulp. The rubber liners (locally sourced and fabricated) also considerably reduced the weight and thus wear and tear and has also reduced noise levels.

To date, all exploration, development and gold production at the Chassoul property has occurred within an area of just 12% of the existing 2 square kilometre concession. Therefore 88% of the concession is relatively unexplored.

Similar mineralisation is believed to extend in all directions surrounding the current concession area. The Company is developing plans to expand the Chassoul concession area from the current 2 square kilometres to 10 square kilometres. This strategy has the possibility of substantially increasing the resource base over time.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Chairman Statement - Continued
for the year ended 30 September 2011**

Corporate Update

As previously announced, the Company has been in formal and informal talks with Mineral Hill Industries Ltd ("Mineral Hill") for many months. Recent events, including, but not limited to, a recapitalization of Mineral Hill were opportune for the Company to take the opportunity to acquire an initial equity stake of 29.7% of Mineral Hill. It has filed an "early warning" with the Canadian regulatory authorities of its intention to increase its stake to at least 65% at an unspecified future date.

Mineral Hill is a Canadian-based mineral exploration and development company trading on the Toronto TSX Venture Exchange (MHI), the Frankfurt Exchange (N8Z), and the US OTC Pink Sheets (MHIFF). It has a presence in the USA.

Mineral Hill has an enviable portfolio of gold and lithium properties. It also has a management team, an established association with the Toronto Stock Exchange (TSX.V), and it has associated consultants which can extend the Company's reach without having to increase its overhead substantially. The Company strongly believes its entry costs are attractive in relation to its upside opportunities.

2012 Objectives:

- ✓ List on AIM and the TSX.
- ✓ Increase steady state production.
- ✓ Implement the exploration and resource development programme at Chassoul as recommended by Dr. Stewart Jackson PhD. Geo, per the recent NI 43-101 competent persons report.
- ✓ Extend the Chassoul concession and advance regional exploration.
- ✓ Establish a significant compliant reserve/resource at the Chassoul property.
- ✓ Broaden and diversify the asset base of the Company beyond Costa Rica.
- ✓ Expand the management team.
- ✓ Diversify the mineral focus of the Company to include strategic metals.
- ✓ Continue the legal case regarding the proposed La Toyota joint venture.
- ✓ Solve the legal dispute regarding the administrative cancelation of our Tres Hermanos and El Recio Concession.

In Summary

The Board remains committed to fulfilling the Company's strategic objectives going forward. Accordingly, the Company intends to: "Grow shareholder value by building assets and production through the discovery, acquisition, development, mining and processing of mineral resources".

Respectfully submitted on behalf of the board,

**David Jackson
Chairman**

Date: Wednesday, 28 March 2012

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Report of the Directors
for the year ended 30 September 2011**

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2011.

RESULTS FOR THE YEAR AND DIVIDENDS

The Group loss for the year after taxation was £ 2,216,764 (2010: loss for year £ 1,658,324). The Directors do not recommend the payment of a dividend.

The results for the year at set out on page 11, in the statement of comprehensive income.

PRINCIPAL ACTIVITY

The principal activity of the Company in the year under review was that of a holding company and provider of support and management to its subsidiaries, The Company continues to develop gold exploration, mining and production through its Costa Rican subsidiaries: Veritas Mining CR, S.A. (Corporate ID 3-101-468793), Veritas Gold CR, S.A. (Corporate ID 3-101-473214) and Veritas Resource CR, S.A. (Corporate ID 3-101-531913). It is also pursuing its previously stated strategy of expanding its portfolio beyond Costa Rica.

BUSINESS REVIEW

The Company is continuing to develop gold exploration, mining and production through its Costa Rican subsidiaries: Veritas Mining CR, S.A. (Corporate ID 3-101-468793), Veritas Gold CR, S.A. (Corporate ID 3-101-473214) and Veritas Resource CR, S.A. (Corporate ID 3-101-531913). It is also pursuing its previously stated strategy of expanding its portfolio beyond Costa Rica having completed its initial investment in an equity stake in a Canadian junior exploration and development company, Mineral Hill Industries Ltd. A fair review of the business and future developments is contained in the Chairman's Statement accompanying these financial statements.

At the end of the year, total equity of the Group was £9,877,027 (2010: £6,742,740).

The Directors do not consider there to be any key performance indicators (KPIs) necessary for an understanding of the development and performance of the company.

BOARD COMPOSITION

The directors shown below have held office during the whole of the period from 1 October 2010 to the date of this report.

D B Jackson
A Von Kursell
M Filgas

Other changes in directors holding office are as follows:

Dr M Green - resigned 5 May 2011
A T Panko - appointed 1 April 2011
J M Benavides - appointed 8 August 2011

DIRECTORS' SHAREHOLDINGS, AS AT 30 SEPTEMBER 2011

Name	Holding
D B Jackson	3,000,000
A Von Kursell	5,000,000
M Filgas	500,000
A T Panko	62,500
J M Benavides	200,000

GOING CONCERN AND AVAILABILITY OF PROJECT FINANCE

In common with many companies in the exploration and development stages, the Company raises its finance for exploration and development programmes in discrete tranches. The Directors have prepared cash flow projections for the period to 30 September 2013, which indicates that existing funds will be sufficient to fund the group and its commitments for the foreseeable future. The Directors have therefore concluded that it is appropriate to prepare the financial statements on a going concern basis.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Report of the Directors
for the year ended 30 September 2011**

However further funds will be required in order to successfully develop any successful exploration targets and increase the size of the operations. Whilst the Directors are confident that they are taking all necessary steps to ensure that the funding will be available, there can be no certainty that this will be the case. Were the funding not to become available in an appropriate timescale the Directors would need to consider alternative strategies and an impairment review would be required in respect of the capitalised expenditure on its projects. No adjustments to asset carrying values that may be necessary should the company be unsuccessful have been recognised in the financial statements.

IMPAIRMENT

The Directors have undertaken a review of the carrying value of the mining and exploration assets of the Group and considered the implications of the operations difficulties experienced and the current operational status of each project. Following this review they have assessed the value of the existing assets on the basis of value in use. The carrying values of the assets have not been adjusted to reflect a failure to raise sufficient funds, only maintaining the current levels of operation or that if a sale transaction were undertaken the proceeds may not realise the value as stated in the accounts.

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. The number of days purchases represented by trade creditors at the end of the year was 31 days.

SHAREHOLDERS WITH MORE THAN THREE PERCENT OWNERSHIP, AS AT 23 MARCH 2012

Name	Holding	Percent
Lynchwood Nominees Limited	11,268,544	16.44%
Vidacos Nominees Limited	10,065,263	14.68%
The Bank of New York Ltd	9,721,050	14.18%
Jim Nominees Limited	6,475,883	9.45%
Canaccord Nominees Limited	4,619,675	6.74%
TD Direct Investing Nominees Limited	2,550,768	3.72%
Rory Caffyn-Parsons	2,524,856	3.68%

FINANCIAL RISK MANAGEMENT

In common with most resource companies, Ascot faces a number of particular risks and uncertainties, although the Company's status as an operating gold miner and producer means it has largely addressed and overcome many of these. Mining and operating risks are mitigated by the Company's existing operating status, as economically recoverable mineral resources have already been identified, and the Chassoul processing plant has been fully rebuilt and refurbished, which means it is able to operate continuously with minimal disruption and with no reportable accidents or environmental incidents during the year.

Volatile metals prices also constitute a potential business risk, although the outlook for gold over the next twelve months remains above the assumed price, which the Company uses for internal budgeting and forecasting purposes. Chassoul should also be an extremely low cost producer once it achieves regular increased production.

The Company's intended production activities are also dependant on the grant and maintenance of appropriate licences, concessions, leases, permits and regulatory consents, which can subsequently be withdrawn or cancelled, or made subject to limitations or other restrictions. With particular reference to the El Recio and Tres Hermanos mining concessions, which were "administrative cancelled" in December 2011, there can be no assurance that they will be maintained or renewed, or if so, on what terms, although the Company anticipates that a satisfactory outcome with the Costa Rican government will be achieved during the course of 2012.

The Directors consider that the Company will have adequate working capital to implement its current business plan for the next 12 months, although the operational performance of the Company may require more working capital than is envisaged, or the Company may be presented with investment opportunities which may require funds beyond those provided for in the assumptions in its present business plan. This may give rise to the need or the opportunity to raise additional capital.

**Report of the Directors
for the year ended 30 September 2011**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- State whether they have been prepared in accordance with IFRS adopted by the EU;

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

COPORATE GOVERNANCE

The Directors believe that the Company complies with the principles set out in The Combined Code in Corporate Governance published in June 2008 by the Financial Reporting Council so far as they consider is appropriate, having regard to the size and nature of activities to the Group.

COMMITTEES

The Company has not yet established an Audit Committee, a Remuneration Committee and an Executive Committee. As the company continues to develop, these committees will be established.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, Bennett Brooks & Co. Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

POST BALANCE SHEET EVENTS

- | | |
|--------------------|--|
| ✓ 03 October 2011 | Standby Equity Distribution Agreement for up to £ 6 million with YA Global Master SPV Ltd. |
| ✓ 31 October 2011 | 1,585,522 ordinary shares issued at £0.27 and £0.29 as satisfaction of gold contracts. |
| ✓ 09 November 2011 | 865,086 ordinary shares issued at £0.29 as satisfaction of gold contract. |
| ✓ 23 November 2011 | 341,100 ordinary shares issued at £0.31 as satisfaction of gold contract. |
| ✓ 30 November 2011 | 491,248 ordinary shares issued at £0.20 as exercise of warrants. |
| ✓ 03 January 2012 | 387,422 ordinary shares issued at £0.23 as satisfaction of gold contract. |
| ✓ 19 January 2012 | Appointment of Daniel Stewart & Co Plc as its PLUS Markets Corporate Adviser and Broker. |
| ✓ 27 January 2012 | \$500,000 of Unsecured Convertible Bonds issued with redemption date of 12th July 2013. |
| ✓ 01 February 2012 | Acquisition of shares, 29.7% interest in Mineral Hill Industries Limited. |
| ✓ 10 February 2012 | \$240,000 of Unsecured Convertible Bonds issued with redemption date of 6th February 2013. |
| ✓ 20 February 2012 | Start of mobilization the exploration programme at the Chassoul Project. |
| ✓ 22 March 2012 | 1,000,000 ordinary shares issued at £0.16 as result of private placing. |

ON BEHALF OF THE BOARD:

Alex Panko

Date: Wednesday, 28 March 2012

Report of the Independent Auditors to the Members of Ascot Mining Plc and Subsidiaries

We have audited the financial statements of Ascot Mining Plc and Subsidiaries for the year ended 30 September 2011 which comprise the consolidated and Parent Company statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Parent Company statement of changes in equity, the consolidated and Parent Company statements of cash flow and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page seven, 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

A description of the scope of an audit of financial statements is provided on the APB's website www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 30 September 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter availability of project finance

In forming our opinion, which is not qualified we have considered the adequacy of disclosures made in note 1.32 of the financial statements concerning the availability of project finance. If the company is unable to secure such additional funding, this may have a consequential impact on the carrying value of the related assets and the investment in the company balance sheet. The outcome of any future fundraising cannot presently be determined, and no adjustments to asset carrying values that may be necessary should the company be unsuccessful have been recognised in the financial statements.

**Report of the Independent Auditors to the Members of
Ascot Mining Plc and Subsidiaries**

Emphasis of matter uncertainty of outcome in relation to concessions

In forming our opinion, which is not qualified we have considered the adequacy of disclosures made in note 29 of the financial statements concerning the cancellation of mining concessions. On 24 August 2011 the Ministry of Energy and Environment proposed the cancellation of the Tres Hermanos and El Recio concessions. The subsidiary companies owning the concessions entered into representation to secure the concessions but formal notification that the concessions were administratively cancelled was received on the 22 December 2011. On 23 December 2011, a lawsuit was filed against the Government of Costa Rica, before the Highest Judicial Court, with the purpose of recovering grants to exploit the mines.

The ultimate outcome of this matter cannot presently be determined, and as a result of the favourable legal opinion received by the company no provision has been made in the financial statements of Veritas Mining CR, S.A for the impairment of assets and related costs, less recovery of deferred consideration, which if the action against the government of Costa Rica fails will require a provision against the development costs incurred of £3,153,539.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Neil White

Date: 28 March 2012.

Senior Statutory Auditor

For and on behalf of

Bennett Brooks & Co. Limited
1 Charterhouse Mews
London
EC1M 6BB

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Consolidated Income Statement
for the year ended 30 September 2011

		2011 £	2010 £
CONTINUING OPERATIONS	Notes		
Revenue	2	83,398	29,872
Cost of Sales		<u>(25,405)</u>	<u>(30,658)</u>
GROSS PROFIT / (LOSS)		57,993	(786)
Administration Expenses	3	(1,111,630)	(1,084,067)
Other operating Income		<u>172</u>	<u>708</u>
OPERATING LOSS		(1,053,465)	(1,084,145)
Finance Costs		<u>(1,023,897)</u>	<u>(624,010)</u>
LOSS BEFORE TAXATION	4	(2,077,362)	(1,708,155)
Taxation	5	<u>(139,402)</u>	<u>49,831</u>
LOSS FOR THE YEAR		<u>(2,216,764)</u>	<u>(1,658,324)</u>
Attributable to:			
Owners of the parent		(2,216,764)	(1,658,324)
Earnings per share expressed in pence per share:	7		
Basic Loss per share		(3.92)	(4.50)
Diluted Loss per share		<u>(3.89)</u>	<u>(4.50)</u>

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2011

	2011 £	2010 £
LOSS FOR THE YEAR	(2,216,764)	(1,658,324)
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(2,216,764)</u>	<u>(1,658,324)</u>
Total comprehensive income attributable to: Owners of the parent	<u>(2,216,764)</u>	<u>(1,658,324)</u>

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Consolidated Statement of Financial Position
30 September 2011

	Notes	2011 £	2010 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	8	7,511,653	3,990,245
Intangible assets	9	6,749,936	4,572,268
Property, plant and equipment	10	2,604,537	3,349,925
Investments	11	21,090	12,500
Loans and other financial assets	12	9,727	9,727
Deferred tax	20	197,455	336,857
		<u>17,094,398</u>	<u>12,271,522</u>
CURRENT ASSETS			
Inventories	13	33,091	-
Trade and other receivables	14	8,320	15,199
Cash and cash equivalents	15	1,379,239	185,645
		<u>1,420,650</u>	<u>200,844</u>
TOTAL ASSETS		<u>18,515,048</u>	<u>12,472,366</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Issued capital	16	638,918	396,796
Share premium	16	15,558,186	10,496,075
Retained earnings	17	(6,320,077)	(4,150,131)
Equity attributable to the owners of the Company		<u>9,877,027</u>	<u>6,742,740</u>
Non- controlling interest		<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>9,877,027</u>	<u>6,742,740</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term liabilities	18	2,234,463	-
CURRENT LIABILITIES			
Trade and other payables	19	6,403,558	5,729,626
TOTAL LIABILITIES		<u>8,638,021</u>	<u>5,729,626</u>
TOTAL EQUITY AND LIABILITIES		<u>18,515,048</u>	<u>12,472,366</u>

The consolidated financial statements were approved by the Board of Directors on Wednesday, 28 March 2012 and were signed on its behalf by:

Alex Panko
Director

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Company Statement of Financial Position
30 September 2011

		2011 £	2010 £
ASSETS			
	Notes		
NON-CURRENT ASSETS			
Goodwill	8	-	-
Intangible assets	9	-	-
Property, plant and equipment	10	-	-
Investments	11	13,499,554	10,028,742
Loans and other financial assets	12	-	-
Deferred tax	20	-	-
		<u>13,499,554</u>	<u>10,028,742</u>
CURRENT ASSETS			
Inventories	13	-	-
Trade and other receivables	14	-	-
Cash and cash equivalents	15	1,373,429	166,563
		<u>1,373,429</u>	<u>166,563</u>
TOTAL ASSETS		<u>14,872,983</u>	<u>10,195,305</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Issued capital	16	638,918	396,796
Share premium	16	15,558,186	10,496,075
Retained earnings	17	<u>(5,301,330)</u>	<u>(3,408,967)</u>
TOTAL EQUITY		<u>10,895,774</u>	<u>7,483,904</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term liabilities	18	<u>-</u>	<u>-</u>
CURRENT LIABILITIES			
Trade and other payables	19	<u>3,977,209</u>	<u>2,711,401</u>
TOTAL LIABILITIES		<u>3,977,209</u>	<u>2,711,401</u>
TOTAL EQUITY AND LIABILITIES		<u>14,872,983</u>	<u>10,195,305</u>

The financial statements were approved by the Board of Directors on Wednesday, 28 March 2012 and were signed on its behalf by:

Alex Panko
Director

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Consolidated Statement of Changes in Equity
for the year ended 30 September 2011

	Called up share capital	Share premium	Retained earnings	Equity-settled employee benefit reserve	Total
	£	£	£	£	£
Balance at 1 October 2009	351,356	9,375,087	(2,512,074)	8,680	7,223,049
Loss for the year	-	-	(1,658,325)	-	(1,658,325)
Total comprehensive income for the year	-	-	(1,658,325)	-	(1,658,325)
Credit arising on share based payment	-	-	-	11,588	11,588
Issue of ordinary shares under employee share option plan	-	-	-	-	-
Issue of ordinary shares under professional services performed	42,523	995,097	-	-	1,037,620
Issue of ordinary shares for additional working capital	2,917	125,891	-	-	128,808
Balance as at 30 September 2010	396,796	10,496,075	(4,170,399)	20,268	6,742,740
Loss for the year	-	-	(2,216,764)	-	(2,216,764)
Total comprehensive income for the year	-	-	(2,216,764)	-	(2,216,764)
Credit arising on share based payment	-	-	-	46,818	46,818
Issue of ordinary shares under professional services performed	20,058	666,797	-	-	686,855
Issue of ordinary shares for additional working capital	222,064	4,395,314	-	-	4,617,378
Balance as at 30 September 2011	638,918	15,558,186	(6,387,163)	67,086	9,877,027

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Company Statement of Changes in Equity
for the year ended 30 September 2011

	Called up share capital	Share premium	Retained earnings	Equity-settled employee benefit reserve	Total
	£	£	£	£	£
Balance at 1 October 2009	351,356	9,375,087	(1,092,562)	8,680	8,642,561
Loss for the year	-	-	(2,336,673)	-	(2,336,673)
Total comprehensive income for the year	-	-	(2,336,673)	-	(2,336,673)
Credit arising on share based payment	-	-	-	11,588	11,588
Issue of ordinary shares under employee share option plan	-	-	-	-	-
Issue of ordinary shares under professional services performed	42,523	995,097	-	-	1,037,620
Issue of ordinary shares for additional working capital	2,917	125,891	-	-	128,808
Balance as at 30 September 2010	396,796	10,496,075	(3,429,235)	20,268	7,483,904
Loss for the year	-	-	(1,939,181)	-	(1,939,181)
Total comprehensive income for the year	-	-	(1,939,181)	-	(1,939,181)
Credit arising on share based payment	-	-	-	46,818	46,818
Issue of ordinary shares under professional services performed	20,058	666,797	-	-	686,855
Issue of ordinary shares for additional working capital	222,064	4,395,314	-	-	4,617,378
Balance as at 30 September 2011	638,918	15,558,186	(5,368,416)	67,086	10,895,774

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Consolidated Statement of Cash Flows
for the year ended 30 September 2011

	Notes	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Cash flows from operating activities					
Cash generated from operations	1	(1,337,704)	1,154,539	(1,378,212)	1,204,819
Net cash from operating activities		(1,337,704)	1,154,539	(1,378,212)	1,204,819
Cash flows from investing activities					
Purchase of development costs		(1,558,170)	(1,576,990)	-	-
Purchase of investments in other companies		(8,590)	-	-	-
Acquisition of subsidiaries	3	-	-	-	-
Investment in subsidiaries		-	-	(2,851,315)	(1,706,009)
Purchase of tangible fixed assets		(595,012)	(77,407)	-	-
Net cash from investing activities		(2,161,772)	(1,654,397)	(2,851,315)	(1,706,009)
Cash flows from financing activities					
Finance Costs		(459,969)	(624,010)	(459,798)	(623,667)
Decrease of other loans		(743,152)	-	-	-
Share issue		4,617,378	1,166,428	4,617,378	1,166,428
Increase in value of convertible loans		1,278,813	-	1,278,813	-
Net cash from financing activities		4,693,070	542,418	5,436,393	542,761
Increase in cash and cash equivalents		1,193,594	42,560	1,206,866	41,571
Cash and cash equivalents at beginning of year	2	185,645	143,085	166,563	124,992
Cash and cash equivalents at end of year	2	1,379,239	185,645	1,373,429	166,563

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Statement of Cash Flows
for the year ended 30 September 2011**

1. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Loss before tax	(2,077,362)	(1,708,155)	(1,939,181)	(2,336,673)
Finance costs	1,023,897	624,010	1,023,727	623,667
Depreciation	53,455	39,865	-	-
Share based payment	114,176	11,588	114,176	11,588
Diminution of investment	-	12,500	-	955,946
Decrease/(Increase) in trade and other receivables	6,879	356,923	-	25,885
Increase in inventories	(33,091)	-	-	-
Increase/(Decrease) in trade and other payables	138,047	1,817,808	(13,229)	1,924,406
Currency adjustment	69,933	-	69,933	-
Revaluation of forward gold contracts	(633,638)	-	(633,638)	-
Cash generated from operations	(1,337,704)	1,154,539	(1,378,212)	1,204,819

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Year ended 30 September 2011				
Cash and cash equivalents	1,379,239	185,645	1,373,429	166,563
Year ended 30 September 2010				
Cash and cash equivalents	185,645	143,085	166,563	124,992

3. ACQUISITION OF SUBSIDIARIES

During the period the Group acquired three subsidiaries Compañía Minera del Guanacaste S.A. (CMG), EL Recio S.A. (ER) and Ganadera los Maizoles S.A. (GLM). The fair value of assets acquired and liabilities assumed were as follows:

	CRM £	ER £	GLM £
Cash	-	-	-
Inventories	-	-	2,658
Accounts receivable	-	-	-
Property, plant and equipment	5,108	7,460	1,781,647
Trade payables	-	-	-
Total purchase price	(1,117,232)	(1,117,232)	(3,083,818)
Payments previously disclosed as Property, Plant and Equipment	-	-	3,083,818
Deferred consideration	1,117,232	1,117,232	-
Cash flow on acquisition net of cash acquired	-	-	-

**Notes to the Consolidated Financial Statements
for the year ended 30 September 2011**

1. ACCOUNTING POLICIES

1.1. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements.

1.2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

Application of new and revised International Financial Reporting Standards (IFRS) and IFRIC Interpretations

a) New and revised IFRS and IFRIC Interpretations applied with no material affected on the consolidated financial statements

The following new and revised IFRS and IFRIC interpretations and amendments have been adopted in these consolidated financial statements but none had any material impact on the Group results or financial position.

- IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRS issued in 2010)
- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRS issued in 2010)
- IAS 24 (as revised in 2009) "Related party disclosures"
- IAS 27 Consolidated and Separate Financial Statements (as part of Improvements to IFRS issued in 2010)

b) New and revised IFRS and IFRIC Interpretations effective for financial reporting period on or after 1 January 2011 but not relevant to the Group's operation

The Group has not applied the following new and revised IFRS and IFRIC interpretations and amendments that have been issued and effective for the financial reporting period on or after 1 January 2011:

- Amendments to IFRS 1, "Limited exemption from comparative IFRS 7 disclosures"
- Improvement to IFRS issued in May 2010 (except for the IFRS 7, IAS 1 and IAS 27 mentioned in section a above)
- Amendments to IAS 32, "Classification of Right Issues"
- Amendments to IFRIC 14, "Prepayments of a Minimum Funding Requirement"
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

The management has undertaken an initial review of the impact of these new standards, interpretations and amendments and has concluded that they are not relevant to the Group's operation and are unlikely to have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

Application of new and revised International Financial Reporting Standards (IFRS) and IFRIC Interpretations (continued)

c) New and revised IFRS and IFRIC Interpretations in issue but not yet effective for the financial reporting period on or after 1 January 2011 and have not been early adopted by the Group

The following standards, amendments and interpretation to existing standards were in issue at the date of authorisation of these consolidated financial statements, but are not yet effective, and in some cases have not been adopted by the EU:

- Amendment to IFRS 1, "First-time adoption of IFRS- Severe hyperinflation and removal of fixed dates for first-time adopters", effective from 1 July 2011 and later
- Amendments to IFRS 7, "Disclosures - Transfer of financial assets", effective from 1 July 2011 and later
- Amendments to IFRS 7, "Disclosures - Offsetting of financial assets and liabilities", effective from 1 January 2013 and later
- Amendments to IFRS 7, "Amendments requiring disclosures about the initial application of IFRS 9", effective from 1 January 2013 or otherwise when IFRS 9 is first applied
- IFRS 9, "Financial Instruments - Classification and measurement of financial assets", effective from 1 January 2015 and later
- IFRS 10, "Consolidated Financial Statements", effective from 1 January 2013 and later
- IFRS 11, "Joint Arrangements", effective from 1 January 2013 and later
- IFRS 12, "Disclosure of Interests on Other Entities", effective from 1 January 2013 and later
- IFRS 13, "Fair Value Measurement", effective from 1 January 2013 and later
- Amendment to IAS 1, "Presentation of Financial Statements-Amendments to revise the way other comprehensive income is presented", effective from 1 July 2013 and later
- Amendments to IAS 12, "Income Taxes – Limited scope amendment (recovery of underlying assets)", effective from 1 January 2012 and later
- Amendment to IAS 19, "Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits Projects", effective from 1 January 2013 and later
- Amendment to IAS 27, "Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011), effective from 1 January 2013 and later
- Amendment to IAS 28, "Investments in Associates – reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), effective from 1 January 2013 and later
- Amendments to IAS 32, "Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities", effective from 1 January 2014
- IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine", effective from 1 January 2013

The management has undertaken an initial review of the impact of these new standards, interpretations and amendments and has concluded that they are unlikely to have a material impact on the Group's financial statements.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

1. ACCOUNTING POLICIES – continued

1.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Ascot Mining Plc and all its subsidiaries made up to 30 September 2011. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest/s exists, any losses of that subsidiary are attributed to the non-controlling interest/s even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recognised in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

1.4. Investments in associates and joint ventures

Entities whose economic activities are controlled jointly by the Group and other ventures independent of the Group are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of the investments in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate. These changes include subsequent depreciation amortisation or impairment of the fair value adjustment of assets and liabilities.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated the underlying asset is also tested for impairment.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

1.5.1. Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16 Property, Plant and Equipment.

Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognised immediately in profit or loss. Also, rehabilitation obligations that arose as a result of the production phase of a mine, should be expensed as incurred. The rehabilitation provision for individual mines is accounted for once production starts at the mine and is released over the useful economic life of the mine.

1.5.2. Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data.

The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body.

Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.5.3. Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation / amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production (UOP) depreciation methodologies are available to choose from. The Group adopts a Run of the Mine (ROM) tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post mining costs. Changes are accounted for prospectively.

1.5.4. Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

1.5.5. Impairment of assets

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. 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. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets.

1.5.6. Deferred stripping expenditure

The Group defers advanced stripping costs incurred during the production stage of its operations. This calculation requires the use of judgments and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves extracted as a result. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively.

1.5.7. Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.5.8. Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location.

The Group considers various relevant criteria to assess when the production phases is considered to commence and all related amounts are reclassified from 'Mines under construction' to 'Producing mines' and 'Property, plant and equipment'.

Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine development/construction project moves into the production stage, the capitalisation of certain mine development/construction costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation / amortisation commences.

1.5.9. Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

1.5.10. Inventories

Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

1.5.11. Fair value hierarchy

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.6. Revenue recognition

Revenue represents gold bullion derived wholly from its Costa Rica subsidiaries, Veritas Mining, CR S.A., Veritas Gold CR, S.A., and Veritas Resource CR, S.A.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods provided in the normal course of business, net of any sales related taxes. The value is recognised when the gold is produced from the final part of the production process.

The valuation is based on the weight of the gold content of the gold Dore bar produced and the spot market price at the time of production.

1.7. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.8. Evaluation and exploration

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the directors conclude that a future economic benefit is more likely than not to be realised. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors. In evaluating if expenditures meet the criteria to be capitalised, several different sources of information are utilised. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed. Exploration and evaluation expenditure incurred on licences where a JORC compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC compliant resource. Costs expensed during this phase are included in 'exploration expenditure' in profit or loss.

1.9. Other intangible assets

Other intangible assets include computer software. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between their net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

1.10. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

Impairment of non-financial assets (continued)

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is increase and is recognised through other comprehensive income. The following criteria are also applied in assessing impairment of specific assets:

1.10.1. Goodwill

Goodwill is tested for impairment annually (as at 30 September) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

1.10.2. Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 September either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

1.11. Development costs

Development costs are costs which are capitalised during the course of the accounting period to further develop concessions with a view to enhancing the value of a project. These projects are evaluated and if there is a possibility the projects are going to generate future economic benefits the costs and additional costs incurred to develop the specific projects are capitalised. These costs include the payments to develop the underground (geological consulting, creation of geological data bases, mapping, labour, timber, explosives, tools etc.) in parallel to the construction and testing of the processing facilities. These items of expenditure relate to rehabilitation of existing mines where the company or one of its subsidiaries has the license to mine. Staff costs incurred are included within development costs and are subsequently capitalised. The staff costs are included within purchase of development costs in the statement of financial position and the cash flow statement.

Costs which do not relate to specific mining projects, such as the Mills to crush the ore do not get capitalised under development costs but get classified as property, plant and equipment assets under construction. Capitalisation commences when the above-mentioned type of expenditure is incurred after the project has been fully researched and the project is deemed commercially feasible for development. Once the mine is ready for commercial production the costs incurred up to this date are transferred from development costs to the property, plant and equipment category of producing mines.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

Development costs (continued)

These are then depreciated over the estimated life of the mine. If it is deemed not to be commercial then the full costs incurred up to that date are written off to the statement of comprehensive income.

The economic life of the asset is the unit of production basis over the economic recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine and in this case the asset is amortised using the straight line method. The unit of account used to determine this cost is the "recoverable ounces of gold".

At the end of the life of the mine or when the area is depleted the group has a legal obligation to undertake environmental restoration. The group implements a process of "technical closing, which consists of preparing the areas/sectors for decommissioning, and making sure the areas are safe, geologically stable and environmental restoration. The group by law has retained two professionals responsible to the regulators called regents, who are responsible to comply with the applicable geological and environmental regulations. The cost of decommissioning is budgeted once production commences.

1.12. Property, plant and equipment and mine properties

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Mining equipment	- 10% on cost
Vehicles	- 10% on cost
Computer and office equipment	- 33% on cost

Upon completion of mine construction, the assets are transferred into property, plant and equipment or mine properties. Items of property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development.

1.13. Depreciation/amortisation

Accumulated mine development costs are depreciated/amortised on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied. The unit of account for run of mines (ROM) costs are tonnes of ore whereas the unit of account for post-ROM costs are recoverable ounces of gold and recoverable tonnes of copper. Rights and concessions are depleted on the unit-of-production basis over the total reserves of the relevant area. The unit-of-production rate for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of mine. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period, and adjusted prospectively if appropriate.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.14. Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day to day maintenance costs are expensed as incurred.

1.15. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4 'Determining whether an Arrangement contains a Lease'

1.15.1. Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term

1.15.2. Embedded leases

All take-or-pay contracts are reviewed for indicators of a lease on inception.

1.15.3. Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned

1.16. Financial instruments- initial recognition and subsequent measurement

Financial assets within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

Financial instruments- initial recognition and subsequent measurement (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instrument

1.17. Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

1.17.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes, financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in profit or loss.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss. The Group evaluated its financial assets as held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances.

The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

1.17.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs.

1.17.3. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when: The rights to receive cash flows from the asset have expired The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

Financial instruments- initial recognition and subsequent measurement (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

1.18. Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.19. Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss.

1.20. Financial liabilities

1.20.1. Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

Financial liabilities (continued)

1.20.2. Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

1.20.2.1. Financial liabilities at fair value through profit or loss - Forward Gold Contracts

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

1.20.2.2. Interest-bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

1.20.2.3. Convertible loan notes

Convertible loan notes issued by the Group are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar, non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

1.20.3. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

1.21. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.22. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

1.23. Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows). Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item. Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made. The Group enters into forward gold contracts for the advanced sale of gold production in order to raise finance. The Group has an obligation to provide the buyer with gold or US dollars at a specified future date. The financial liability of providing gold to the value of the contract is provided for at the year end spot rate.

1.24. Cash and short-term deposits

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1.25. Normal purchase or sale exemption

Contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a nonfinancial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption' (with the exception of those with quotational period clauses, which result in the recognition of an embedded derivative. For these contracts and the host part of the contracts containing embedded derivatives, they are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

1.26. Investments

Investments are recognized at cost less any permanent provision for impairment.

1.27. Inventories

Gold bullion and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods. Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence. Inventories are stated at the lower of cost or net realisable value. Cost is determined on first in first out (FIFO) basis.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.28. Taxation

1.28.1. Current tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable. Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

1.28.2. Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The Group recognises neither the deferred tax asset regarding the temporary difference on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset.

1.29. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

1. ACCOUNTING POLICIES – continued

1.30. Deferred stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis. Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping, (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio.

Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The life of mine (or pit) ratio is based on economically recoverable reserves of the mine (or pit). Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of 'Mine properties'. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

1.31. Foreign currencies

The functional currency of Ascot Mining Plc is Sterling. The functional currency of the Group's subsidiaries is the Costa Rican Colon but the subsidiaries financial statements are stated in sterling hence there is no exchange gain or loss on consolidation. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

1.32. Going concern and availability of project finance

In common with many companies in the exploration and development stages, the company raises its finance for exploration and development programmes in discrete tranches. The Directors have prepared cash flow projections for the period to September 2013, which indicates that existing funds will be sufficient to fund the Group and its commitments for the foreseeable future. The Directors have therefore concluded that it is appropriated to prepare the financial statements on a going concern basis.

However further funds will be required in order to successfully develop any successful exploration targets and increase the size of the operations. Whilst the Directors are confident that they are taking all necessary steps to ensure that the funding will be available, there can be no certainty that this will be the case.

Were the funding not to become available in an appropriate timescale the Directors would need to consider alternative strategies and an impairment review would be required in respect of the capitalized expenditure on its projects. No adjustments to asset carrying values that may be necessary should the company be unsuccessful have been recognised in the financial statements.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

1. ACCOUNTING POLICIES – continued

1.33. Share-based payments

In accordance with IFRS 2 Share-based payment, the Group issues equity-settled share based payments in the form of share options to certain employees for services they receive from these employees. Equity-settled share based payments are measured at fair value at the date of grant.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense on a straight line basis over the vesting period, based on what the Group's estimate of shares that will eventually vest. The fair value is determined by reference to option pricing model. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

1.34. Share-options

In accordance with IFRS 2 the entity measures the goods or services received by measured at fair value of the share options. This cost is charged against profit or loss. The Black-Scholes method has been used to calculate this fair value. The expected life of the instrument used in the model is adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The entity measures the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value is measured at the date of grant. Where the equity instruments granted do not vest immediately but after a specific number of years, the fair value is accounted for over the vesting period.

1.35. Provisions

1.35.1. General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

1.35.2. Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location.

When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

2. REVENUES

The total turnover of the Group for the year has been derived from its principal activity wholly undertaken in Costa Rica and corresponds to gold sales. The Group does not have individual segments for which further financial information can be obtained.

3. EMPLOYEES AND DIRECTORS

	2011 £	2010 £
Wages and salaries costs	160,778	161,671
Directors' emoluments (see below)	369,132	365,450
Social security	30,291	8,370
Share based payments	46,818	11,588
Other pension costs	445	623
	<hr/> 607,464	<hr/> 547,702

Staff cost has been capitalized as part of development costs. As a corporate practice, the subsidiary companies subcontract mining labour from the people around the mining sites. The average monthly number of persons, including executive directors, employed by the group during the period was:

	2011 No.	2010 No.
Production	21	19
Management and administration	11	11

Directors' emoluments

	2011 £	2010 £
Directors' remuneration	369,132	365,450

This amount represents the remuneration of Dr M. Green (resigned), Mr A Panko, Mr D Jackson and Mr A von Kursell. For Mr D Jackson and Mr A von Kursell the amounts have been accruing since the commencement of their contracts. They have reinvested 100% of their emoluments by purchasing shares of Ascot Mining PLC.

Directors' emoluments	2011 £	2010 £
Total emoluments of the highest paid director	232,304	198,481

4. LOSS BEFORE TAX

	2011 £	2010 £
The loss before tax is stated after charging:		
Depreciation - owned assets	53,455	39,865
Evaluation and exploration amortisation	-	-
Impairment loss on development costs	-	-
Foreign currency gain	(69,933)	11,911
Share-based payments – Directors	31,369	6,388
Share-based payments – Staff	8,694	810

Auditors' Remuneration

Fees Payable to group's auditor for the audit of the group's financial statements	18,000	15,000
Fees Payable to group's auditor for other services:		
Tax Services	1,500	1,750
All other Services	22,486	21,724
Fees Payable to the subsidiary companies auditors	6,400	6,400

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

4. LOSS BEFORE TAX – Continued

	2011	2010
	£	£
Finance Costs		
Finance Cost	<u>1,023,897</u>	<u>624,010</u>

This amount had a significant increase on this period due to the implementation of the Forward Gold Sales Programme. Using this programme Ascot Mining Forward sales gold at 20%, discount.

5. TAXATION

	2011	2010
	£	£
Recognised in the income statement:		
Current tax	<u>(139,402)</u>	<u>49,831</u>
Deferred tax	<u>(139,402)</u>	<u>49,831</u>

The tax benefit of the utilisation of tax losses is available for the Costa Rican companies with industrial operations up to a maximum of three years.

5.1 Reconciliation of tax charge

The provision for the current period varies from the standard rate of corporations in the UK of 26% (2010: 29%).

The differences are explained below:

	2011	2010
	£	£
Loss on ordinary activities before tax	<u>(2,077,362)</u>	<u>(1,708,155)</u>
Current tax calculated:		
UK corporation tax at the applicable rate of 26% (2010 – 29%)	(540,114)	(495,365)
Costa Rica at 30% (2010 – 30%)	(623,209)	(512,446)
Tax losses carried forward:		
UK	540,114	495,365
Costa Rica	623,209	512,446

Effect of deferred tax:

UK	-	-
Costa Rica	<u>(139,402)</u>	<u>49,831</u>
Tax (expense)/income recognised in income statement	<u>(139,402)</u>	<u>49,831</u>

5.2 Deferred tax (liabilities)/assets

	2011	2010
	£	£
Costa Rican companies		
Balance at 1 October	336,857	287,026
Effect of:		
Unexpired tax losses	<u>(139,402)</u>	<u>49,831</u>
Balance at 30 September	<u>197,455</u>	<u>336,857</u>

The group has total tax losses of £3,970,000 (2010: £2,030,000) giving rise to a potential deferred tax asset of £950,000 (2010: £490,000). This asset has not been recognized in the financial statements because of uncertainty as to the time period over which the asset may be recovered.

6. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, a separate statement of comprehensive income of the parent company is not presented as part of these financial statements. The Parent Company's loss for the financial year was £1,939,181 (2010 - loss £2,336,673).

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

2011	Earnings £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Effect of dilutive securities	(2,216,764)	56,488,917	(3.92p)
Diluted EPS	(2,216,764)	56,929,266	(3.89p)
2010	Earnings £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Effect of dilutive securities	1,658,324)	37,106,123	(4.5p)
Diluted EPS	1,658,324)	37,106,123	(4.5p)

8. GOODWILL

Group COST	£
At 1 October 2010	3,990,245
Additions	<u>3,521,408</u>
and 30 September 2011	<u>7,511,653</u>
NET BOOK VALUE	
At 30 September 2011	<u>7,511,653</u>
At 30 September 2010	<u>3,990,245</u>

Goodwill as at 1 October 2011 was generated in the acquisition of the subsidiaries, Veritas Mining CR, S.A. and Veritas Gold CR, S.A. Additional goodwill represents the amounts recognised from the acquisition of the subsidiaries, Ganadera los Maizoles, S.A., Compania Minera del Guanacaste, S.A., and El Recio, S.A. (note 28). The Directors do not consider that the value of goodwill has been impaired as at 30 September 2011.

8.1 Allocation of goodwill to Group's cash generating Units (CGUs)

Goodwill is allocated to the following cash generating units (CGUs) for impairment testing purposes.

- Veritas Gold CR, S.A.
- Veritas Mining CR, S.A.

The following CGUs contain allocated goodwill that is significant in comparison with the total carrying amount of goodwill for the Group.

	2011 £	2010 £
Veritas Gold CR, S.A.	5,289,490	3,990,245
Veritas Mining CR, S.A.	2,222,163	-
	<u>7,511,653</u>	<u>3,990,245</u>

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

8. GOODWILL - Continued

The management determines that there is no impairment of any of its cash-generating units or group of cash-generating units containing goodwill or intangible assets with indefinite useful lives. The recoverable amounts (i.e., higher of value in use and fair value less costs to sell) of those units and group of units are determined on the basis of value in use calculations. The management has determined that the recoverable amount calculations are sensitive to the changes in the following assumption:

CGUs Veritas Mining CR, S.A. & Veritas Gold CR, S.A.:

The recoverable amount of these cash-generating units is determined based on the value in use calculations, which use the estimated future cash flows to their present value using a pre-tax discount rate of 30% per annum (2010: 30%). The Group bases its impairment calculation on detailed budgets and forecast calculations covering a period of five years.

Key assumptions:

- Budget gross margin: Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. The management expects improvements of 3-5% to be reasonable achievable.
- Long- term commodity prices: The directors conclude that the gold price should remain at high levels for the medium term, supported by many factors such as the continuing weakness of the US dollar and other major currencies; low interest rates; increasing investment and "safe haven" demand; increasing central bank purchases; and decreasing mine production.

9. INTANGIBLE ASSETS

Group	Evaluation & exploration £	Development costs £	Totals £
COST			
At 1 October 2010	-	4,572,268	4,572,268
Additions from internal developments	-	2,177,668	2,177,668
Additions from business combinations	-	-	-
At 30 September 2011	-	6,749,936	6,749,936
ACCUMULATED IMPAIRMENT			
At 1 October 2010	-	-	-
Impairment recognised in the year	-	-	-
NET BOOK VALUE			
At 30 September 2011	-	6,749,936	6,749,936
At 30 September 2010	-	4,572,268	4,572,268

Development costs comprise amounts incurred to rehabilitate production facilities, to further develop concessions with a view to enhancing the value of a project and to bring the facilities to the stage of commercial production.

9.1 Impairment review of development costs

As detailed in the accounting policies the Directors are required to undertake a review for impairment at least annually and for other assets where events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

In such a situation the asset's carrying value is written down to its estimated amount (being the higher of the fair value less costs to sell and value in use).

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

10. PROPERTY, PLANT AND EQUIPMENT

Group	Mining Concessions £	Tailings Pond £	Mining Equipment £
COST			
At 1 October 2010	2,812,420	283,645	242,455
Additions	271,398	50,211	179,118
Transfer to goodwill on acquisition	(1,299,513)	-	-
Transfer to inventories on acquisition	(2,658)	-	-
Acquisition through business combination (if applicable)	12,568	-	-
At 30 September 2011	1,794,215	333,856	421,573
DEPRECIATION			
At 1 October 2010	-	-	33,291
Charge for year	-	-	35,472
At 30 September 2011	-	-	68,763
NET BOOK VALUE			
At 30 September 2011	1,794,215	333,856	352,810
At 30 September 2010	2,812,420	283,645	209,164
	Vehicles £	Computer and Office Equipment £	Totals £
COST			
At 1 October 2010	51,120	13,749	3,403,389
Additions	79,906	17,037	597,670
Transfer to goodwill on acquisition	-	-	(1,299,513)
Transfer to inventories on acquisition	-	-	(2,658)
Acquisition through business combination (if applicable)	-	-	12,568
At 30 September 2011	131,026	30,786	2,711,456
DEPRECIATION			
At 1 October 2010	14,158	6,015	53,464
Charge for year	11,266	6,717	53,455
At 30 September 2011	25,424	12,732	106,919
NET BOOK VALUE			
At 30 September 2011	105,602	18,054	2,604,537
At 30 September 2010	36,962	7,734	3,349,925

The Company acquired three new subsidiaries during this fiscal period (see note 28), therefore the mining concessions section was revised and the figures adjusted.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

10. PROPERTY, PLANT AND EQUIPMENT - continued

Company

The company does not hold any property, plant and equipment.

11. INVESTMENTS

Group	Shares in group undertakings £	Listed investments £	Totals £
COST			
At 1 October 2010	-	12,500	12,500
Additions during this year	-	8,590	8,590
Balance at 30 September 2011	-	21,090	21,090
NET BOOK VALUE			
At 30 September 2011	-	21,090	21,090
At 30 September 2010	-	12,500	12,500
Company			
	Shares in group undertakings £	Listed investments £	Totals £
COST			
At 1 October 2010	10,016,242	12,500	12,500
Additions during this year	3,462,221	8,590	8,590
Balance at 30 September 2011	13,478,463	21,090	21,090
NET BOOK VALUE			
At 30 September 2011	13,478,463	21,090	21,090
At 30 September 2010	10,016,242	12,500	12,500

The Company increased its investment in Worship Street Investments Ltd (a plus quoted company), from 1,000,000 to 1,454,545 shares during this financial period.

The market value of these shares was £21,090 at 30 September 2011.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

12. LOANS AND OTHER FINANCIAL ASSETS

Group	Concession Deposits £
COST	
At 1 October 2010	9,727
Additions during this year	-
	<hr/>
Balance at 30 September 2011	9,727
	<hr/>
NET BOOK VALUE	
At 30 September 2011	9,727
	<hr/>
At 30 September 2010	9,727
	<hr/>
Company	Concession Deposits £
COST	
At 1 October 2010	-
Additions during this year	-
	<hr/>
Balance at 30 September 2011	-
	<hr/>

13. INVENTORIES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Inventories	<hr/> 33,091	-	<hr/> -	-

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Current:				
Trade debtors	<hr/> 8,320	15,199	<hr/> -	-

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Bank Accounts	<hr/> 1,379,239	185,645	<hr/> 1,373,429	166,563

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

16. ISSUED CAPITAL

	2011 £	2010 £
Share capital	638,918	396,796
Share premium	15,558,186	10,496,075
	16,197,104	10,892,871

Authorised share capital

	2011 £	2010 £
200,000,000 ordinary shares at £0.01 each	2,000,000	1,950,000

Issued and fully paid

	2011 £	2010 £
Issued share capital comprises:		
Number of Ordinary 1 pence shares	63,891,847	39,679,578
Nominal value of Ordinary 1 pence shares	£638,918	£396,796

Full paid shares carry one vote per share and carry a right to dividends

	No. of shares	Share capital £	Share premium £
Balance as at 1 October 2009	35,135,577	351,356	9,375,087
Issue of shares under the Company's employee share option plan (see note 25)	-	-	-
Issue of shares for professional services	4,252,262	42,523	995,097
Issue of shares for additional working capital	291,739	2,917	125,891
Balance as at 30 September 2010	39,679,578	396,796	10,496,075
Balance as at 1 October 2010	39,679,578	396,796	10,496,075
Issue of shares under the Company's employee share option plan (see note 25)	-	-	-
Issue of shares for professional services	2,005,782	20,058	666,797
Issue of shares for additional working capital	22,206,487	222,064	4,395,314
Balance at 30 September 2011	63,891,847	638,918	15,558,186

During the year 1,421,675 shares were issued for a total consideration of £562,345 in exchange for professional services, the cost of which is included in administrative expenses.

A further 584,107 shares were issued for a total consideration of £124,510 in exchange for accrued directors' remuneration and reimbursement of expenses.

The remaining shares issued during the year were to provide additional working capital for the group.

Share options granted under the Company's share option plan

Share options granted under the Company's employee share option plan carry no dividend rights and no voting rights. Further details of the employee share option plan are provided in note 25.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

17. RESERVES

17.1 Equity-settled employee benefit reserve

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Balance at beginning of year	20,268	8,680
Arising on share-based payments	46,818	11,588
	<hr/>	<hr/>
Balance at end of year	67,086	20,268

The above equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in note 25.

17.2 Retained earnings and dividends on equity instruments

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Balance at beginning of year	(4,170,399)	(2,512,074)
Loss for the year	(2,216,764)	(1,658,325)
	<hr/>	<hr/>
Balance at end of year	(6,387,163)	(4,170,399)
	<hr/>	<hr/>
Loss attributable to owners of the Company	(6,387,163)	(4,170,399)

The Directors do not recommend the payment of a dividend.

18. LONG TERM LIABILITIES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Long term debt	<hr/> 2,234,463	<hr/> -	<hr/> -	<hr/> -

Long term liabilities comprise the debt related to the purchase of the concessions under Veritas Mining (payable as royalties).

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Current:				
Other creditors	13,149	26,378	13,149	26,378
Trade creditors	28,010	54,029	-	-
Forward gold contracts	1,985,673	1,985,449	1,985,673	1,985,449
Accrued management fees	153,239	64,218	-	-
Accrued expenses	93,650	5,376	-	-
Convertible loans (note 26)	1,978,387	699,574	1,978,387	699,574
Other loans	2,151,450	2,894,602	-	-
	<hr/> 6,403,558	<hr/> 5,729,626	<hr/> 3,977,209	<hr/> 2,711,401

Other loans comprise for 2010 the loan related to the purchase of Ganadera Los Maizoles, S.A., which was paid during November 2010. For 2011 Other loans comprise of a \$3,500,000 loan, with interest rate of 8.25% annually, secured over the assets of the company and with repayment within 12 months.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

20. DEFERRED TAX

	£
Group	
Balance at 1 October 2010	336,857
Carried forward losses	(139,402)
	197,455
Balance at 30 September 2011	197,455

The use of tax losses is granted to Costa Rican industrial companies up to of three years.

21. RELATED PARTY DISCLOSURES

	2011 £	2010 £
Loans to Subsidiary Companies:		
Veritas Mining CR, S.A.	4,301,352	3,521,120
Veritas Gold CR, S.A.	4,959,847	2,782,581
	9,261,199	6,303,701

22. POST BALANCE SHEET EVENTS

✓	03 October 2011	Standby Equity Distribution Agreement for up to £ 6 million with YA Global Master SPV Ltd.
✓	31 October 2011	1,585,522 ordinary shares issued at £0.27 and £0.29 as satisfaction of gold contracts.
✓	09 November 2011	865,086 ordinary shares issued at £0.29 as satisfaction of gold contract.
✓	23 November 2011	341,100 ordinary shares issued at £0.31 as satisfaction of gold contract.
✓	30 November 2011	491,248 ordinary shares issued at £0.20 as exercise of warrants.
✓	03 January 2012	387,422 ordinary shares issued at £0.23 as satisfaction of gold contract.
✓	19 January 2012	Appointment of Daniel Stewart & Co Plc as its PLUS Markets Corporate Adviser and Broker.
✓	27 January 2012	\$500,000 of Unsecured Convertible Bonds issued with redemption date of 12th July 2013.
✓	01 February 2012	Acquisition of shares, 29.7% interest in Mineral Hill Industries Limited.
✓	10 February 2012	\$240,000 of Unsecured Convertible Bonds issued with redemption date of 6th February 2013.
✓	20 February 2012	Start of mobilization the exploration programme at the Chassoul Project.
✓	22 March 2012	1,000,000 ordinary shares issued at £0.16 as result of private placing.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Group		
Loss for the financial year	(2,216,764)	(1,658,324)
Issue of Ascot Mining Plc Ordinary Shares	5,304,233	1,166,428
Recognition of share-based payments	46,818	11,587
Opening shareholders' funds	6,742,740	7,223,049
Closing shareholders' funds	9,877,027	6,742,740
Company		
Loss for the financial year	(1,939,181)	(2,336,673)
Issue of Ascot Mining Plc Ordinary Shares	5,304,233	1,166,428
Recognition of share-based payments	46,818	11,588
Opening shareholders' funds	7,483,904	8,642,561
Closing shareholders' funds	10,895,774	7,483,904

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

24. ULTIMATE CONTROLLING PARTY

No shareholder is deemed to have overall control of the Group.

25. SHARE OPTIONS

25.1 Details of the employee share option plan of the Company

The Company has introduced an employee incentive stock option plan whereby up to 10% of the issued share capital will be available to be granted to Directors and employees in consideration of their contributions to the Company. The exercise price will be based on the average closing bid price of the shares for the ten days prior to the respective grant and will have a maximum term of five years. For example: Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The option carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

All options vested on 26 April 2011 and expire within five years of their issue, or in the event of resignation of the directors or employees, whichever is earlier. The Company has no legal obligation to repurchase or settle the options in cash.

25.2 Movements in shares options during the year

The following numbers of share options were granted and exercised during the year:

	Average exercise price per share (£) 2011	Number of Options 2011	Average exercise price per share (£) 2010	Number of Options 2010
As at 1 October 2010	0.42	2,964,692	0.88	1,800,000
Granted	0.47	4,201,079	0.36	2,564,692
Exercised	0.23	(1,741,079)	-	-
Forfeited	-	-	-	-
Expired	0.36	(1,064,692)	0.91	(1,400,000)
As at 30 September 2011	<u>0.56</u>	<u>4,360,000</u>	0.42	<u>2,964,692</u>

25.3 Fair value of share options granted in the year

The market price per the share recorded on PLUS was as follows:

30 September 2010	£0.17
30 September 2011	£0.17

Unexercised share options at 30 September 2011

No of Shares	Date of Grant	Date of Expiry	Exercise price (£)
400,000	18 Feb 2010	20 Apr 2012	0.36 – 1.22
750,000	19 Jun 2010	30 Apr 2012	0.35
160,000	14 Oct 2010	31 Mar 2012	0.27
<u>3,050,000</u>	26 Apr 2011	25 Apr 2016	0.50 – 0.55
<u>4,360,000</u>			

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was £ 0.1347 per option. The expected life use in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restriction (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the 5 years.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

25. SHARE OPTIONS – Continued.

Inputs into the model:	Option series			
	18 Feb 2010	19 Jun 2010	14 Oct 2010	26 Apr 2011
Grant date share price (£)	0.30	0.21	0.47	0.45
Exercise price (£)	0.36 – 1.22	0.35	0.27	0.50 – 0.55
Expected volatility	40%	40%	40%	40%
Option life (Days)	802	681	534	1826
Dividend yield	-	-	-	-
Risk-free interest rate	1.2%	1.2%	1.2%	3.5%

25.4 Share option outstanding at the end of the year

The share options outstanding at the end of the year had an exercise price of £0.52 (2010: £ 0.43), and a weighted average remaining contractual life of 257 days (2010: 149 days).

26. CONVERTIBLE LOAN NOTES

At the start of the period there were loan notes of £699,574 outstanding, which were made up of two unsecured loan notes of £200,000 and \$812,175. These loan notes were converted into shares during the year. Further convertible loan notes were issued on 18 November 2010. The notes are convertible into ordinary shares of the Group at any time between the date of issue of the notes and their maturity date. The loan notes are convertible at 1 shares per £0.20 loan note. The effective interest rate which is used to calculate the interest charged to the income statement was 10%. If the notes have not been converted, they will be redeemed on 18 November 2015 at par. Interest of 10 per cent will be paid annually up until that date.

The net proceeds received from the issue of the convertible loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the group as follows:

	2011	2011
	£	£
Net proceeds of convertible loan notes	3,000,000	681,109
Loan notes converted into equity	1,149,999	-
	<hr/>	<hr/>
Liability component at date of issue	1,850,001	681,109
Interest charged	128,386	18,465
Interest paid	-	-
	<hr/>	<hr/>
Liability component at 30 September 2011	1,978,387	699,574

The directors estimate the fair value of the liability component of the convertible loan notes at 30 September 2011 to be approximately £1,978,387. There is no equity component on the outstanding convertible loan notes at the end of the year.

27. FINANCIAL COMMITMENTS

The following summarises the financial commitments for the Group and the Company:

Group

At 30 September 2011 the Group had no annual commitments under non-cancellable operating leases.

Company

At 30 September 2011 the Company had no annual commitments under non-cancellable operating leases.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

28. BUSSINESS COMBINATIONS

28.1 Subsidiaries acquired during the year

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired	Consideration transferred
Ganadera los Maizoles, S.A.	Mining	25 Nov 10	100%	3,083,818
Compania Minera del Guanacaste, S.A.	Mining	26 Aug 11	100%	1,117,232
El Recio, S.A.	Mining	26 Aug 11	100%	1,117,231
				<u>5,318,281</u>

The above subsidiaries were acquired as to continue the expansion of Group's activities on mining.

28.2 Consideration transferred

	Ganadera los Maizoles, S.A.	Compania Minera del Guanacaste, S.A.	El Recio, S.A.
	£	£	£
Cash	3,083,818	-	-
Liabilities incurred	-	1,117,232	1,117,231
Total	<u>3,083,818</u>	<u>1,117,232</u>	<u>1,117,231</u>

28.3 Assets acquired and liabilities recognised at the date of acquisition:

	Ganadera los Maizoles, S.A.	Compania Minera del Guanacaste, S.A.	El Recio, S.A.	Total
	£	£	£	£
Non current assets				
Property, plant and equipment	1,781,647	5,108	7,460	1,794,215
Current assets				
Inventories	2,658	-	-	2,658
	<u>1,784,305</u>	<u>5,108</u>	<u>7,460</u>	<u>1,796,873</u>

28.4 Goodwill arising on acquisition

	Ganadera los Maizoles, S.A.	Compania Minera del Guanacaste, S.A.	El Recio, S.A.	Total
	£	£	£	£
Consideration transferred	3,083,818	1,117,232	1,117,231	5,318,281
Less:				
Fair value of identifiable net assets required	1,784,305	5,108	7,460	1,796,873
Goodwill arising on acquisition	<u>1,299,513</u>	<u>1,112,124</u>	<u>1,109,771</u>	<u>3,521,408</u>

Goodwill arose in the acquisition of the above three companies because the effect of intangible assets that do not qualify for separate recognition (mining concessions).

28.5 Impact of acquisition on the results of the Group

The subsidiaries started to operate after the end of the fiscal period; therefore there is no impact for this fiscal year.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

29. CONCESSIONS DISCLOSURES

On 24 August 2011 the Ministry of Energy and Environment proposed the cancellation of the Tres Hermanos and El Recio concessions. The subsidiary companies owning the concessions entered into representation to secure the concessions but formal notification that the concessions were administratively cancelled was received on the 22 December 2011. On 23 December 2011, a lawsuit was filed against the Government of Costa Rica, before the Highest Judicial Court, with the purpose of recovering grants to exploit the mines.

This decision was based on the law number 6797 (October 4, 1982) which establishes that the right of the concession owner to transfer or lease of his concessions required a prior authorization of the Department of Geology and Mines in order to it to be effective or legal; but the concessions for Tres Hermanos and El Recio were granted by the previous mining law number 1551 of April 20, 1953, which was in force until April 4, 1982, when the new Mining Code, Law 6797 came into effect.

The transient article of the current Mining Code, states: "*Transient 1. - All permits and concessions awarded before the effective date of this Law shall be governed, regarding the rights conferred to on areas of exploration or exploitation and of the term of its validity of the concession, by the previous legislation. In all other aspects, the rules set forth in this law shall prevail.*"

The previous mining law did not require approval for the lease or transfer of the concession. Article 22 of the Mining Code, Law 1551, provides: "*Article 22. - The exclusive permits for exploration is a solemn right which right surveys sale or transfer in any form. Notwithstanding the above, any transfer is only valid as from the date of its entry in the records of this Department.*"

By applying Article 15 of the current Mining Code to the cancelation of the concession of Tres Hermanos and El Recio, The Ministry has implemented the retroactively of the law, contrary to constitutional principle prohibiting retroactive effect of a law against acquired or grandfathered rights. As a result, on December 23, 2011 El Recio S.A. and Compania Minera del Guanacaste, S.A., set up a legal suits against Costa Rica state at the Contentious — Administrative and Civil Treasury Court, both judicial proceedings are in the phase of admissibility.

The ultimate outcome of this matter cannot presently be determined, and as a result of the favourable legal opinion received by the Company no provision has been made in the financial statements of Veritas Mining CR, S.A for the impairment of assets and related costs, less recovery of deferred consideration, which if the action against the government of Costa Rica fails will require a provision against the development costs incurred of £3,153,539.

30. FINANCIAL INSTRUMENTS

30.1 Capital management

The Group aims to manage its overall capital so as to ensure that companies within the group continue to operate as a going concern, whilst maximising the return to shareholders through the optimisation of the debt and equity balance. The Company manages its capital by the issue of shares during the year, the company has raised £5,304,233 during the year (2010: £1,166,428) from share issues. The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risk and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

30.2 Categories of Group's financial instruments

The Group and Company hold a number of financial instruments, including bank deposits, short term investments, loans and receivables, long term liabilities and trade payables.

Ascot Mining Plc and Subsidiaries (Registered number: 06009952)

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

30. FINANCIAL INSTRUMENTS - Continued

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows:

Group 30 September 2011	Assets at fair value through Income statement designated upon initial recognition	Loan and receivables	Other non-financial assets	Total
	£	£	£	£
Non- current financial assets				
Other financial assets	16,896,943	-	197,455	17,094,398
Current financial assets				
Inventories	33,091	-	-	33,091
Trade and other receivables	-	8,320	-	8,320
Cash and cash equivalents	-	1,379,239	-	1,379,239
Total assets	16,930,034	1,387,559	197,455	18,515,048

Group 30 September 2011	Other financial liabilities at amortised cost	Other non-financial liabilities	Total
	£	£	£
Non-current liabilities			
Long term liabilities	2,234,463	-	2,234,463
Current liabilities			
Trade and other payables	6,115,510	288,048	6,403,558
Total liabilities	8,349,973	288,048	8,641,021
Equity	9,877,027	-	9,877,027
Total liabilities and equity	9,877,027	-	18,518,048

Company 30 September 2011	Assets at fair value through Income statement designated upon initial recognition	Loan and receivables	Other non-financial assets	Total
	£	£	£	£
Non- current financial assets				
Other financial assets	13,499,554	-	-	13,499,554
Current financial assets				
Inventories	-	-	-	-
Trade and other receivables	-	-	-	-
Cash and cash equivalents	-	1,373,429	-	1,373,429
Total assets	13,499,554	1,373,429	-	14,872,983

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

29. FINANCIAL INSTRUMENTS - Continued

Company 30 September 2011	Other financial liabilities at amortised cost	Other non-financial liabilities	Total
	£	£	£
Non-current liabilities			
Long term liabilities	-	-	-
Current liabilities			
Trade and other payables	3,977,209	-	3,977,209
Total liabilities	3,977,209	-	3,977,209
Equity	10,895,774		10,895,774
Total liabilities and equity	14,872,983	-	14,872,983

30.3 Financial risk management objectives and policies

The Group is exposed through its operations to one or more of the following financial risks that arise from its use of financial instruments. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks.

Risk management objectives

The Group manages financial risks relating to the companies within the Group through a centralised Treasury function which monitors the risks and acts accordingly. The principal risks which to which the group is exposed are commodity price risk, credit risk , liquidity risk and foreign currency risk.

Commodity price risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal ways the Group are exposed is through commodity price risk via the fluctuation of the price of gold, which have a direct impact on revenue. The Group monitors the spot and forward prices and currently use forward rate contracts to mitigate this risk.

The variation in price of gold affects inventories, turnover and the value of the forward gold contracts held in the statements of financial position. An increase in the price of gold would have a favourable effect on inventories and turnover which will hence a positive result in the statement of financial position however it increases in the value of the forward gold contracts which would incur a finance cost and have adverse outcome on the statement of financial position.

Gold prices are expecting to increase in the future with prices at the next year expecting to be £1,650 per oz. This would increase the liability held for the forward gold contracts and currently would increase the amount held by £550,000. This is offset by the compensatory fluctuations in the revenues per the ongoing production levels.

There has been no change to the Group's exposure to commodity price risks or the manner in which these risks are managed and measured.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligation to the group. The Group manages its exposure to this risk by applying Board approved limits to the amount of credit exposure to any one counter-party and employs strict minimum credit worthiness criteria as to the choice of, counter-party thereby ensuring that there are no significant concentrations of credit risk. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

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**Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011**

30. FINANCIAL INSTRUMENTS - Continued

	2011		2010	
	Group £	Company £	Group £	Company £
Due in less than one month	13,149	13,149	26,378	26,378
Due between one and three months	28,010	-	54,029	-
Due between three months and one year	6,362,399	3,964,060	5,649,219	2,685,023
	<u>6,403,558</u>	<u>3,977,209</u>	<u>5,729,626</u>	<u>2,711,401</u>

The group's exposure to credit risk amounted to £6,403,558 (2010: £5,729,626). Of this amount £2,426,349 (2010: £3,018,225) (net of impairment charge) is due from subsidiary companies.

Liquidity risk

Liquidity risk is the risk that companies within the Group will encounter difficulty in meeting these obligations associated with financial liabilities. To counter this risk the company is mainly equity financed which brings in strong cash flows into the business as can be seen by the positive a large increase in the cash balance of £1,193,594. The group has decreased its net current liabilities by £545,874, which is showing the group is improving liquidity. The group has also now got some long term liabilities as a way of managing the liquidity risk.

Foreign currency risk

The presentation currency for the group is UK Sterling and they are exposed to currency fluctuations against this from the Costa Rican Colon and the US Dollar.

	2011	2010
	£	£
US Dollar	1,356,656	151,982

A 20% up/down lift in the US dollar will cause a profit/loss on foreign exchange next year of £271,331.

Expenditure is primarily in Colones (CR), US Dollars, Sterling and Euros. The Group's operating loss and equity has no risk to movements in the Colones against the US Dollar. The Group's subsidiary companies operate in Costa Rica with its expenditure being principally in Colones and its financial statements are maintained in that currency. The Group's policy for dealing with exchange differences is outlined in the statement of Significant Accounting Policies under the heading 'Foreign currencies'. The Group does not presently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and holding surplus funds in currencies considered most appropriate to their expected future utilisation.

31. INVESTMENT IN SUBSIDIARIES

Company	Long term loans to group undertakings £	Shares in group undertakings £	Total £
Cost			
At 1 October 2010	5,818,992	4,197,250	10,016,242
Additions	3,462,221	-	3,462,221
At 30 September 2010	<u>9,281,213</u>	<u>4,197,250</u>	<u>13,478,463</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Notes to the Consolidated Financial Statements - continued
for the year ended 30 September 2011

31. INVESTMENT IN SUBSIDIARIES - Continued

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company Subsidiary undertakings	Country of Registration or incorporation	Class	Shares Held %
Veritas Resource CR, S.A.	Costa Rica	Ordinary	100
Veritas Mining CR, S.A.	Costa Rica	Ordinary	100
Veritas Gold CR, S.A.	Costa Rica	Ordinary	100
Ganadera los Maizoles, S.A.	Costa Rica	Ordinary	100
El Recio S.A.	Costa Rica	Ordinary	100
Compañía Mineral del Guanacaste, S.A.	Costa Rica	Ordinary	100

The principal activity of these undertakings for the last relevant year was as follows:

	Principal activity
Veritas Resource CR, S.A.	Mining
Veritas Mining CR, S.A.	Mining
Veritas Gold CR, S.A.	Mining
Ganadera los Maizoles, S.A.	Mining
El Recio S.A.	Mining
Compañía Mineral del Guanacaste, S.A.	Mining