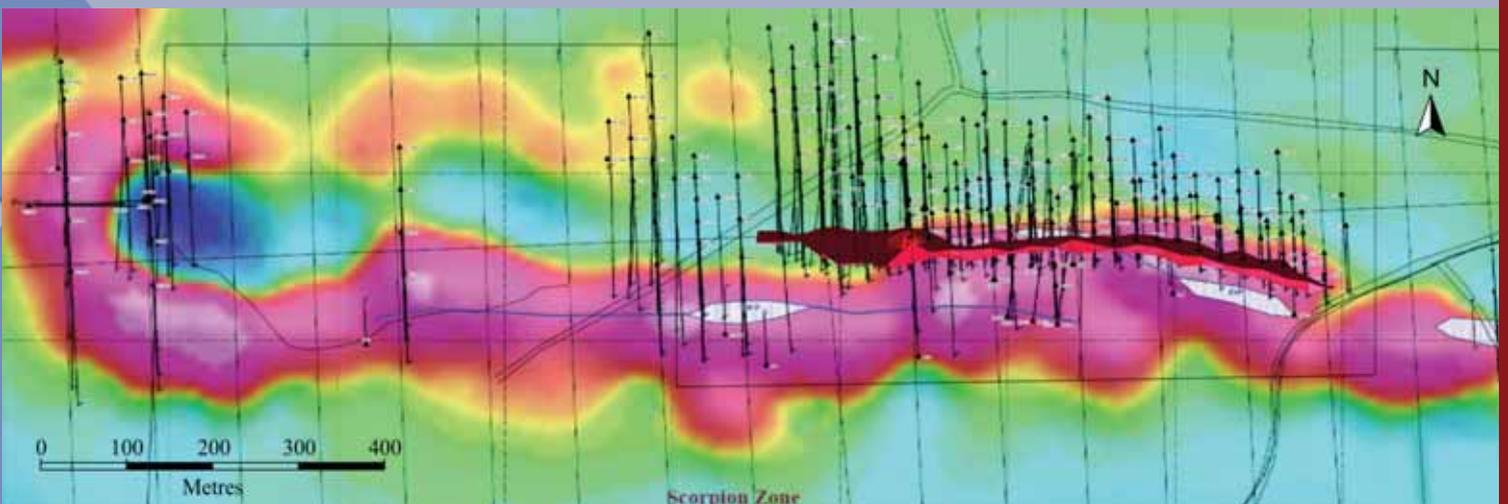




# Annual Report 2012



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## Company information

<b>Directors</b>	William Humphries <i>(Chairman)</i> Richard Prickett <i>(Chief Executive Officer and Finance Director)</i> Charles Wilkinson <i>(Non-Executive Director)</i> Helen Green <i>(Non-Executive Director)</i>
<b>Company Secretary</b>	Rysaffe International Services Limited
<b>Registered office</b>	La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
<b>Nominated Adviser and Broker</b>	Strand Hanson Limited 26 Mount Row London W1K 3SQ
<b>Auditor</b>	Grant Thornton Limited P O Box 313 Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF
<b>Registrar</b>	Rysaffe International Services Limited P O Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
<b>Crest Service provider</b>	Computershare Investor Services (Guernsey) Limited 3rd Floor, Natwest House Le Truchot St Peter Port Guernsey GY1 1WD

## Chairman's statement

I am pleased to present the 2012 Annual Report for Landore Resources Limited ("Landore Resources" or the "Group").

The Group made excellent progress this past year further developing its Junior Lake Nickel project, comprising the B4-7 Nickel-Copper-Cobalt-PGEs deposit and the VW Nickel deposit, located on its Junior Lake property in Ontario, Canada. With these positive results, the Group has now commenced Pre-Feasibility studies on these combined deposits.

Additionally, Landore Resources has further explored the highly prospective area west of the B4-7 deposit to enlarge the resource base. Full details of these projects are set out in the Operations report which follows.

### Financial results

In the year ended 31 December 2012, the Group incurred a loss of £4,330,518 (2011: £485,403). The apparent large increase in losses is largely due to the profit generated from last years' demerger of Lamaune Iron Inc. Exploration and resource drilling also contributed to the year's losses. The expenditure item of direct explorations costs amounted to £3,126,093 during the year, funded by share placements raising approximately £4.9 million during 2012.

Landore Resources has no debt and continues to raise further equity as needed to carry out its development plans. Since the year end the Group has raised a further £835,000 to strengthen its available cash resources. The Directors are confident of raising further funds as required with the continued support from our shareholders.

### The Junior Lake property

The property is situated 235 kilometres northeast of Thunder Bay in the province of Ontario, and is highly prospective for numerous metals including nickel, copper, cobalt, PGEs, gold and lithium.

**B4-7 Nickel-Copper-Cobalt-PGEs deposit:** In January 2013, The Group announced an updated resource estimate for the B4-7 deposit identifying 2,695,000 tonnes at 1.24 per cent. Nickel equivalent (NiEq) for 33,248 tonnes of contained metal, all in the Indicated category. The deposit remains open down plunge at depth and along strike to the west.

The independent consultants who prepared this resource estimate, RPA Inc. of Toronto, Canada ("RPA"), also identified an exploration target located immediately west of the B4-7 deposit ("Exploration Target") containing a potential 1.5 Mt to 2.0 Mt of sulphide mineralisation of similar grade range to that which has been outlined to date. Further exploration drilling conducted in this area during the first quarter of 2013 successfully intersected B4-7 style massive sulphide mineralisation; further drilling will bring the Exploration Target into the resource.

The Group is now focusing on Pre-Feasibility studies on the combined B4-7 and VW deposits and is well placed to advance the Junior Lake Nickel project towards production.

**Scorpion Zone:** During autumn 2012, a deep-penetrating 'Direct Current Induced Polarization' (DCIP) and Magnetotellurics ("MT") geophysical survey was conducted over the majority of the Scorpion Zone.

## Chairman's statement continued

The Scorpion Zone is a distinctive geophysical magnetic anomaly hosting the B4-7 deposit together with the polymetallic Alpha Zone and Exploration Target.

This geophysical survey indicated that the highly conductive horizon hosting the B4-7 deposit extends down plunge at depth and west along strike of the deposit indicating the potential for further significant massive sulphide mineralisation. Several compelling exploration targets have been identified by the resistivity and chargeability results, and will be followed up with drilling.

**Infrastructure:** This multi commodity asset benefits from an existing and excellent infrastructure. There is very good road access all year round, and the Canadian National Railway is only 13 kilometres from the property. In addition, there is plentiful water and the potential link into the Hydropower system.

The Group continues to maintain excellent relationships with the local First Nations on whose traditional lands our Junior Lake property is located. We have enjoyed many years of successful co-operation under our joint Memorandum of Understanding.

I thank the shareholders for their strong support, as well as management and staff at Thunder Bay and on site for their continued dedication and performance. Landore Resources is positioned to move forward with development plans of the Junior Lake Nickel Project, and will have a very successful year.

**William Humphries**

*Chairman*

13 May 2013

# Operations report

## INTRODUCTION

Landore Resources Limited, through its 100 per cent. owned subsidiary Landore Resources Canada Inc. ("Landore"), is actively engaged in mineral exploration in Eastern Canada. Landore owns or has the mineral rights to six wholly owned properties in Eastern Canada, owned 100 per cent., of which Mount Fronsac is optioned to a third party. Landore also owns a 30 per cent. interest in the West Graham property.

Landore through its 100 per cent. owned subsidiary Brancote US, owns or has the mineral rights to a further eight properties for 99 claims in the State of Nevada.

Landore's exploration focus is on the highly prospective Junior Lake property, Ontario.

Full details of the Group's projects, including maps, 43-101 resource reports, geophysical surveys etc can be viewed on the Group's website, [www.landore.com](http://www.landore.com).

## JUNIOR LAKE PROPERTY

The Junior Lake property, 100 per cent. owned by Landore, is located in the province of Ontario, Canada, approximately 235 kilometres north-northeast of Thunder Bay and is host to the Scorpion Zone which contains the B4-7 Nickel-Copper-Cobalt-PGEs deposit, the Alpha Zone and the Exploration Target located immediately west of the B4-7 deposit. Junior Lake also contains the VW Nickel deposit and numerous other highly prospective mineral occurrences.

The Junior Lake property extends for 31 kilometres and covers an area of 31,603 hectares.

In 2005, encouraged by favourable global nickel market conditions, Landore intensified its exploration effort on the Junior Lake property where the historical B4-7 deposit is located. In Q4 2005 the VW deposit was discovered. Subsequent drilling in 2006 and 2007 delineated the VW and B4-7 deposits and brought them to Canadian National Instrument 43-101 (NI 43-101) compliant resources.

In 2008 with the burgeoning demand for iron on the world market, Landore shifted focus to its prospective Lamaune Magnetite Iron occurrence, located on the western portion of the Junior Lake property. Drilling activities during 2009 and 2010 delineated an 'Exploration Potential' of 300 to 500 million tonnes of mineralisation grading from 25 per cent. Fe to 35 per cent. Fe (2011: NI 43-101 Technical Report). The Lamaune Iron and Lamaune Gold prospects were transferred to the new company Lamaune Iron Inc. in 2011.

In 2011 with improving nickel prices, Landore refocused its exploration efforts on the B4-7 and VW deposits.

Landore's exploration during 2012 has successfully brought Inferred portions of the B4-7 deposit to Indicated status, and has strategically positioned Landore to proceed with Pre-Feasibility Studies on the combined B4-7 and VW deposits in 2013.

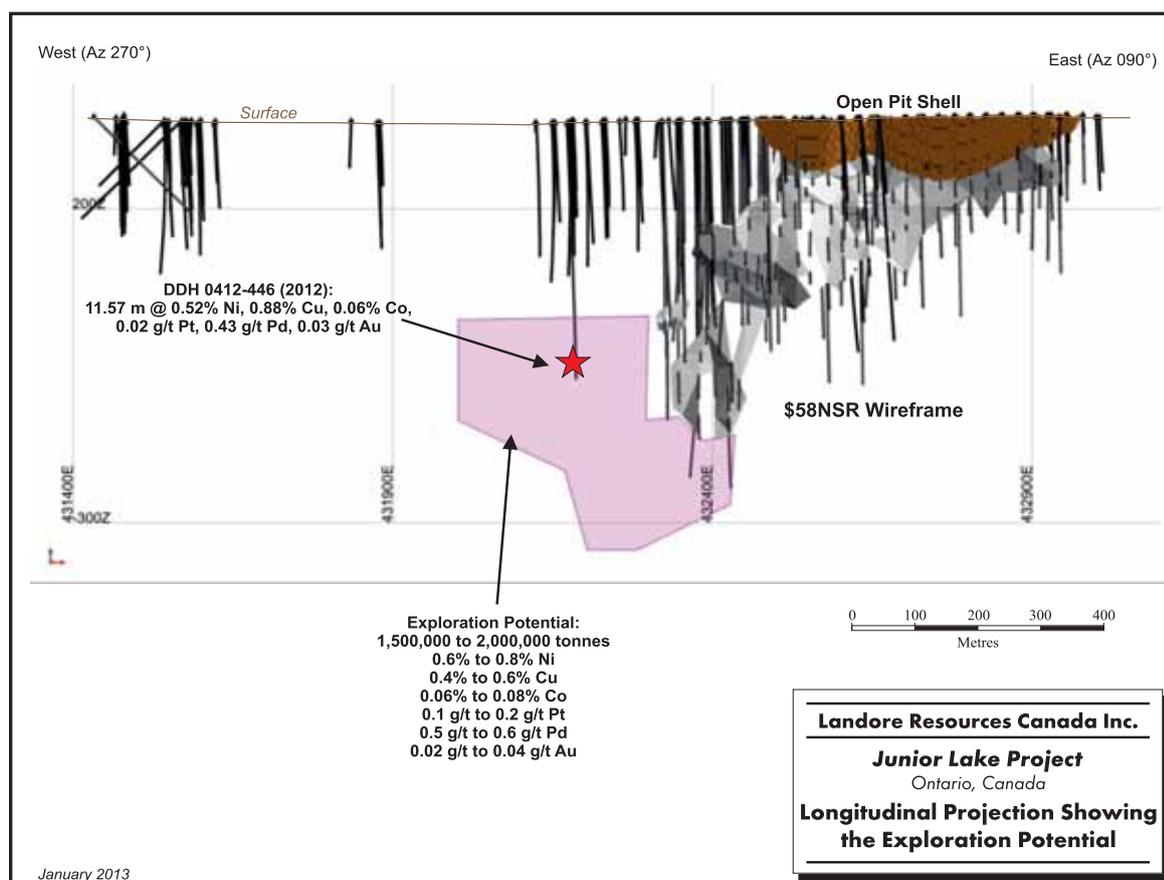
# Operations report continued

## B4-7 Nickel-Copper-Cobalt-PGEs deposit

The B4-7 deposit is located in the centre of the lease area approximately 3 kilometres to the northwest of the VV deposit. The B4-7 deposit mineralisation is hosted within a sub-vertical massive sulphide vein with stringers, net-textured and disseminated sulphides in the immediate hanging wall. The B4-7 deposit outcrops at surface with the upper 150 metres of the deposit being amenable to lower cost open pit mining. Below 150 metres, the grade improves sufficiently for underground mining.

The B4-7 deposit resource estimate and report, completed by RPA Inc, of Toronto, Canada ("RPA") in January 2013, identified 2,695,000 tonnes at 1.24 per cent. Nickel equivalent (NiEq) for 33,248 tonnes of contained metal, all in the Indicated category.

The report also identified the Exploration Target located immediately west of the B4-7 deposit containing a potential 1.5 Mt to 2.0 Mt of sulphide mineralisation of similar grade range to that which has been outlined to date.



## Operations report continued

The 2012 winter drilling programme, completed in March 2013, consisting of 14 NQ diamond drill-holes from 0413-463 to 0413-476 for 5,172 metres, concentrated on the potential Exploration Target, together with its extension to the west. Results have been highly promising, confirming the continuation of the B4-7 massive sulphide mineralisation between the existing intercepts on lines 175W and 300W.

B4-7 main zone intersections include:

Drill-hole No	From Metres	Width* Metres	Ni %	Cu %	Co %	Pd ppb	Pt ppb	Au ppb
0413-469	413.00	11.00	0.38	0.23	0.04	274	73	15
including	414.00	3.00	0.63	0.23	0.05	389	183	28
0413-470	453.00	<b>31.00</b>	0.31	0.29	0.04	276	98	10
including	467.00	3.00	0.80	0.39	<b>0.09</b>	636	271	12
and	472.00	1.00	0.18	<b>1.50</b>	<b>0.12</b>	217	81	10
0413-470	488.00	5.00	0.87	0.53	0.08	531	36	17
including	489.00	1.00	0.46	<b>1.17</b>	0.06	379	14	36
0413-472	543.67	6.08	0.49	0.26	0.05	414	34	18
including	543.67	1.33	0.91	0.01	0.07	695	83	19

*\*The actual true thickness of mineralisation is estimated to represent between 60-70 per cent. of the intervals shown in the above table.*

Drilling on the Exploration Target has also intersected Alpha Zone style disseminated sulphide mineralisation. The Alpha Zone contains significant palladium with elevated nickel, copper, cobalt, platinum and gold. This mineralisation is found in both the open pit and underground portions of the B4-7 deposit.

Polymetallic Alpha Zone/Hanging wall intersections include:

Drill-hole No	From Metres	Width* Metres	Ni %	Cu %	Co %	Pd ppb	Pt ppb	Au ppb
0413-470	400.00	3.00	0.73	0.15	0.04	<b>3,283</b>	240	15
including	401.00	1.00	<b>1.34</b>	0.09	0.07	<b>3,790</b>	139	9
0413-471	393.00	6.00	0.29	0.22	0.01	736	110	38
and	408.00	1.00	0.25	0.11	0.02	<b>2,890</b>	580	25
0413-473	425.00	1.00	0.51	0.14	0.03	1,880	112	5

*\*The actual true thickness of mineralisation is estimated to represent between 60-70 per cent. of the intervals shown in the above table.*

Alpha Zone mineralisation has not been included in the B4-7 resource due to its complexity along strike. Landore retained RPA in late March 2013 to conduct a study into the Alpha Zone style mineralisation so as to better understand the structural, lithological, and genetic characteristics of this style of mineralisation. Should these studies provide positive results, the potential exists to consider portions of the Alpha Zone as mineral resources.

## Operations report continued

Preliminary metallurgical studies completed in 2010 indicate that nickel concentrate grades and recoveries of 13.5 per cent. nickel at 53 per cent. recovery with 17 per cent. copper at 87 per cent. recovery are achievable. Marketable concentrate can be achieved with further processing stages to upgrade the nickel, copper and PGE content with the rejection of pyrrhotite.

The B4-7 deposit, so far delineated over 650 metres of strike, remains open down plunge at depth and along strike to the west. A previously completed airborne electromagnetic survey, as well as the deep-penetrating DCIP + MT survey completed in autumn 2012, suggests the conductive horizon hosting the B4-7 deposit persists to the west.

The results of the recently-completed B4-7 resource estimate, together with encouraging drill results from the Exploration Target, have contributed to the overall economic viability of the Junior Lake Nickel project.

### VW Nickel Deposit

The VW deposit, discovered by Landore in late 2005, is located at Ketchikan Lake in the central part of the Junior Lake property and is Landore's most advanced project. From 2005 to 2010, Landore has drilled 142 diamond NQ size holes for 35,339 metres on the VW deposit. The VW deposit outcrops at surface with the upper 150 metres of the deposit being amenable to lower cost open pit mining. Below 150 metres, the grade improves sufficiently on the main Katrina zone for underground mining.

In October 2009, a NI 43-101 compliant report on the resource estimate upgrade for the VW deposit was completed by RPA.

The resource estimate, using a cut-off grade of 0.25 per cent. nickel reported:

- Indicated – 3.73 million tonnes at 0.49 per cent. NiEq.
- Inferred – 0.72 million tonnes at 0.49 per cent. NiEq.

For a contained **21,760 tonnes NiEq.**

84 per cent. of the resource is in the Indicated category. The resource remains open to the east and to the west as well as down dip.

Metallurgical studies completed in 2008 indicate that nickel concentrate grades and recoveries ranging from 14 per cent. nickel at 74 per cent. recovery to 10 per cent. nickel at 80 per cent. recovery are a reasonable representation of the expected plant recovery.

### Planned

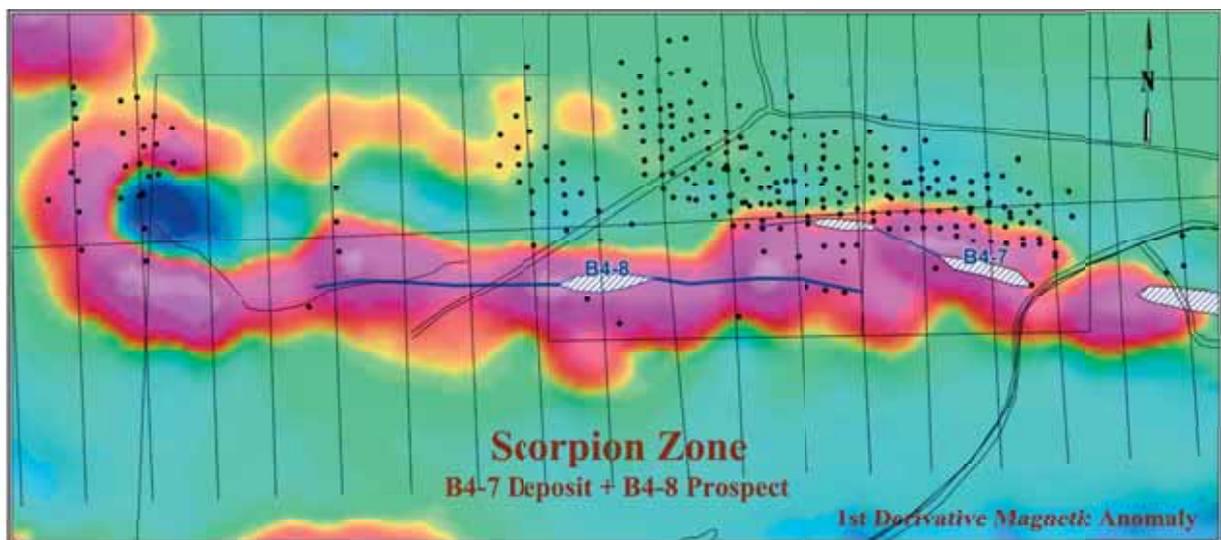
Pre-feasibility studies, including ancillary metallurgical, geotechnical, environmental and socio economic studies, on the combined B4-7 and the VW deposits have been initiated.

A drill programme for metallurgical, geotechnical and infra-structure condemnation is currently being prepared to be carried out during Q2/3 2013.

## Operations report continued

### SCORPION ZONE

The Scorpion Zone is a distinctive geophysical magnetic anomaly located approximately 3 kilometres to the northwest of the VW deposit and is host to the B4-7 deposit together with the Alpha Zone and Exploration Target. The zone extends 500 metres to the east of the 00 base line of the B4-7 deposit and extends 1,000 metres to the west of line 00 where it is truncated by the Juno Lake shear, and curls north and then to the east around a prominent 150 metre diameter magnetic low.



Exploration drilling has established that this zone hosts a collective potential massive sulphide mineralisation strike length of 1.5 kilometres.

During autumn 2012, a deep penetrating 'Direct Current Induced Polarization' (DCIP) and Magnetotellurics (MT) survey was completed on the Scorpion Zone. This survey acquires three sets of data in multi-directions; DC (direct current), IP (induced polarization) and MT, and is a true three dimensional survey. Sophisticated digital signal processing is utilised to obtain high resolution imaging at depths up to 1000+ metres below surface.

The DCIP + MT survey has indicated that the highly conductive horizon hosting the B4-7 deposit extends down plunge at depth and west along strike of the deposit indicating the potential for further significant massive sulphide mineralisation.

The survey interpretation has also identified five areas of interest for further exploration, based on a review of highly conductive horizons with associated moderate chargeability responses. Three areas of interest, located in the central, eastern and northern parts of the survey area appear to be interconnected, with the northern area extending to depth and dipping from the existing B4-7 deposit and adjacent exploration target immediately west of the deposit.



# Operations report continued

## Planned

Encouraged by the success of the resistivity results in identifying potential nickel targets at depth, Landore intends to expand the DCIP + MT geophysical coverage over the whole prospective area between the B4-7 and VW deposits, including the VW deposit itself, during the winter 2013/14 programme.

In preparation for this exercise, approximately 60 kilometres of line cutting is currently underway over the proposed survey area.

## Infrastructure

The city of Thunder Bay is located on the northern shore of Lake Superior and is the main supply hub for the mining centres of northern Ontario including Red Lake, Pickle Lake, and the Musselwhite gold mine. It has extensive port facilities and an airport providing daily flights to major provincial cities, as well as a rail line that provides access to both eastern and western North American markets.

Access to Junior Lake from Thunder Bay is via a sealed highway for 235 kilometres to the town of Armstrong and then via a well maintained forest products unsealed road for 100 kilometres that runs to the property.

The Canadian National Railway runs parallel to the Junior Lake property 13 kilometres to the south providing direct transport access to both the nickel smelting centre of Sudbury and the port facilities at Thunder Bay. In addition, Junior Lake has abundant water resources nearby and is just 10 kilometres from the planned hydro-electric power station on the Little Jackfish River.

## Environmental Baseline Studies

Golder Associates of Sudbury, Ontario, have continued with the Environmental Baseline Studies programme initiated on the mining leases containing the B4-7 and VW deposits in the winter of 2007.

Water surface monitoring of lakes and drainage tributaries within the vicinity of the deposits have continued on a bi-annual basis during 2011 and have been increased to a quarterly basis in 2012. The area of influence has recently been expanded to include lakes and drainage further out from the leases. The environmental and baseline studies are all pre-requisite for permitting requirements for the development of the B4-7 and VW deposits.

## Mining Leases

A pre-requisite for the development of the B4-7 and VW deposits is to secure tenure over an area of land sufficiently large to provide for development, mining, processing, infrastructure and buffer zones around the mining areas and for future expansion.

Landore has been granted three mining leases ("Mining Leases"), which include mining and surface rights, over an area encompassing the B4-7 and VW deposits. The mining leases cover 23 existing exploration claims for a total area of 3,676 hectares and have been granted for 21 years renewable for further terms of 21 years.

## Operations report continued

Within the Mining Leases, Landore has the right, subject to provisions of certain Acts and reservations, to:

- Sink shafts, excavations etc., for mining purposes.
- Construct dams, reservoirs, railways, etc., as needed.
- Erect buildings, machinery, furnaces, etc., as required and to treat ores.

### MIMINISKA LAKE – KEEZHNIK LAKE PROPERTIES

#### Miminiska Lake Property

Landore's Miminiska Lake property, 100 per cent. owned by Landore, covers an area of 5,494 hectares and is located approximately 130 kilometres to the north of the Junior Lake property and 115 kilometres to the east of the Pickle Lake mining camp in the highly productive and prospective Uchi Belt. Landore completed four drilling campaigns between 2003 and 2005 on the Miminiska gold occurrence with 47 NQ diamond drill holes for 9,349 metres, focusing on two potential shoots within a known 800 metres strike length. Excellent results were received with grades reporting up to 131 g/t gold over 0.5 metres and 40.2 g/t gold over 2.3 metres.

An independent technical review was completed in 2009 on the Miminiska Lake property which established the presence of two exploration targets:

- Miminiska Lake – 232,000 tonnes at 5.62 g/t gold
- Frond Lake – 271,000 tonnes at 5.10 g/t gold

for a total of 503,000 tonnes at 5.34 g/t for **86,357 ounces of gold**.

Both these exploration targets are open along strike and at depth and have good potential for expansion and upgrading to a mineral resource.

#### Keezhnik Lake Property

Landore holds 45 mining claim blocks, for 9,920 hectares, in the highly prospective Keezhnik Lake area, located 20 kilometres north of Landore's Miminiska Lake property and 150 kilometres southeast of Goldcorp's Musselwhite Gold mine. Landore's land package spans over 20 kilometres across prime gold exploration targets.

The Keezhnik Lake area is adjacent to the North-Caribou – Totogan Shear Zone that is also host to Goldcorp's Musselwhite Gold mine, located 150 kilometres to the northwest. The Musselwhite Gold mine has produced in excess of 2.5 million ounces with 2 million ounces of gold in mineral reserve. The Keezhnik Lake claims are also located in the highly productive and prospective Uchi Belt.

During Q3 2011, a field reconnaissance, mapping and sampling campaign was carried out at Keezhnik Lake. Field investigation of geophysical anomalies, prospective geological features, and historical gold showings revealed several areas of interest on the property warranting follow-up exploration work.

## Operations report continued

### **Planned**

A 1,500 metre drilling campaign is scheduled for Q1 2014 to test prospective areas indicated by 2011 field investigations.

### **OTHER PROPERTIES**

Landore has other non-core exploration properties which include grass roots exploration and defined drill targets.

### **SOCIAL AND ENVIRONMENTAL RESPONSIBILITY**

Landore believes that a successful project is best achieved through maintaining close working relationships with First Nations and other local communities. This social ideology is at the forefront of all of Landore's exploration initiatives by establishing and maintaining co-operative relationships with First Nations communities, hiring local personnel and using local contractors and suppliers.

Careful attention is given to ensure that all exploration activity is performed in an environmentally responsible manner and abides by all relevant mining and environmental acts. Landore takes a conscientious role in all of its operations, and is aware of its social responsibility and its environmental duty.

### **Michele Tuomi, P.Geol.**

Exploration Manager, Landore Resources Canada Inc.

13 May 2013

## Board of Directors

### **William Humphries (aged 72) – Chairman**

William Humphries has over 40 years' experience in the mining and civil engineering industries. From 1996 to 1998 he was General Manager of Sardinia Gold Mining SpA and from January 1999 to July 2002 he was Managing Director of Brancote Holdings Plc until its merger with Meridian Gold Inc. He has been Managing Director of Patagonia Gold Plc since its inception in November 2000.

### **Richard Prickett (aged 61) – Chief Executive Officer and Finance Director**

Richard Prickett is a Chartered Accountant and has many years experience in corporate finance. He was Chairman of Brancote Holdings Plc from 1995 until its merger with Meridian Gold Inc in July 2002. He is a Non-Executive Director of City Natural Resources High Yield Trust Plc and Non-Executive Chairman of Asian Growth Properties Limited.

### **Charles Wilkinson (aged 69) – Non-Executive Director**

Charles Wilkinson is a solicitor who retired from Lawrence Graham LLP in March 2005. At Lawrence Graham he specialised in corporate finance and commercial law and advised mining companies. He is Chairman of Doric Nimrod Air One Limited and a Non-Executive Director of Doric Nimrod Air Two Limited and Premier Energy and Water Trust Plc.

### **Helen Green (aged 50) – Non-Executive Director**

Helen Green is a Chartered Accountant and has been employed by Saffery Champness, a UK top 20 firm of chartered accountants since 1984. She qualified as a chartered accountant in 1988, and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is the client liaison director responsible for trust and company administration.

She is a Non-Executive Director of Acorn Income Fund Limited, Tamar European Industrial Fund Limited, Henderson Diversified Income Limited and Advance Frontier Markets Fund Limited.

# Directors' report

The Directors submit their report and the audited consolidated financial statements of Landore Resources Limited and its subsidiaries (the "Group") for the year ended 31 December 2012.

## Principal activity

The Group's principal activity, mainly in Canada, is mineral exploration including the identification, acquisition and development of technically and economically sound mineral projects either alone or with joint venture partners.

## Regulation

The Company was registered in Guernsey, Channel Islands on 16 February 2005 with registered number 42821 under the Companies (Guernsey) Law 2008 (the "New Law").

## Review of the year

A detailed review of the Group's activities, the development of its business and an indication of likely future developments may be found in the Chairman's statement on pages 3 and 4.

## Results and dividends

The loss of the Group for the year, after taxation was £4,330,518 (2011: £485,403). The Directors do not recommend payment of a dividend.

## Going concern and management plans

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 3 and 4 and the below principal risks and uncertainties. In addition, note 19 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The consolidated financial statements are prepared on a going concern basis with a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group retained loss as at 31 December 2012 amounted to £4,330,518. The Group's trade receivable amount of £4,145,850 include consideration receivable from Lamaune Iron Inc., a company under common control, for the sale of the Lamaune mineral property. The receivable is due by 10 December 2013, incurring interest at 3 per cent. per annum, and is secured by the Lamaune mineral property. In March 2013, the Group completed its drilling programme on the Scorpion Zone in Canada. The Group will need to raise more funds for the year 2013.

According to the cash flow forecast, the Group's total projected expenditure for the year 2013 is £2.6m. As of year end, the Group's cash amount is £1.2m and subsequent to year end, the Group received additional funding of £835k by issuance of more shares. This gives the total available cash of £2m. However, the Group still needs an additional £600k to fund the ongoing operations.

## Directors' report continued

These conditions indicated the existence of a material uncertainty which may cast a significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

### **Principal risks and uncertainties**

The Group operates in an uncertain environment that may result in increased risk, costs pressures and schedule delays. The risks that face the Group are common to all of the Group's mining activities. The following are some of the key risks that face the Group:

#### *Exploration and development risk*

There is no assurance that the Group's exploration activities will be successful, and statistically few properties that are explored are ultimately developed into producing mines. Accordingly, the Group is seeking to balance this risk by building a portfolio of projects and prospects that carry a range of differing technical and commercial risks and keeping under careful review the amount invested in any one project.

The Group's operations may also be curtailed, delayed or cancelled as a result of economic, environmental and political conditions in the area of operation.

#### *Competition*

There is strong competition within the mining industry for the identification and acquisition of suitable properties. The Group competes with other exploration and production companies, some of which have greater financial resources than the Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure transactions without having to over-pay.

#### *Fiscal regimes*

Canadian fiscal policies are complex, and it is therefore difficult to distinguish whether a future tax payment is possible or probable. Where a future tax payment is considered to be possible but not probable, provision has been made in the accounts.

#### *Financing*

The development of the Group's properties will depend upon the Group's ability to obtain financing primarily through the raising of new equity capital, but also by means of joint-venture of projects, debt financing, or other means. There is no assurance that the Group will be successful in obtaining the required financing but it should be noted that the Company successfully raised funds after the year end, as described in subsequent events on page 53, to finance working capital and exploration expenditure. If the Company is unable to obtain additional financing as needed, some interests may be relinquished and/or the scope of the operations reduced.

## Directors' report continued

### *Environmental and other regulatory requirements*

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. Before exploration and production can commence on any properties, the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's operations.

### *Development and performance of the business*

The information that fulfils the requirements of this part of the business review can be found in the Chairman's statement and the Operations report on pages 5 to 13.

### *Key Performance Indicators*

The legislation requires the Board to lay down relevant Key Performance Indicators (KPIs) which, for a company at Landore's stage of development, are focused on managing the activities inherent in exploration and appraisal operations. The KPIs for the Group are as follows:

Non financial KPIs		Financial KPIs	
Health and safety management	Lost time injury frequency rate Medical treatment injury frequency rate	Shareholder return	Share price performance
Environment management	Strict environmental policies are in place	Exploration expenditure	Funding and development costs measured as per anticipated ounce of metals
Operational success	The number of successful exploration drilling ventures Resources added	Exploration development	Results of scoping and feasibility studies
Human resource management	Employee retention rate		

### **Exploration costs**

The Group continues to devote considerable resources to exploration costs.

### **Directors**

The Directors who have held office since 1 January 2012 are as follows:

#### **Executive**

William Humphries *(Chairman)*

Richard Prickett *(Chief Executive Officer and Finance Director)*

#### **Non-Executive**

Charles Wilkinson

Helen Green

## Directors' report continued

The Directors in office as at 31 December 2012 had the following beneficial interest in the shares of the Company:

	Ordinary shares of 1pence each		Options to acquire shares	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
<b>Executive Directors:</b>				
William Humphries	29,710,000	20,360,000	15,000,000	13,000,000
Richard Prickett	6,945,899	5,732,524	9,500,000	7,500,000
<b>Non-Executive Directors:</b>				
Charles Wilkinson	1,254,047	854,047	1,000,000	750,000
Helen Green	127,583	127,583	500,000	250,000

### Share options

As at 31 December 2012 the following share options were outstanding to Directors:

Name	Date granted	Number	Price	Expiry date
William Humphries	22 January 2008	4,500,000	£0.1375	30 June 2013
William Humphries	4 November 2008	3,000,000	£0.1200	4 November 2013
William Humphries	28 October 2009	1,000,000	£0.1400	28 October 2019
William Humphries	6 July 2011	4,000,000	£0.1612	6 July 2016
William Humphries	20 March 2012	1,000,000	£0.07875	20 March 2017
William Humphries	26 September 2012	1,500,000	£0.0738	26 September 2017
Richard Prickett	6 April 2005	2,000,000	£0.0700	30 June 2013
Richard Prickett	19 September 2006	1,000,000	£0.0975	19 September 2013
Richard Prickett	4 November 2008	1,500,000	£0.1200	4 November 2013
Richard Prickett	6 July 2011	2,500,000	£0.1612	6 July 2016
Richard Prickett	20 March 2012	1,000,000	£0.07875	20 March 2017
Richard Prickett	26 September 2012	1,500,000	£0.0738	26 September 2017
Charles Wilkinson	6 April 2005	500,000	£0.0700	30 June 2013
Charles Wilkinson	6 July 2011	250,000	£0.1612	6 July 2016
Charles Wilkinson	26 September 2012	250,000	£0.0738	26 September 2017
Helen Green	6 July 2011	250,000	£0.1612	6 July 2016
Helen Green	26 September 2012	250,000	£0.0738	26 September 2017

### Directors

Details in respect of the experience of the Executive and Non-Executive Directors are given on page 14.

### Related party transactions

Details regarding transactions with related parties and details of Directors' interests in contracts are given in note 18 to the consolidated financial statements.

## Directors' report continued

### Share issues

Details of shares issued in the year are given in note 12 to the consolidated financial statements.

### Subsequent events

On 19 March 2013 the Group issued 16,700,000 new ordinary shares of 1 pence at a price of 5 pence per share to raise £835,000, of which 3,410,000 shares were issued to Directors of the Company.

### Substantial shareholdings

Apart from the interests of the Directors referred to above, the Company is aware of the following holdings of more than 3 per cent. of the share capital of the Company as at 7 May 2013:

Shareholder name	Ordinary shares of 1 pence each
Lynchwood Nominees Limited	129,750,850
HSBC Global Custody Nominee (UK) Limited	16,185,000
The Bank of New York (Nominees) Limited	16,103,050
Ferlim Nominees Limited	12,451,739

### Payment policy

The Group applies a policy of agreeing payment terms with each of their main suppliers and the Group aims to abide by these terms, subject to satisfactory performance by suppliers.

### Auditors

The Directors review the terms of reference for the auditors and obtain written confirmation that the firm has complied with its ethical guidance on ensuring its independence. Grant Thornton Limited provides audit services to the Company. The level of fees charged is reviewed by the Board to ensure they remain competitive and to ensure no conflicts of interest arise.

A resolution to re-appoint Grant Thornton Limited will be put to the members at the Annual General Meeting.

By Order of the Board

**Director of Rysaffe International Services Limited**

as Secretary to Landore Resources Limited

13 May 2013

# Corporate governance report

## Financial aspects of corporate governance

The Group has adopted a framework for corporate governance which it believes is suitable for a company of its size and which aims to ensure it complies with the UK Corporate Governance Code, in so far as is appropriate having regard to the size and nature of the Group, prepared by the Financial Reporting Council.

## The Board

The Board meets throughout the year and all major decisions are taken by the full Board. The Group's day to day operations are managed by the Executive Directors. All Directors have access to the Company Secretary and any Director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Group.

## Corporate Governance Committees

The Board has established two committees comprising Non-Executive Directors and Executive Directors. The composition of the committees is as follows:

### Audit

Charles Wilkinson (*Chairman*)  
William Humphries  
Helen Green

### Remuneration

William Humphries (*Chairman*)  
Charles Wilkinson  
Helen Green

## The Audit Committee

The Audit Committee aims to meet at least twice a year to review the published financial information, the effectiveness of external audit and internal financial controls.

The terms of reference of the Audit Committee are to assist all the Directors in discharging their individual and collective legal responsibilities for ensuring that:

- The Group's financial and accounting systems provide accurate and up-to-date information on its current financial position;
- The Group's published financial statements represent a true and fair reflection of this position; and
- The external audit is conducted in a thorough, efficient and effective manner.

The external auditors are invited to attend the Audit Committee meeting to present their findings and this provides them with a direct line of communication to the Directors.

## Remuneration Committee

The terms of reference of the Remuneration Committee are to:

- recommend to the Board a framework for rewarding senior management, including Executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group; and
- ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

## Corporate governance report continued

### Internal control

The Directors acknowledge their responsibility for the Group's system of internal control, which is designed to ensure adherence to the Group's policies whilst safeguarding the assets of the Group, in addition to ensuring the completeness and accuracy of the accounting records. Responsibility for implementing a system of internal financial control is delegated to the Finance Director. The essential elements of the Group's internal financial control procedures involve:

- *Strategic business planning*  
Detailed financial projections for the current financial year are prepared and subject to formal review at quarterly Board meetings.
- *Performance review*  
The Directors aim to monitor the Group's performance through the preparation of quarterly management accounts and regular reviews of expenditure and projections.

### Going concern

The Directors confirm that it is suitable for the financial statements to be drawn up on the going concern basis.

A full explanation of the Directors' reasoning behind this assumption is given on page 15.

## Statement of Directors' responsibilities

The Directors are responsible for the preparation of the Directors' report and the financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business; and
- state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with the Companies (Guernsey) Law, 2008 each Director confirms that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. The Directors also confirm that they have taken all steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

# Independent auditor's report

To the members of Landore Resources Limited

We have audited the consolidated financial statements of Landore Resources Limited for the year ended 31 December 2012 which comprise the Consolidated and Company statements of comprehensive loss, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in equity, the Consolidated and Company statements of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 22 the directors are responsible for the preparation of the consolidated 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 consolidated financial statements in accordance with applicable legal and regulatory requirements 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 consolidated financial statements

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

## Opinion on the consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2012 and of the Group's and the Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

## Independent auditor's report continued

To the members of Landore Resources Limited

### **Emphasis of matter – Going concern**

In forming our opinion which is not qualified, we have considered the adequacy of the disclosure made in significant accounting policies (going concern) to the consolidated financial statements concerning the Group's ability to continue as a going concern. The Group retained loss as at 31 December 2012 amounted to £4,330,518. These conditions, along with the other matters explained in significant accounting policies (going concern) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast a significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under The Companies (Guernsey) Law, 2008 we are required to report to you, if in our opinion:

- the Group has not kept proper accounting records; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

### **Grant Thornton Limited**

*Chartered Accountants*

St Peter Port

Guernsey

Channel Islands

13 May 2013

# Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	Group 31 December 2012 £	Group 31 December 2011 £
Exploration costs	6	(3,126,093)	(2,930,326)
Other income	1	8,255	3,913,447
Administrative expenses	21	(1,368,189)	(1,545,659)
<b>Operating loss</b>		<b>(4,486,027)</b>	<b>(562,538)</b>
Finance income	2	123,217	77,135
<b>Loss before income tax</b>		<b>(4,362,810)</b>	<b>(485,403)</b>
Income tax recovery	5	32,292	—
<b>Loss for the year</b>		<b>(4,330,518)</b>	<b>(485,403)</b>
<b>Other comprehensive (loss)/income:</b>			
Exchange difference on translating foreign operations	15	(37,815)	83,269
<b>Other comprehensive (loss)/income for the year net of tax</b>		<b>(37,815)</b>	<b>83,269</b>
<b>Total comprehensive loss for year</b>		<b>(4,368,333)</b>	<b>(402,134)</b>
<b>Loss attributable to:</b>			
Equity holders of the Company		(4,330,518)	(485,403)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(4,368,333)	(402,134)
<b>Loss per share for losses attributable to the equity holders of the Company during the year</b>			
– basic	7	(0.014)	(0.002)
– diluted	7	(0.014)	(0.002)

The Group's operating loss relates to continuing operations.

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

## Company statement of comprehensive income

For the year ended 31 December 2012

	Notes	Company 31 December 2012 £	Company 31 December 2011 £
Administrative expenses	21	(781,194)	(997,437)
<b>Operating loss</b>		(781,194)	(997,437)
Interest receivable		8,752	13,229
Foreign exchange loss		(438,629)	(223,132)
<b>Loss before income tax</b>		(1,211,071)	(1,207,340)
Income tax expense		—	—
<b>Total comprehensive loss for the year</b>		(1,211,071)	(1,207,340)

The Company's operating loss relates to continuing operations.

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

# Consolidated statement of financial position

As at 31 December 2012

	Notes	Group At 31 December 2012 £	Group At 31 December 2011 £
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	8	86,496	97,224
		86,496	97,224
<b>Current assets</b>			
Loan receivable	10	4,178,142	4,249,129
Cash and cash equivalents		1,166,919	435,519
		5,345,061	4,684,648
<b>Total assets</b>		<b>5,431,557</b>	<b>4,781,872</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	12	3,462,838	2,637,103
Share premium	12	25,532,762	21,616,466
Share options	13	1,223,262	1,139,177
Accumulated deficit	14	(25,355,105)	(21,148,655)
Cumulative translation reserve	15	220,039	257,854
<b>Total equity</b>		<b>5,083,796</b>	<b>4,501,945</b>
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Income tax liabilities	11	7,445	15,225
		7,445	15,225
<b>Current liabilities</b>			
Trade and other payables	11	310,536	241,865
Income tax liabilities	11	29,780	22,837
		340,316	264,702
<b>Total liabilities</b>		<b>347,761</b>	<b>279,927</b>
<b>Total equity and liabilities</b>		<b>5,431,557</b>	<b>4,781,872</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 May 2013.

William Humphries  
*Director*

Richard Prickett  
*Director*

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

# Company statement of financial position

As at 31 December 2012

	Notes	Company At 31 December 2012 £	Company At 31 December 2011 £
<b>Assets</b>			
<b>Non current assets</b>			
Investment in subsidiaries	9	94,889	94,889
		94,889	94,889
<b>Current assets</b>			
Trade and other receivables	10	21,697,236	18,595,378
Cash and cash equivalents		1,050,790	405,837
		22,748,026	19,001,215
<b>Total assets</b>		22,842,915	19,096,104
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	12	3,462,838	2,637,103
Share premium	12	25,532,762	21,616,466
Share options	13	1,223,262	1,139,177
Accumulated deficit	14	(7,416,270)	(6,329,267)
<b>Total equity</b>		22,802,592	19,063,479
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	11	40,323	32,625
<b>Total liabilities</b>		40,323	32,625
<b>Total equity and liabilities</b>		22,842,915	19,096,104

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

For the year ended 31 December 2012

	Share capital £	Share premium £	Share options £	Warrants £	Accumulated deficit £	Cumulative translation reserve £	Total £
<b>Balance at</b>							
<b>1 January 2011</b>	2,371,853	17,951,320	834,958	143,659	(20,688,413)	174,585	787,962
Loss for the year	—	—	—	—	(485,403)	—	(485,403)
Other comprehensive loss for the year	—	—	—	—	—	83,269	83,269
Issue of ordinary share capital	265,250	3,687,250	—	—	—	—	3,952,500
Issue cost	—	(165,763)	—	—	—	—	(165,763)
Share warrant adjustment	—	143,659	—	(143,659)	—	—	—
Share option adjustment	—	—	304,219	—	25,161	—	329,380
<b>Balance at</b>							
<b>31 December 2011</b>	2,637,103	21,616,466	1,139,177	—	(21,148,655)	257,854	4,501,945
<b>Balance at</b>							
<b>1 January 2012</b>	2,637,103	21,616,466	1,139,177	—	(21,148,655)	257,854	4,501,945
Loss for the year	—	—	—	—	(4,330,518)	—	(4,330,518)
Other comprehensive loss for the year	—	—	—	—	—	(37,815)	(37,815)
Issue of ordinary share capital (Note 12)	825,735	4,059,778	—	—	—	—	4,885,513
Issue cost (Note 12)	—	(143,482)	—	—	—	—	(143,482)
Share option adjustment for lapsed options (Note 13)	—	—	84,085	—	124,068	—	208,153
<b>Balance at</b>							
<b>31 December 2012</b>	3,462,838	25,532,762	1,223,262	—	(25,355,105)	220,039	5,083,796

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

## Company statement of changes in equity

For the year ended 31 December 2012

	Share capital £	Share premium £	Share options £	Warrants £	Accumulated deficit £	Total £
<b>Balance at 1 January 2011</b>	2,371,853	17,951,320	834,958	143,659	(5,147,088)	16,154,702
Loss for the year	—	—	—	—	(1,207,340)	(1,207,340)
Issue of ordinary share capital	265,250	3,687,250	—	—	—	3,952,500
Issue cost	—	(165,763)	—	—	—	(165,763)
Share warrant adjustment	—	143,659	—	(143,659)	—	—
Share option adjustment	—	—	304,219	—	25,161	329,380
<b>Balance at 31 December 2011</b>	2,637,103	21,616,466	1,139,177	—	(6,329,267)	19,063,479
<b>Balance at 1 January 2012</b>	2,637,103	21,616,466	1,139,177	—	(6,329,267)	19,063,479
Loss for the year	—	—	—	—	(1,211,071)	(1,211,071)
Issue of ordinary share capital (Note 12)	825,735	4,059,778	—	—	—	4,885,513
Issue cost (Note 12)	—	(143,482)	—	—	—	(143,482)
Share option adjustment for lapsed options (Note 13)	—	—	84,085	—	124,068	208,153
<b>Balance at 31 December 2012</b>	3,462,838	25,532,762	1,223,262	—	(7,416,270)	22,802,592

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2012

	Notes	Group 31 December 2012 £	Group 31 December 2011 £
<b>Cash flows from operating activities</b>			
Operating loss		(4,486,027)	(562,538)
Finance income	2	123,217	77,135
Depreciation of tangible fixed assets	8	25,624	31,047
Foreign exchange loss on non-cash items		(352,392)	(58,013)
(Increase)/decrease in debtors		11,351	(4,138,755)
Increase in creditors		476,131	197,253
<b>Net cash outflow from operating activities</b>		<b>(4,202,096)</b>	<b>(4,453,871)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(22,890)	(10,760)
Proceeds from sales of property, plant and equipment		5,971	—
		(16,919)	(10,760)
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	12	4,885,513	3,952,500
Issue costs	12	(143,482)	(165,763)
Share options	13	208,153	329,380
		4,950,184	4,116,117
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>731,169</b>	<b>(348,514)</b>
Cash and cash equivalents at beginning of financial year		435,519	782,959
Exchange gain on cash and cash equivalents		231	1,074
<b>Cash and cash equivalents at end of financial year</b>		<b>1,166,919</b>	<b>435,519</b>

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

# Company statement of cash flows

For the year ended 31 December 2012

	Notes	Company 31 December 2012 £	Company 31 December 2011 £
<b>Cash flows from operating activities</b>			
Operating loss		(781,194)	(997,437)
Finance income		8,752	13,229
Foreign exchange gain on non cash items		(438,629)	(223,132)
Decrease in debtors		(3,101,857)	(3,227,996)
Increase in creditors		7,697	845
<b>Net cash used in operating activities</b>		<b>(4,305,231)</b>	<b>(4,434,491)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	12	4,885,513	3,952,500
Issue costs	12	(143,482)	(165,763)
Share options	13	208,153	329,380
<b>Net cash generated by financing activity</b>		<b>4,950,184</b>	<b>4,116,117</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>644,953</b>	<b>(318,374)</b>
Cash and cash equivalents at beginning of financial year		405,837	724,211
<b>Cash and cash equivalents at end of financial year</b>		<b>1,050,790</b>	<b>405,837</b>

The accounting policies and notes on pages 33 to 53 form an integral part of these consolidated financial statements.

# Accounting policies

## Significant accounting policies

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), the International Financial Reporting Interpretations Committee ("IFRIC"), the International Accounting Standards and Standards Interpretations Committee Interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect and to the extent that they have been adopted by the European Union.

### Applicable amendments to existing standards and interpretations effective in the year

The Company has adopted the following amended IFRSs during the year:

- IFRS 7 (amendments as part of improvements to IFRSs issued in 2010), 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 July 2011. The amendments to IFRS 7 clarify the required level of disclosures about transfer information on financial assets.
- IAS 12 (amendments as part of improvements to IFRSs issued in 2010), 'Recovery of Underlying Assets', effective for annual periods beginning on or after 1 January 2012. The amendments to IAS 12 provides a practical solution to the problem of determining the expected method of recoverability, by introducing a presumption that recovery of the carrying amount will, normally be, through sale.

### Applicable new standards and amendments to existing standards not yet effective

The following new standards and amendments to existing standards that are relevant to the Company, have been issued but are not effective for the year ending 31 December 2012 and have not been early adopted:

- IFRS 7 (amendments as part of improvements to IFRSs issued in 2011), 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 January 2013. The amendments to IFRS 7 clarify the required level of disclosures about offsetting financial assets and financial liabilities;
- IFRS 7 (amendments as part of improvements to IFRSs issued in 2011), 'Financial Instruments: Disclosures', effective for annual periods beginning on or after 1 January 2015. The amendments to IFRS 7 clarify the required level of disclosures about transition from IFRS 7 to IFRS 9;
- IFRS 9 (amendments as part of improvements to IFRSs issued in 2010), 'Financial Instruments: Recognition and Measurement', effective for annual periods beginning on or after 1 January 2013. The amendments introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition;
- IFRS 9 (amendments as part of improvements to IFRSs issued in 2010), 'Financial Instruments: Recognition and Measurement', effective for annual periods beginning on or after 1 January 2015. The amendments introduce new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition;
- IFRS 10 (Standards issued in 2011), 'Consolidated Financial Statements', effective for annual periods beginning on or after 1 January 2013. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities, in replacement of IAS 27;
- IFRS 10 (amendments as part of IFRSs issued in 2011), 'Consolidated Financial Statements', effective for annual periods beginning on or after 1 January 2014. The amendments introduce new requirements for investment entities.
- IFRS 12 (Standards issued in 2011), 'Disclosure of interests in other entities', effective for annual periods beginning on or after 1 January 2013. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: IFRS 12:1) the nature of, and risks associated with, its interests in other entities & the effects of those interests on its financial position, financial performance and cash flows.

## Accounting policies continued

- IAS 1 (amendments as part of improvements to IFRSs issued in 2011), 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled', and those elements that will not;
- IAS 16 (amendments as part of improvements to IFRSs issued in 2011), 'Property, Plant and Equipment', effective for annual periods beginning on or after 1 January 2013. The amendments proposed relate to classification of servicing equipment;
- IAS 19 (amendments as part of improvements to IFRSs issued in 2011), 'Employee benefits', effective for annual periods beginning on or after 1 January 2013. The amendments proposed eliminating the use of the 'corridor' approach and instead mandating all remeasurement impacts be recognised in OCI, and in fact had proposed extending these requirements to all long-term employee benefits;
- IAS 27 & 28 (amendments as part of improvements to IFRSs issued in 2011), 'Separate Financial Statement & Investments in Associates & Joint Ventures' respectively, effective for annual periods beginning on or after 1 January 2013. The amendments pertaining to IAS 27 related to consolidation requirements previously required by IAS 27 will now form part of IFRS 10, and IAS 28 would now supersede the previous version of IAS 28 issued during 2003.
- IAS 32 (amendments as part of improvements to IFRSs issued in 2012), 'Financial Instruments: Presentation', effective for annual periods beginning on or after 1 January 2013. The amendments proposed relate to the tax effect of equity distributions;
- IAS 34 (amendments as part of improvements to IFRSs issued in 2012), 'Interim Financial Reporting', effective for annual periods beginning on or after 1 January 2013. The amendments proposed relate to the interim reporting of segmental assets;

The effect of the new standards and interpretations are not expected to result in a material adjustment to the consolidated financial statements.

### **Basis of accounting**

The financial statements have been prepared on the historical cost basis. The functional currency for the Group is considered to be GBP Sterling. The principal accounting policies adopted are set out below.

As described in the subsequent events, the Group has raised funding of £835,000 after the year end that strengthens the Company's existing funds and balance sheet thus providing a basis to meet the Group's working capital requirements for the foreseeable future. On this basis, and with continued support from the shareholders, the Directors have a reasonable expectation that the Company will have adequate resources to continue trading for a period of at least twelve months following the date of approval of these accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Landore Resources Limited is domiciled in Guernsey. Its registered office is shown on page 2.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2012. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

## Accounting policies continued

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Investment in joint ventures**

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

Unrealised gains and losses on transactions between the Group and its 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.

### **Deferred exploration expenditure**

When the Group has incurred expenditure on mining properties that have not reached the stage of commercial production, the costs of acquiring the rights to such properties, and related exploration and development costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. Full provision is made in respect of deferred costs on properties in the case that insufficient exploration has taken place to ascertain future recoverability. Where mining properties are abandoned, the deferred expenditure is written off in full.

### **Foreign currencies**

#### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in GBP Sterling, which is the Company's functional and the Group's presentation currency.

#### *(b) Transactions and balances*

Transactions in currencies other than GBP Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the statement of comprehensive income for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

### **Profit/loss from operations**

Loss from operations is stated before investment income and finance costs.

### **Interest income**

Interest income is recognised as the interest accrues and is credited to the statement of comprehensive income in the period to which it relates.

## Accounting policies continued

### Property, plant and equipment

Property, plant and equipment are stated at cost less provision for depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset less its estimated residual value evenly over its estimated useful life, as follows:

Computer hardware	–	30 per cent. declining balance
Office equipment	–	20 per cent. declining balance
Automotive equipment	–	30 per cent. declining balance
Machinery and equipment	–	20 per cent. declining balance

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

### Non-current investments

Non-current investments relate to the Company's investments in subsidiaries and are stated at cost less provision for any diminution in value.

### Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

## Accounting policies continued

### Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### *Finance leases – lessee*

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

#### *Operating leases – lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

### Share-based payments

The Group issues equity-settled payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is recognised immediately in the income statement where options have been granted with no conditions attached. Options granted with vesting period conditions are recognised over the vesting period.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Upon exercise of share options, the proceeds received net of any directly attributable transaction cost up to the nominal value of the shares issues are allocated to share capital with any excess being recorded as share premium.

### Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value adjusted by transaction costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

## Accounting policies continued

### 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 recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics.

### Cash and cash equivalents

The fair value of cash and cash equivalents is considered to be their carrying amount due to their short term maturity.

### Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities are measured subsequently at the amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

### Critical accounting estimates and judgments

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about the estimates and judgments made by the Group to reach their conclusions are contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below:

- Classification of mining and exploration interests (note 6).
- Exploration expenditure relating to a particular project will be written off until such time as the Board has determined that the project is viable based on a positive feasibility study and a decision to move into production.

## Accounting policies continued

### Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Operating segments

The Group has only one reportable segment as the Directors are of the opinion that the Group is engaged in a single segment of business being mineral exploration.

The entity wide disclosures are not applicable to the Group at this stage because the Group has no major customers or revenues and is at an exploration stage.

For disclosures regarding geographical areas, please see note 6.

### Going concern

The consolidated financial statements are prepared on a going concern basis with a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group retained loss as at 31 December 2012 amounted to £4,330,518. The Group's trade receivable amount of £4,145,850 include consideration receivable from Lamaune Iron Inc., a company under common control, for the sale of the Lamaune mineral property. The receivable is due by 10 December 2013, incurring interest at 3 per cent. per annum, and is secured by the Lamaune mineral property. In March 2013, the Group completed its drilling programme on the Scorpion Zone in Canada. Therefore, the Group will need to raise more funds for the year 2013.

According to the cash flow forecast, the Group's total projected expenditure for the year 2013 is £2.6m. As of year end the Group's cash amount is £1.2m and subsequent to year end the Group received additional funding of £835k by issuance of more shares. This gives the total available cash of £2m. However, the Group still needs an additional £600k to fund the ongoing operations.

These conditions indicate the existence of a material uncertainty which may cast a significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

# Notes to the financial statements

For the year ended 31 December 2012

## 1. Loss from operations

	2012 £	2011 £
Loss from operations is stated after charging/(crediting):		
<b>Group</b>		
Depreciation of property, plant and equipment	25,624	31,047
Auditors' remuneration – audit services	30,593	37,079
Proceeds from sale of mineral properties	—	3,913,447
Option income	(8,255)	—
Share-based payment charge	208,153	329,380
Non cancellable operating leases	71,616	54,480
Foreign exchange loss	(495,554)	(75,091)
<b>Company</b>		
Auditors' remuneration – audit services	9,500	8,500
Auditors' remuneration – services relating to taxation	—	—
Share-based payment charge	208,153	329,380
Foreign exchange loss	(438,629)	(223,132)

## 2. Finance income – Group

	2012 £	2011 £
Interest receivable from Lamaune Iron Inc.	120,868	70,233
Interest receivable on bank account	2,349	6,902
	123,217	77,135

## 3. Employees

	2012 Number	2011 Number
The average monthly number of persons (excluding Directors) employed by the Group during the period was:		
Management and administration and operations	6	6
	£	£
Staff costs (for the above persons):		
Wages and salaries	365,628	351,913
Social security costs	31,351	32,254
Pension costs	23,467	27,067
	420,446	411,234

# Notes to the financial statements continued

For the year ended 31 December 2012

## 4. Key management compensation

	2012 £	2011 £
<b>Executive Directors:</b>		
William Humphries	140,000	120,000
Richard Prickett	95,000	82,500
	<hr/> 235,000	<hr/> 202,500
<b>Non Executive Directors:</b>		
Helen Green	15,000	12,500
Charles Wilkinson	20,000	17,500
	<hr/> 270,000	<hr/> 232,500

Share options in issue to Directors are disclosed on page 18.

## 5. Taxation

With effect from 1 January 2008, Guernsey abolished the exempt company regime. The Company was therefore taxed at the company standard rate of 0 per cent. with effect from 1 January 2008.

The Company's subsidiary, Landore Resources Canada Inc., is subject to Canadian Federal tax. No tax has been provided in the accounts of Landore Resources Canada Inc. since there were no taxable profits generated by the Company during the year.

Landore Resources Canada Inc. does not have non-capital losses at the year end. At 31 December 2011, Landore Resources Canada Inc. had non-capital losses of CA\$3,078,726 which expired between 2014 and 2029. During the year, certain expenses which were previously treated as non-capital losses were reclassified as exploration expenses for taxation purposes.

Landore Resources Canada Inc. has potential deferred tax assets of CA\$8,963,000 (2011: CA\$7,084,000) which are not recognised at the end of the year. These deferred tax assets are in relation to exploration expenditures which are carried forward to be utilised against profits of future years.

Landore Resources Canada Inc. also has a subsidiary, Brancote US Inc, which is subject to taxation in the United States. This subsidiary has estimated non-capital losses of US\$522,159 (2011: US\$616,269) which will expire between 2018 and 2020.

Other tax adjustments represents tax refunds receivable by Landore Resources Canada Inc in relation to previous years.

	2012 £	2011 £
Loss for the year	(1,354,121)	(1,369,286)
Loss for the year multiplied by standard rate of Canadian corporation tax 26.5 per cent. (2011: 28.25 per cent.)	(358,842)	(386,823)
Effect of:		
Losses not utilised in the current year	358,842	386,823
Other tax adjustments	32,292	—
	<hr/> 32,292	<hr/> —

## Notes to the financial statements continued

For the year ended 31 December 2012

### 6. Mineral properties – Group

	1 January 2012 £	Net expense in the period £	Accumulated expenditure at 31 December 2012 £	Option income in the period £	Accumulated expenditure at 31 December 2012 £
Junior Lake	9,945,130	3,111,651	13,056,781	(31,428)	13,025,353
Miminiska Lake	1,502,315	13,210	1,515,525	—	1,515,525
Fronde Lake	73,858	1,375	75,233	—	75,233
Wottam	61,558	—	61,558	—	61,558
Lessard	701,678	26,245	727,923	—	727,923
Other, including Swole Lake and West Graham	49,961	5,040	55,001	—	55,001
	12,334,500	3,157,521	15,492,021	(31,428)	15,460,593

### Mineral properties – Company

	1 January 2012 £	Net expense in the period £	Accumulated expenditure at 31 December 2012 £
Junior Lake	97,314	—	97,314
	97,314	—	97,314

#### 6.1 Junior Lake

Junior Lake is a nickel, copper, platinum group metals and iron, gold and lithium property located approximately 235 kilometres north of Thunder Bay in Northern Ontario, Canada. The property consists of five leased claims, and 133 staked mining claims, wholly owned by the Group.

A total of eight claims in the original property block are subject to a 2 per cent. net smelter return (“NSR”). The Junior lake property encompasses the Swole Lake property block.

#### 6.2 Miminiska Lake

Miminiska Lake, wholly owned by the Group, is a gold exploration project located approximately 115 kilometres east of Pickle Lake in Northern Ontario, Canada. The property consists of a southern block of 28 patented and two staked claims (“Miminiska Lake”), and a northern block consisting of 45 staked claims (“Keezhik Lake”). Both blocks are wholly owned by the Group.

#### 6.3 Fronde Lake

Fronde Lake is a gold property located about 125 kilometres east of Pickle Lake in Northern Ontario, Canada. The property is comprised of 24 patented claims contiguous to the east of the Wottam property. The Fronde Lake property claims are wholly owned by the Group subject to a 2 per cent. NSR to the original owners of the property.

## Notes to the financial statements *continued*

For the year ended 31 December 2012

### 6. Mineral properties – Group *continued*

#### 6.4 Wottam

Wottam property is a gold property located 120 kilometres east of Pickle Lake in Northern Ontario, Canada. The property is wholly owned by the Group and includes 20 claims contiguous and between the Miminiska and Frond properties.

#### 6.5 Lessard

Lessard is a zinc, copper property comprised of 57 mining claims located approximately 107 kilometres north of Chibougamau, in the province of Quebec, Canada. The property is wholly owned by the Group.

#### 6.6 Swole Lake

Swole Lake is host to nickel, copper, platinum group metals, and lithium occurrences. The Swole Lake mining claim, wholly owned by the Group, is consolidated into the greater Junior Lake property. The Swole Lake claim is subject to a 2 per cent. NSR to the original holder of the claim.

#### 6.7 West Graham

West Graham is a nickel, copper, platinum group metals property comprised of one patented claim wholly owned by the Group. The property is located 25 kilometres southwest of Sudbury and 1.5 kilometres east of the Lockerby nickel mine. On 21 November 2005, First Nickel Inc. optioned the property from the Group. In 2010, First Nickel Inc. earned a 70 per cent. interest with the possibility of earning a further 15 per cent. interest subject to certain conditions.

### 7. Loss per share

The calculation of the basic loss per share is based on the loss for the financial year divided by the weighted average number of shares being 303,720,325 (2011: 234,806,648) in issue during the year.

The potential ordinary shares which arise as a result of the options in issue are not dilutive under the terms of IAS 33 because they would reduce the loss per share. Accordingly there is no difference between the basic and dilutive loss per share.

## Notes to the financial statements continued

For the year ended 31 December 2012

### 8. Property, plant and equipment – Group

	Automotive equipment £	Computer hardware £	Machinery and equipment £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 2012	145,607	30,814	111,903	20,015	308,339
Additions	19,712	—	3,178	—	22,890
Disposals	(27,839)	—	—	—	(27,839)
Foreign exchange movements	(3,093)	(676)	(2,499)	(439)	(6,707)
<b>At 31 December 2012</b>	<b>134,387</b>	<b>30,138</b>	<b>112,582</b>	<b>19,576</b>	<b>296,683</b>
<b>Depreciation</b>					
At 1 January 2012	105,112	22,119	67,491	16,393	211,115
Charge for the year	13,202	2,584	9,120	718	25,624
Disposals	(21,868)	—	—	—	(21,868)
Foreign exchange movements	(2,197)	(518)	(1,599)	(370)	(4,684)
<b>At 31 December 2012</b>	<b>94,249</b>	<b>24,185</b>	<b>75,012</b>	<b>16,741</b>	<b>210,187</b>
<b>Net book value</b>					
<b>At 31 December 2012</b>	<b>40,138</b>	<b>5,953</b>	<b>37,570</b>	<b>2,835</b>	<b>86,496</b>
<b>At 31 December 2011</b>	<b>40,495</b>	<b>8,695</b>	<b>44,412</b>	<b>3,622</b>	<b>97,224</b>
<b>At 31 December 2011</b>					
	Automotive equipment £	Computer hardware £	Machinery and equipment £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 2011	152,549	15,993	129,768	11,943	310,253
Additions	—	5,197	5,563	—	10,760
Foreign exchange movements	(6,942)	9,624	(23,428)	8,072	(12,674)
<b>At 31 December 2011</b>	<b>145,607</b>	<b>30,814</b>	<b>111,903</b>	<b>20,015</b>	<b>308,339</b>
<b>Depreciation</b>					
At 1 January 2011	93,613	9,815	79,634	7,329	190,391
Charge for the year	17,234	2,586	10,327	900	31,047
Foreign exchange movements	(5,735)	9,718	(22,470)	8,164	(10,323)
<b>At 31 December 2011</b>	<b>105,112</b>	<b>22,119</b>	<b>67,491</b>	<b>16,393</b>	<b>211,115</b>
<b>Net book value</b>					
<b>At 31 December 2011</b>	<b>40,495</b>	<b>8,695</b>	<b>44,412</b>	<b>3,622</b>	<b>97,224</b>
<b>At 31 December 2010</b>	<b>58,936</b>	<b>6,178</b>	<b>50,134</b>	<b>4,614</b>	<b>119,862</b>

# Notes to the financial statements continued

For the year ended 31 December 2012

## 9. Non current asset investments – Company

	Investment in subsidiaries £
<b>Cost</b>	
At 1 January/31 December 2012 and 2011	4,111,191
<b>Provision for diminution in value</b>	
At 1 January/31 December 2012 and 2011	4,016,302
<b>Net book value</b>	
At 1 January/31 December 2012 and 2011	94,889

At 31 December 2012 the Company held the entire issued share capital of the following subsidiary undertakings:

<i>Subsidiary</i>	<i>Nature of business</i>	<i>Country of incorporation</i>
Landore Resources Canada Inc. (100 per cent.)	Exploration of precious metals	Canada
Brancote US Inc. * (100 per cent.)	Exploration of precious metals	United States
Landore Resources (UK) Limited (100 per cent.)	Administration (dormant)	United Kingdom

\*The entire share capital of Brancote US Inc. is held by Landore Resources Canada Inc.

All subsidiaries have been included in the consolidated financial statements.

## 10. Trade and other receivables

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Due within one year:				
Loan receivable	4,145,850	5,960	4,128,507	9,090
Tax receivable	32,292	—	—	—
Amounts due from related parties	—	—	120,622	120,622
Amounts due from subsidiary undertakings	—	21,691,276	—	18,465,666
	4,178,142	21,697,236	4,249,129	18,595,378

The Group's trade receivables include consideration receivable from Lamaune Iron Inc., a company under common control, for the sale of the Lamaune mineral property. The receivable is due by 10 December 2013, incurring interest at 3 per cent. per annum, and is secured by the Lamaune mineral property.

## Notes to the financial statements continued

For the year ended 31 December 2012

### 11. Payables: Amounts falling due within one year

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Trade payables	310,536	40,323	241,865	32,625
Current tax liabilities	29,780	—	22,837	—
	<u>340,316</u>	<u>40,323</u>	<u>264,702</u>	<u>32,625</u>

### Payables: Amounts falling due after one year

	Group 2012 £	Group 2011 £
<b>Income tax liability maturity analysis</b>		
One to two years (non current liabilities)	7,445	15,225

### 12. Share capital

	Company 2012 £	Company 2011 £
<b>Authorised:</b>		
500,000,000 (2011: 500,000,000) ordinary shares of 1 pence each ranking <i>pari passu</i>	5,000,000	5,000,000
<b>Issued and fully paid:</b>		
346,283,825 (2011: 263,710,325) ordinary shares of 1 pence each ranking <i>pari passu</i>	3,462,838	2,637,103
	Ordinary shares 2012 £	Share premium 2012 £
Issued:		
At 1 January 2012	2,637,103	21,616,466
Issued in the year	825,735	3,916,296
<b>At 31 December 2012</b>	<u>3,462,838</u>	<u>25,532,762</u>

## Notes to the financial statements *continued*

For the year ended 31 December 2012

### 12. Share capital *continued*

The Company made allotments of 1p ordinary shares with an aggregate nominal value of £825,735 during the period as follows:

	Number of shares	Nominal value £	Share premium £
6 March 2012	30,100,000	301,000	1,956,500
7 March 2012	173,500	1,735	11,278
18 September 2012	52,300,000	523,000	2,092,000
	82,573,500	825,735	4,059,778

Issue costs totalling £143,482 (2011:£165,763) were incurred when allocating the shares. The total issue costs were debited against share premium in accordance with IAS 32.

### 13. Share options – Group and Company

Grant date	Expiry date	Exercise price £	Number of options at 1 January 2012	(Lapsed)/ (Exercised)/ Granted	Number of options at 31 December 2012	Fair value £
8 May 2002*	8 May 2012	0.1310	650,000	(650,000)	—	—
6 April 2005	30 June 2013	0.0700	2,500,000	—	2,500,000	84,927
19 September 2006	19 September 2013	0.0975	1,200,000	—	1,200,000	60,387
4 April 2007	4 April 2012	0.1000	300,000	(300,000)	—	—
5 September 2007	5 September 2012	0.1500	1,975,000	(1,975,000)	—	—
22 January 2008	30 June 2013	0.1375	4,500,000	—	4,500,000	217,276
4 November 2008	4 November 2013	0.1200	4,500,000	—	4,500,000	230,611
27 April 2009	27 April 2014	0.1025	900,000	—	900,000	22,827
28 October 2009	28 October 2019	0.1400	300,000	—	300,000	16,085
28 October 2009 <sup>(1)</sup>	28 October 2019	0.1400	1,000,000	—	1,000,000	53,616
6 July 2011	6 July 2016	0.1612	8,600,000	—	8,600,000	329,380
20 March 2012	20 March 2017	0.0788	—	3,500,000	3,500,000	66,449
2 May 2012	2 May 2017	0.0788	—	200,000	200,000	4,374
4 July 2012	4 July 2017	0.0650	—	500,000	500,000	7,228
26 September 2012	26 September 2017	0.0738	—	4,900,000	4,900,000	130,102
			26,425,000	6,175,000	32,600,000	1,223,262

The share options indicated with an asterisk were issued in exchange for existing options of Landore Resources Canada Inc. on 6 April 2005. Prior to its acquisition by Landore Resources Limited, Landore Resources Canada Inc. operated an employee stock option programme. Under the terms of the acquisition of Landore Resources Canada Inc., all existing share options of that company were exchanged on a one for one basis for new share options in Landore Resources Limited.

The share option indicated with a <sup>(1)</sup> was granted with a vesting condition of completion of a trial period of six months.

## Notes to the financial statements *continued*

For the year ended 31 December 2012

### 13. Share options – Group and Company *continued*

The weighted average exercise prices relating to the above movements in the number of share options are as follows:

	2012 £	2011 £
Outstanding at beginning of the period	0.13	0.12
Granted during the period	0.08	0.16
Exercised during the period	—	0.07
Lapsed during the period	0.14	—
Outstanding at end of the period	0.12	0.13
Exercisable at end of the period	0.12	0.13
Weighted average remaining contractual life of share options outstanding at end of the period	2.69 years	2.27 years
Weighted average share price of share options exercised in year	—	0.20

During the financial year ended 31 December 2012 there were 9,100,000 share options issued to numerous employees.

The estimated fair value of the above options was calculated by applying the Black-Scholes pricing model.

The model inputs were:

<b>Options granted</b>	<b>20 March 2012</b>	<b>2 May 2012</b>
Share price at grant date	£0.08	£0.08
Expected volatility	26.27 per cent.	26.99 per cent.
Risk-free interest rate	0.50 per cent.	0.50 per cent.
Option life	5 years	5 years
<b>Options granted</b>	<b>4 July 2012</b>	<b>26 September 2012</b>
Share price at grant date	£0.06	£0.08
Expected volatility	28.42 per cent.	30.94 per cent.
Risk-free interest rate	0.50 per cent.	0.50 per cent.
Option life	5 years	5 years

The movements on the share options reserve are detailed below:

	2012 £	2011 £
Share options reserve as at 1 January	1,139,177	834,958
Charge in statement of comprehensive loss	208,153	329,380
Transfer to profit and loss reserve for lapsed options	(124,068)	(25,161)
<b>Share options reserve at 31 December</b>	<b>1,223,262</b>	<b>1,139,177</b>

# Notes to the financial statements continued

For the year ended 31 December 2012

## 14. Accumulated deficit

	2012 £	2011 £
<b>Group</b>		
At 1 January	(21,148,655)	(20,688,413)
Loss for the year	(4,330,518)	(485,403)
Transfer from share options reserve	124,068	25,161
<b>At 31 December</b>	<b>(25,355,105)</b>	<b>(21,148,655)</b>
<b>Company</b>		
At 1 January	(6,329,267)	(5,147,088)
Profit for the year	(1,211,071)	(1,207,340)
Transfer from share options reserve	124,068	25,161
<b>At 31 December</b>	<b>(7,416,270)</b>	<b>(6,329,267)</b>

## 15. Cumulative translation reserve

	Translation reserve £
<b>Group</b>	
At 1 January 2012	257,854
Exchange differences on translation of overseas operations	(37,815)
<b>At 31 December 2012</b>	<b>220,039</b>

The translation reserve records exchange differences arising from the translation of the accounts of the foreign currency denominated subsidiary, Landore Resources Canada Inc.

## 16. Reconciliation of net cash flow to movement in net funds – Group

	2012 £	2011 £
Opening net funds	435,519	782,959
Decrease in cash and cash equivalents	731,169	(348,514)
Net funds before foreign exchange	1,166,688	434,445
Foreign exchange gain	231	1,074
<b>Closing net funds</b>	<b>1,166,919</b>	<b>435,519</b>

## Notes to the financial statements continued

For the year ended 31 December 2012

### 17. Analysis of net funds – Group

	At 1 January 2012 £	Cash flow £	Exchange gains £	At 31 December 2012 £
Cash and cash equivalents	435,519	731,169	231	1,166,919
<b>Total</b>	<b>435,519</b>	<b>731,169</b>	<b>231</b>	<b>1,166,919</b>

### 18. Related party transactions

Advances were received by Landore Resources Canada Inc. from Landore Resources Limited. These were unsecured, non interest bearing and repayable on demand.

Helen Green, a Director of the Company, is also a Director of Saffery Champness Management International Limited ("SCMIL") and Rysaffe International Services Limited ("Rysaffe"). SCMIL were paid £89,005 (2011: £65,683) in the period in respect of its role as administrators for the Company and Rysaffe was paid £10,000 (2011: £10,000) in respect of its role as Company Secretary. An amount of £13,366 (2011: £10,410) was owing to SCMIL at the year-end. The amount owing to Rysaffe at year end was £nil (2011: £nil). All transactions are at market value.

Landore Resources Canada Inc. paid management fees to a Director of the Company in the amount of C\$35,000 (2011: C\$35,000). At the year end, C\$35,000 (2011: C\$nil) remains outstanding and has been included in trade payables.

At year end, advances and receivables are outstanding from Lamaune Iron Inc., a company under common control, in the amount of C\$6,503,902 (2011: C\$6,336,034). The equivalent sterling amount is £4,035,179.

On 6 March 2012, 3,350,000 shares were purchased at 7.5 pence per share by William Humphries, a Director of the Company. On 12 September 2012, a further 6,000,000 shares were purchased at 5 pence per share by William Humphries.

On 6 March 2012, 707,335 shares were purchased at 7.5 pence per share by Richard Prickett, a Director of the Company. On 12 September 2012, a further 506,040 shares were purchased at 5 pence per share by Richard Prickett.

On 12 September 2012, 400,000 shares were purchased at 5 pence per share by Charles Wilkinson, a Director of the Company.

For key management compensation (see note 4). The Group does not have any ultimate controlling party.

### 19. Financial instruments/Financial risk management

In the course of its business, the Group is exposed primarily to liquidity risk. As the Company grows it is expected that capital management risk, foreign exchange risk, credit risk and interest rate risk will also become focuses of the Group's financial risk management policies.

#### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company meets its capital needs by equity financing. The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

# Notes to the financial statements *continued*

For the year ended 31 December 2012

## 19. Financial instruments/Financial risk management *continued*

The objectives will be achieved by maintaining and adding value to existing extraction projects and identifying new exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by the Group's means.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is summarised in the consolidated statement of changes in equity.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders in the future, return capital to shareholders or issue new shares.

### Liquidity risk

The Group attempts to accurately forecast the cash flow requirements of its ongoing operations and ensures that it has sufficient funding in place to meet these needs. The Group currently uses equity finance as its main source of funding.

### Foreign currency risk

The Group primarily operates in Canada but reports its financial results in GBP Sterling. It manages the potential exposure to fluctuations in the GBP Sterling to Canadian Dollar exchange rate by holding its main asset, being its cash reserves, in GBP Sterling. Cash is converted to Canadian Dollars to meet the expenditure requirements of its Canadian business only when required. Currently, the Group's net asset position is not significantly impacted by movements in the exchange rate.

As the Group remains a development phase entity it only has small and infrequent foreign currency transaction exposures.

In addition, the market for metals is principally denominated in United States dollars. As the Group has not reached production stage it does not currently engage in active hedging to minimise exchange rate risk, although this will remain under review.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group does not have trade receivables and does not hold collateral as security.

Credit risk from balances with banks and financial institutions is managed by the Board. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Counterparty credit limits are reviewed by the Board on a regular basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments.

The on-going global financial situation is being monitored by the Board but is not affecting the Company at present.

# Notes to the financial statements *continued*

For the year ended 31 December 2012

## 19. Financial instruments/Financial risk management *continued*

### Interest rate risk

As the Group does not currently have any borrowings it is not exposed to interest rate fluctuations.

The Group and Company held the following financial assets and liabilities:

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
<b>Financial assets</b>				
Trade and other receivables	4,178,142	21,697,236	4,249,129	18,595,378
Investment in subsidiaries	—	94,889	—	94,889
<b>Financial liabilities</b>				
Trade and other payables	310,536	40,323	241,865	32,626

### Fair values

#### Group

The fair values of the Group's financial instruments are considered equal to the book value.

The following table presents the Group's financial instruments measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial instruments into three levels based on the significance of inputs used in measuring the fair value of the financial assets and the financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the Group's financial instruments are classified is determined based on the lowest level of significant input to the fair value investment.

The financial instruments measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

#### As at 31 December 2012

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Financial Instruments</b>				
Trade and other receivables	—	—	4,178,142	4,178,142
Trade and other payables	—	—	(310,536)	(310,536)
Fair value	—	—	3,867,606	3,867,606

# Notes to the financial statements *continued*

For the year ended 31 December 2012

## 19. Financial instruments/Financial risk management *continued*

As at 31 December 2011

	Level 1 £	Level 2 £	Level 3 £	Total £
Financial Instruments				
Trade and other receivables	—	—	4,249,129	4,249,129
Trade and other payables	—	—	(241,865)	(241,865)
Fair value	—	—	4,007,264	4,007,264

There were no transfers between levels 1 and 2 in the reporting period.

## 20. Commitments

### Operating lease commitments

The Group leases its premises under a non-cancellable operating lease which expired on 31 December 2012. There were no future aggregate minimum lease payments under non-cancellable operating leases.

### Contractual commitments

As at 31 December 2012, the Group had no significant contractual obligations.

## 21. Administrative expenses

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Administrative expenses	786,035	275,341	771,307	323,180
Directors fees	270,000	270,000	232,500	232,500
Legal, accountancy and audit expenses	104,001	27,700	212,472	112,377
Share-based payments expense	208,153	208,153	329,380	329,380
	1,368,189	781,194	1,545,659	997,437

## 22. Subsequent events

On 19 March 2013 the Group issued 16,700,000 new ordinary shares of 1 pence at a price of 5 pence per share to raise £835,000, of which 3,410,000 shares were issued to Directors of the Company.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Landore Resources Limited (the "Company") will be held at La Tonnelle House, Les Banques, St. Sampson, Guernsey GY1 3HS on Thursday, 20 June 2013 at 11.00 am at which the following resolutions will be proposed, in the case of resolutions 1 to 5 as Ordinary Resolutions and in the case of resolutions 6 and 7 as Special Resolutions:

### Ordinary Business

1. to receive and adopt the statement of accounts and the balance sheet of the Company with the report of the Directors and the auditors' report for the year ended 31 December 2012;
2. to re-elect William Humphries who retires in accordance with Article 17.12 of the Articles of Association of the Company (the "Articles");
3. to re-elect Richard Prickett who retires in accordance with Article 17.12 of the Articles;
4. to re-appoint Grant Thornton Limited as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration;

### Special Business

5. That in substitution for all previous authorities which are hereby revoked, the Directors be and they are hereby generally and unconditionally authorised for the purposes of Article 3.1 of the Articles to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £1,500,000 provided that this authority shall expire five years from the date of this resolution and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression "relevant securities" and references to the allotment of relevant securities shall bear the same respective meanings as in the Articles;
6. That in substitution for all previous authorities which are hereby revoked, the Directors be and they are hereby empowered pursuant to Article 4.8 of the Articles to allot equity securities for cash pursuant to the authority conferred by the previous resolution as if Article 4.1 of the Articles did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £1,500,000;

provided that this authority shall expire five years from the date of this resolution and that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement

## Notice of Annual General Meeting continued

notwithstanding that the authority conferred hereby has expired and in this resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in the Articles.

7. That pursuant to the Companies (Transitional Provisions) (Amendment) Regulations, 2012, the articles of incorporation of the Company be rescinded and deleted in their entirety, and the new articles of incorporation as currently available for inspection on the Company's website, be and are hereby adopted as the new articles of incorporation of the Company in substitution for, and to the exclusion of, the existing articles of incorporation.

By Order of the Board

Director of Rysaffe International Services Limited  
as Secretary to Landore Resources Limited

13 May 2013

### Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend and, on a poll, vote in his stead. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company.
2. For the convenience of members who may be unable to attend the meeting, a Form of Proxy is enclosed which should be completed and returned to the registrar's agents, Computershare Investor Services (Guernsey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time fixed for the meeting. The fact that members may have completed Forms of Proxy will not prevent them from attending and voting in person should they afterwards decide to do so.
3. Members who hold ordinary shares in uncertificated form must have been entered on the Company's Register of Members 48 hours prior to the meeting in order to be entitled to attend and vote at the meeting. Such members may only vote at the Meeting in respect of ordinary shares in the Company held at that time.
4. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Article 34 of the Uncertificated Securities (Guernsey) Regulations 2009.
5. In order to comply with the Companies (Transitional Provisions) (Amendment) Regulations, 2012, the Company must adopt new style articles of incorporation before 31 December, 2013. The proposed new articles are currently available for inspection on the Company's website at [www.landore.com](http://www.landore.com)

The new articles of incorporation shall include, *inter alia*, the following amendments:

- the disapplication of the standard form articles of incorporation that apply to non-cellular Guernsey registered companies limited by shares under The Companies (Guernsey) Law, 2008 as amended (the "New Law"). This allows the Company to include any specific articles which it may require;
- the amendment of the Company's authorised share capital to an unlimited sum. Under the New Law there is no longer a requirement for a company to have a specific authorised share capital – this obviates the need for repeated resolutions to increase the share capital periodically;
- updated wording from the CREST UK system for the transfer and transmission of shares; and
- amendments to the Directors' indemnity wording to preclude the Company from exempting from liability or indemnifying any of their Directors in respect of any liability for negligence, default, breach of duty or breach of trust in relation to the Company although it will still be able to purchase insurance for Directors in respect of such liability.

For your notes



[www.landore.com](http://www.landore.com)