Sable Mining Afr.Ltd

Interim Results

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Sable Mining Africa Limited
23 December 2013

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23 December 2013

Sable Mining Africa Ltd ('Sable Mining' or 'the Company')

Interim Results

Sable Mining Africa Ltd, the AIM listed exploration company, announces its results for the six month period ended 30 September 2013.

OVERVIEW

- Focussed on the rapid development of the high grade, high margin, low capital expenditure 123.5km2 Nimba Iron Ore Project in Guinea
- Nimba already the second largest undeveloped on- or near-rail DSO project to be held outside the major mining companies in West Africa, and drilling on-going to test resource extension area
- Upgraded JORC resource - current JORC resource of 178.4Mt @ 59% iron, representing a 47% increase in tonnage from the maiden Resource announced in February 2013
- High Grade DSO and Low Deleterious Elements - only a simple crush and screen process will be required in the early years of production positively impacting capital expenditure requirements
- Potential for a steady production rate of 10Mt per annum over a life of 20 years
- Export decree and Mining Licence granted by the Government of the Republic of Guinea
- MOU with Government of Liberia regarding infrastructure - existing nearby under-utilised, standard gauge railway approximately 26km away, linking the region to the major Liberian port of Buchanan
- Strengthened capital position following raising of £17.1 million - well funded for continued development
- Defined exploration programme -Pre-Feasibility Study will be completed in the near term ahead of the BFS targeted for 2014
- Aim to release an updated JORC Resource in H1 2014

CHAIRMAN'S STATEMENT

As demonstrated by our recent updates to shareholders, our focus remains firmly set on the Nimba Iron Ore Project in south-east Guinea ('Nimba' or 'the Project'). With a current JORC Resource of 178.4Mt @ 59% iron ('Fe'), the Project has already been demonstrated to be one of the largest undeveloped high grade Direct Shipping Ore ('DSO') projects located near to existing infrastructure, underpinning our confidence that we are advancing an asset with considerable commercial value. With this in mind, our attention remains centred on transforming Nimba into a low-cost, high grade iron ore producer, with low capital intensity, by 2015. This objective has been supported:

- by investors, as demonstrated by our recent £17.1 million fundraising; and
- by local stakeholders and the governments of both Guinea and Liberia, as demonstrated by the granting of a mining licence and export decree relating to the Project and the signing of a memorandum of understanding relating to infrastructure development associated with the Project.

Sable Mining now sits in the enviable position of developing a world-class DSO project, with a healthy cash treasury capable of advancing the asset through to the completion of its Bankable Feasibility Study ('BFS') in 2014, with the all-important support of the interested local participants.

The Nimba Iron Ore Project

The period under review and the months since have been marked by the achievement of various significant milestones which have de-risked the development of Nimba and underpinned its status as a significant and strategic DSO project. The Project's key differentiators include high grade ore and positive metallurgy, significant tonnages and minimal strip ratios, together with nearby established rail infrastructure and supportive governmental authorities.

High Grade DSO and Low Deleterious Elements

Nimba benefits from high grade canga mineralisation with low deleterious elements and this is expected to impact positively on the Project's capital expenditure requirements, as only a simple crush and screen process will be required in the early years of production. In addition, the low operating costs and an anticipated higher margin for the premium iron ore product produced at the mine, further strengthen the Project's appeal.

The Company completed follow-up metallurgical test work in July 2013 which demonstrated an increase in lump fraction from 15% to 40%, and confirmed fines DSO yield of 84% from simple crush and screen processing. In addition, work on the tailings material in the fines fraction showed that this material has a 72%-78% yield to a beneficiated 63%-65% Fe concentrate. Whilst the Company remains focussed on its considerable DSO mineralisation, this latter information has the potential to significantly enhance the economics of the entire Nimba operation, through the potential conversion of the Nimba flank material into Reserve status in the future.

Significant Tonnage at Surface

Drilling on the expansion area of Plateaux 2 and 3 (an area not originally incorporated into the maiden Resource) resulted in two significant JORC upgrades in H2 2013. The current expanded JORC Resource, announced in November 2013, resulted in a 47% increase in tonnage, to 178.4Mt, from the maiden Resource announced in February 2013. Whilst this upgrade already establishes Nimba as one of the largest undeveloped near-rail DSO assets owned outside the majors globally, with potential for a steady production rate of 10Mt per annum over a life of 20 years, there remains significant Resource upside for the Company. Drilling is already underway on an area of Plateau 3 which was previously inaccessible due to the rainy season, and this 30 hole drill programme has the potential to increase the Resource towards our total exploration target for Plateaux 2 and 3 of in excess of 200Mt.

Further to Plateaux 2 and 3, the Company also has significant potential Resource upside from the, as yet undrilled, Plateau 1. Plateau 1 covers an area larger than either Plateaux 2 or 3, and on which the Company has previously released an exploration target of 261Mt based on ground penetrating radar.

In addition to the aforementioned tonnage, it is also important to note that this mineralisation occurs at surface, which will reduce the stripping ratio to negligible levels and significantly enhances the economics of the project. This surface mineralisation stems from the unique way in which the Nimba orebody evolved. Located at the base of a very steep mountain, Mount Nimba, the Project's plateaux were historically the subject of a high-energy environment, within which non-iron boulders were essentially smashed and eroded away at the base, forming high-grade canga in deep paleo-channels. Thus, these channels contain the thickest and highest grade ore, which the Company is initially targeting. However the thinner flank mineralisation also has the potential to yield significant additional tonnages which could further enhance the entire economics of the Project.

Established infrastructure

A key differential for Nimba is its proximity to established rail infrastructure - a highly important factor for any bulk commodity development asset as this has the potential to dramatically reduce capital intensity and thereby enhance financial returns.

Nimba is located approximately 26km away from a standard gauge railway, with spare capacity, linking the region to the major Liberian port of Buchanan. In October 2013, the Company announced the granting of an export decree by the Government of the Republic of Guinea, authorising Sable Mining, through its 80% owned subsidiary West African Exploration SA ('WAE'), to export iron ore through Liberia. The granting of the export decree was a major endorsement for Sable Mining and represented a critical milestone to achieving access to existing infrastructure.

This progress was further accelerated in November 2013 by the signing of a memorandum of understanding between WAE and the Government of the Republic of Liberia, the purpose of which is to enable the parties to conduct technical due diligence, third party discussions and negotiations with a view to entering into a binding infrastructure development agreement relating to the development, use and operation of rail and port infrastructure by WAE in Liberia, for the purposes of exportation of iron ore products from Nimba.

These two highly significant announcements demonstrated the potential for Nimba to be developed towards full commercial production without the highly capital intensive infrastructure spends that affects many other large iron ore deposits in West Africa. This again makes the Project extremely favourable on potential capital costs compared to its junior iron ore peers.

Supportive Local Stakeholders

Since commencing exploration activities at Nimba in February 2012, Sable Mining has kept an open channel of communication with both the government of Guinea, and the government of Liberia, in addition to other local stakeholders, in order to forge the optimum route for development of this strategic asset.

Sable Mining was granted in September 2013, by the Government of the Republic of Guinea, a mining licence for Nimba which was followed in October 2013 by the aforementioned export authorisation. These two critical endorsements by the Guinean government reflect both Sable Mining's commitment to realising the value of Nimba for all stakeholders, as well as the government of Guinea's eagerness to accept external investment into the country in order to promote and thereby generate revenue from the development of its huge natural resource base. We look forward to developing long term relationships with all appropriate authorities as we move forward and develop Nimba into a significant commercial iron ore production asset.

Treasury

In November 2013 the Company was delighted to announce the raising of £17.1 million from new and existing shareholders to bolster its cash treasury. With this injection of capital, the Company is well funded for the completion of its BFS on Nimba, targeted for 2014.

Following the completion of the BFS, we will then be in a position to evaluate off-take finance, debt finance, and residual equity finance, through which to construct a mining operation at Nimba.

Financial Overview

Sable Mining is reporting for the six months ended 30 September 2013 a pre-tax loss on continuing activities of US$24.7m (2012: US$9.9m). The pre-tax loss is after an impairment charge of US$21.1m (2012: US$ nil) on the Company's coal assets in Zimbabwe and South Africa reflecting continued uncertainty in the region's domestic and international markets for this commodity. The post-tax loss attributable to shareholders for the period was US$16.8m (2012: US$7.9m). As at 30 September 2013 cash balances were US$5.0m (2012: US$23.4m). Since the period end the Company raised US$27.1m before transaction costs.

Outlook

The past 18 months have seen Sable Mining achieving remarkable successes at Nimba. Looking forwards, there are several key catalysts over the coming months which we believe will further de-risk development, and enhance the attributable value, of this world-class asset.

Our near term objectives include the publication of a Pre-Feasibility Study ('PFS'), which will set out the optimal route to production at Nimba, ahead of the BFS later in the year. Separately we remain focussed on assessing the wider exploration potential of Nimba through which to enhance the overall economics of the Project, and in line with this we aim to release an updated JORC Resource in H1 2014.

Our discussions with the appropriate financial institutions and potential off-take partners will continue during this period, as we remain focussed iron ore production in 2015.

We would again like to thank our valued shareholders, partners and local stakeholders for their continued support during this highly active period, as we look towards the next chapter in Nimba's evolution into a low cost, high grade iron ore production asset in the near term.

Phil Edmonds
Chairman
22 December 2013

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FINANCIAL STATEMENTS

Condensed Consolidated Income Statement
For the six month period ended 30 September 2013

	Note	Unaudited 6 months to 30 September 2013 $'000	Unaudited 6 months to 30 September 2012 $'000	Audited year to 31 March 2013 $'000
Continuing Operations				
Operating expenses		(3,569)	(9,153)	(14,703)
Impairment of plant and equipment		-	-	(817)
Impairment of intangible assets	5	(21,116)	(804)	(71,229)
Impairment of other receivables		-	-	(790)
Operating loss		(24,685)	(9,957)	(87,539)
Other gains and losses		(68)	(309)	144
Net finance income/(cost)		49	381	(160)
Loss before taxation		(24,704)	(9,885)	(87,555)
Income tax credit		748	-	12,480
Loss for the period from continuing operations		(23,956)	(9,885)	(75,075)
Discontinued Operations				
Loss for the period from discontinued operations		-	-	158
Loss for the period		(23,956)	(9,885)	(74,917)
Loss for the period attributable to owners of the parent company		(16,789)	(7,871)	(58,541)
Loss for the period attributable to non-controlling interests		(7,167)	(2,014)	(16,376)
Loss for the period		(23,956)	(9,885)	(74,917)
Loss per share				
- Basic and diluted (cents)	**6**	(1.8 cents)	(0.8 cents)	(6.3 cents)

Loss per share from continuing operations - Basic and diluted (cents)	**6**	(1.8 cents)	(0.8 cents)	(6.3 cents)
Gain per share from discontinued operations - Basic and diluted (cents)	**6**	-	-	-

Condensed Consolidated Statement of Comprehensive Income
For the six month period ended 30 September 2013

	Unaudited 6 months to 30 September 2013	**Unaudited 6 months to 30 September 2012**	**Audited year to 31 March 2013**
	$'000	$'000	$'000
Foreign exchange translation differences	(1,164)	(3,334)	(10,122)
Other comprehensive loss for the period	(1,164)	(3,334)	(10,122)
Loss for the period	(23,956)	(9,885)	(74,917)
Total comprehensive loss for the period	(25,120)	(13,219)	(85,039)
Total comprehensive loss for the period attributable to owners of the parent company	(17,953)	(11,205)	(68,663)
Total comprehensive loss for the period attributable to non-controlling interests	(7,167)	(2,014)	(16,376)
	(25,120)	(13,219)	(85,039)

Condensed Consolidated Balance Sheet
As at 30 September 2013

		Unaudited As at 30 September 2013	**Unaudited As at 30 September 2012**	**Audited As at 31 March 2013**
	Note	$'000	$'000	$'000
Assets				
Non-current assets				
Intangible assets		51,069	140,324	67,583
Property, plant and equipment		8,805	10,681	9,473
Finance asset investment		1,073	1,043	1,137
Loan receivable		12	81	42
Total non-current assets		60,959	152,129	78,235
Current assets				
Inventory		4	4	4
Trade and other receivables		822	4,158	994
Cash and cash equivalents		4,962	23,393	15,899

Total current assets		5,788	27,555	16,897
Total assets		**66,747**	**179,684**	**95,132**
Liabilities				
Non-current liabilities				
Long-term borrowings		(7,558)	-	(8,244)
Deferred tax liability		(269)	(15,121)	(1,110)
Total non-current liabilities		(7,827)	(15,121)	(9,354)
Current liabilities				
Short-term borrowings		(4,372)	(13,703)	(4,769)
Trade and other payables		(2,548)	(2,408)	(3,905)
Total current liabilities		(6,920)	(16,111)	(8,674)
Total liabilities		**(14,747)**	**(31,232)**	**(18,028)**
Net Assets		**52,000**	**148,452**	**77,104**
Equity				
Issued share capital	**7**	248,858	248,624	248,798
Share based payment reserve	**8**	1,064	1,064	1,064
Warrant reserve		7,438	7,186	7,484
Translation reserve		(8,542)	(590)	(7,378)
Retained earnings		(193,367)	(125,908)	(176,578)
Total equity attributable to the owners of the parent company		55,451	130,376	73,390
Non-controlling interests		(3,451)	18,076	3,714
Total Equity		**52,000**	**148,452**	**77,104**

Condensed Consolidated
Statement of Changes in Equity

	Share Capital $'000	**Share-based payment reserve $'000**	**Warrant reserve**	**Translation reserve $'000**	**Retained earnings $'000**	**Total**	**Non-controlling interests $'000**	**Total $'000**
Balances at 01 April 2012	**248,623**	**1,064**	**7,033**	**2,744**	**(118,037)**	**141,427**	**20,090**	**161,517**
Loss for 6 months to 30 September 2012	-	-	-	-	(7,871)	(7,871)	(2,014)	(9,885)
Other comprehensive income								

Exchange translation differences on foreign operations	-	-	-	(3,334)	-	(3,334)	-	(3,334)
Total comprehensive income for the period	-	-	-	(3,334)	(7,871)	(11,205)	(2,014)	(13,219)
Transactions with owners								
Share issues	1	-	-	-	-	1	-	1
Share based payment charge	-	-	153	-	-	153	-	153
Total transactions with owners	1	-	153	-	-	154	-	154
Balances at 30 September 2012	**248,624**	**1,064**	**7,186**	**(590)**	**(125,908)**	**130,376**	**18,076**	**148,452**
Loss for 6 months to 31 March 2013	-	-	-	-	(50,670)	(50,670)	(14,362)	(65,032)
Non-controlling interest on formation of subsidiary	-	-	-	-	-	-	-	-
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	(6,788)	-	(6,788)	-	(6,788)
Recycled exchange translation differences on discontinued operations	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(6,788)	(50,670)	(57,458)	(14,362)	(71,820)
Transactions with owners								
Share issues - cash received	16	-	-	-	-	16	-	16
Share issues - warrants								

exercised	158	-	-	-	-	158	-	158
Share based payment charge	-	-	298	-	-	298	-	298
Total transactions with owners	174	-	298	-	-	472	-	472
Balance at 31 March 2013	**248,798**	**1,064**	**7,484**	**(7,378)**	**(176,578)**	**73,390**	**3,714**	**77,104**
Loss for 6 months to 30 September 2013	-	-	-	-	(16,789)	(16,789)	(7,165)	(23,954)
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	(1,164)	-	(1,164)	-	(1,164)
Total comprehensive income for the period	-	-	-	(1,164)	(16,789)	(17,953)	(7,165)	(25,118)
Transactions with owners								
Share issues - cash received	14	-	-	-	-	14	-	14
Share issues - warrants exercised	46	-	-	-	-	46	-	46
Share based payment charge	-	-	(46)	-	-	(46)	-	(46)
Total transactions with owners	60	-	(46)	-	-	14	-	14
Balance at 30 September 2013	**248,858**	**1,064**	**7,438**	**(8,542)**	**(193,367)**	**55,451**	**(3,451)**	**52,000**

Condensed Consolidated Statement of Cash Flows
For the six months to 30 September 2013

	Unaudited 6 months to 30 September 2013 $'000	Unaudited 6 months to 30 September 2012 $'000	Audited year to 31 March 2013 $'000
OPERATING ACTIVITIES			
Loss for the period from continuing operations before taxation	(24,704)	(9,885)	(87,555)

Adjustments for:			
- Depreciation of property, plant and equipment	406	1,298	1,328
- Amortisation of intangible assets	1	22	29
- Loss on foreign exchange	433	45	2,031
- Share based payment charge	46	153	768
- Net interest (income)/expense	(49)	(381)	160
- Other gains and losses	68	-	(144)
- Impairment of plant and equipment	-	-	817
- Impairment of intangible assets	21,116	804	71,229
- Impairment of goodwill	-	-	
- Impairment of other receivables	-	-	790
Operating cash flow before movements in working capital	(2,683)	(7,944)	(10,547)
Working capital adjustments:			
- Decrease in receivables	172	198	3,362
- Decrease in payables	(1,752)	(2,846)	(2,037)
Cash used in operations	(4,263)	(10,592)	(9,222)
Finance cost	-	-	(686)
Interest received	49	381	526
Net cash used in continuing operating activity	(4,214)	(10,211)	(9,382)
Net cash used in operating activities	**(4,214)**	**(10,211)**	**(9,382)**
INVESTING ACTIVITIES			
Purchase of intangible assets	(6,193)	(3,808)	(11,370)
Purchase of property, plant and equipment	(1)	(425)	(665)
Proceeds from disposal of property, plant and equipment	48	-	94
Purchase of investment	64	(108)	(321)
Decrease in loans and other long term receivables	30	-	82
Net cash used in investing in continuing activities	(6,052)	(4,341)	(12,180)
Net cash used in investing in discontinued activities	-	-	-
Net cash used in investing activities	**(6,052)**	**(4,341)**	**(12,180)**
FINANCING ACTIVITIES			
Decrease in loans and other long term payables	(686)	-	-
Proceeds from issue of share capital	14	1	17
Net cash flow from financing activities	**(672)**	**1**	**17**
Net decrease in cash and cash equivalents	**(10,938)**	**(14,551)**	**(21,545)**
Cash and cash equivalents at start of the period	15,899	37,889	37,889
Effect of foreign exchange rate changes	1	55	(445)
Cash and cash equivalents at the end of the period	**4,962**	**23,393**	**15,899**

Notes to the Unaudited Interim Consolidated Financial Statements

1. General information

Sable Mining Africa Limited is incorporated in the British Virgin Islands under the British Virgin Islands Business Companies Act 2004. The address of the registered office is Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands. The Company was incorporated on 27 April 2007.

The Company is listed on the AIM Market of London Stock Exchange plc.

The unaudited interim consolidated financial statements for the six months ended 30 September 2013 were approved for issue by the board on 20 December 2013.

The figures for the six months ended 30 September 2013 and 30 September 2012 are unaudited and do not constitute full accounts. The comparative figures for the period ended 31 March 2013 are extracts from the annual report and do not constitute statutory accounts.

The interim consolidated financial statements have been prepared in US Dollars as this is the currency of the primary economic environment in which the Group operates.

2. Basis of preparation

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2013 have been applied in the preparation of these interim condensed consolidated financial statements. These are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the International Accounting Standards Board ("IASB"). References to "IFRS" hereafter should be construed as references to IFRSs as adopted by the EU

3. Accounting policies

The accounting policies and methods of calculation adopted are consistent with those of the financial statements for the year ended 31 March 2013.

4. Segment reporting

The directors consider that the Group's continuing activities comprise one business segment, exploration and other unallocated expenditure in one geographical segment, Africa.

	Exploration $'000	**Unallocated $'000**	**Total $'000**
Period ending 30 September 2013			
Revenue	-	-	-
Segment results			
- Operating loss	(24,984)	299	(24,685)
- Other gains	49	-	49
- Net finance income	(44)	(24)	(68)
Loss before tax from continuing activities	(24,979)	275	(24,704)
Income tax credit	748	-	748
Loss for the year from continuing activities	(24,231)	275	(23,956)

	Exploration	Unallocated	Total
	$'000	$'000	$'000
Period ending 30 September 2012			
Revenue	-	-	-
Segment results			
- Operating loss	(11,876)	1,919	(9,957)
- Other gains	27	354	381
- Net finance income	(68)	(241)	(309)
Loss before tax from continuing activities	(11,917)	2,032	(9,885)

The segment items included in the income statement for the period are as follows:

		Continuing	**Discontinued**	**Group**
	Exploration	**Unallocated**	**Bio-energy**	
	$'000	**$'000**	**$'000**	**$'000**
2013				
Depreciation	405	1	-	406
Amortisation	1	-	-	1
2012				
Depreciation	1,294	4	-	1,298
Amortisation	22	-	-	22

The segment assets and liabilities at 30 September and the capital expenditure for the period then ended are as follows:

		Continuing	**Discontinued**	**Group**
	Exploration	**Unallocated**	**Bio-energy**	
	$'000	**$'000**	**$'000**	**$'000**
2013				
Assets	61,537	5,182	28	66,747
Liabilities	(13,792)	(421)	(534)	(14,747)
Capital Expenditure - Intangible assets	6,193	-	-	6,193
2012				
Assets	156,764	22,890	30	179,684
Liabilities	(30,180)	(498)	(554)	(31,232)
Capital Expenditure - Property, plant and equipment	425	-	-	425
Capital Expenditure - Intangible assets	3,808	-	-	3,808

Segment assets comprise intangible assets, property, plant and equipment, trade and other receivables and cash and cash equivalents.
Segment liabilities comprise operating liabilities.
Capital expenditure comprises additions to intangible assets and to property, plant and equipment.

5. Impairment of intangible assets

During the period capitalised costs relating to the following intangible exploration assets were impaired;

	Unaudited 6 months to 30 September 2013	Unaudited 6 months to 30 September 2012	Audited year to 31 March 2013
	$'000	$'000	$'000
Liberation Mining (Pvt) Limited (Lubimbi)	5,367	-	5,331
Delta Mining Consolidated Limited (Rietkuil)	15,749	-	54,250
	21,116	-	59,581

These two coal assets, which are at the tail-end of the Company's development pipeline have been written down as a result of further weakness in both domestic and international coal markets. Liberation is now written down to $Nil and DMC is now written down to $10m.

6. Loss per share

The calculation of basic and diluted loss per share is based on the following data:

	Unaudited 6 months to 30 September 2013	Unaudited 6 months to 30 September 2012	Audited year to 31 March 2013
	$'000	$'000	$'000
Loss			
Loss for the purpose of basic loss per share (loss for the period attributable to owners of the parent company)	(16,789)	(7,871)	(58,541)
Loss for the purpose of basic loss per share on continuing activities (result for the period on continuing activities attributable to owners of the parent company)	(16,789)	(7,871)	(58,699)
Loss for the purpose of basic loss per share on discontinued activities (result for the period on discontinued activities attributable to owners of the parent company)	-	-	158
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	928,250,940	927,531,967	928,177,584
Basic and diluted loss per share	(1.8 cents)	(0.8 cents)	(6.3 cents)

Basic and diluted loss per share on continuing activities	(1.8 cents)	(0.8 cents)	(6.3 cents)
Basic and diluted gain per share on discontinued activities	-	-	-

No dilution arises as a result of the total loss and the loss on continuing activities for the period (2012: nil).

7. Share capital

	Ordinary shares of no par value Allotted and fully paid	
	Number	**$'000**
At 30 September 2011 and 31 March 2012	927,473,474	248,623
Issue of shares on exercise of warrants	50,000	1
At 30 September 2012	927,523,474	248,624
Issue of shares on exercise of warrants	500,000	174
At 31 March 2013	928,023,474	248,798
Issue of shares on exercise of warrants	450,000	60
At 30 September 2013	928,473,474	248,858

On 29 May 2012, 50,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £1,000 cash was received for these shares.

On 5 October 2012, 50,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £1,000 cash was received for these shares.

On 16 October 2012, 100,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £2,000 cash was received for these shares.

On 7 January 2013, 150,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £3,000 cash was received for these shares.

On 8 February 2013, 200,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £4,000 cash was received for these shares.

On 3 June 2013, 450,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £9,000 cash was received for these shares.
The Company has one class of ordinary share which carries no right to fixed income.

Share Options

At 30 September 2013, the following options over ordinary shares of the Company had been granted and not yet exercised:

Date of Grant	Number of shares	Exercise price	Exercise period

31 July 2008	4,000,000	30p	31 July 2008 to 30 July 2013
01 December 2008	4,000,000	12.5p	01 December 2008 to 30 November 2013
17 March 2010	1,000,000	28p	17 March 2011 to 16 March 2016
01 September 2010	2,000,000	20p	01 September 2011 to 31 August 2016
01 October 2010	600,000	20p	01 October 2011to 30 September 2016
01 October 2010	500,000	20p	01 October 2012 to 30 September 2017

Warrants

At 30 September 2013, the following warrants are in issue and have vested:

Date of grant	Number of shares	Exercise price	Exercise period
12 January 2010	4,000,000	10p	Until 12 January 2015
12 January 2010	4,000,000	20p	Until 12 January 2015
16 February 2010	500,000	12p	Until 2 February 2015
16 February 2010	500,000	22p	Until 2 February 2015
11 May 2011	15,000,000	2p	Until 10 December 2015
5 September 2012	2,000,000	2p	Until 10 December 2015
1 March 2012	5,000,000	2p	Until 10 December 2015
30 September 2012	450,000	2p	Until 10 December 2015
30 November 2012	4,000,000	2p	Until 10 December 2015

8. Share based payment

Equity-settled share option plan

The Group unapproved share option scheme was established to provide equity incentives to the directors of, employees of and consultants to the Company. The scheme is administered by the Board. Awards to directors are recommended by the Remuneration Committee. The options are exercisable during a period (being not less than one year), such period to commence on a date determined by the Board, but not longer than five years from the date that they first become exercisable. Options are forfeited if the employee leaves the Group before the options vest.

At 30 September 2013, the following options over ordinary shares of the Company had been granted and not yet exercised:

Date of grant	Number of options	Weighted average Exercise price
Outstanding at 1 April 2012	12,100,000	21.5p
Granted during the period	-	-
Lapsed during the period	-	-
Outstanding at 30 September 2012	12,100,000	21.5p
Granted during the period	-	-
Lapsed during the period	-	-
Outstanding at 1 April 2013	12,100,000	21.5p
Granted during the period	-	-
Lapsed during the period	-	-
Outstanding at 30 September 2013	12,100,000	21.5p
Exercisable at 30 September 2012	12,100,000	21.5p
Exercisable at 31 March 2013	12,100,000	21.5p

Exercisable at 30 September 2013	12,100,000	21.5p

At 30 September 2013, the weighted average remaining contractual life of the options outstanding was 1.04 years (2012: 1.96 years)

Equity settled warrants
At 30 September 2013, the following warrants have been issued and remain unexercised:

Date of grant	**Number of options**	**Weighted average Exercise price**
Outstanding at 1 April 2012	31,500,000	5.8p
Granted during the period	500,000	2p
Exercised during the period	(50,000)	2p
Outstanding at 30 September 2012	31,950,000	5.7p
Granted during the period	4,000,000	2p
Exercised during the period	(500,000)	2p
Outstanding at 1 April 2013	35,450,000	5.4p
Granted during the period	-	-
Exercised during the period	(450,000)	2p
Outstanding at 30 September 2013	35,000,000	5.4p
Exercisable at 30 September 2012	31,950,000	5.7p
Exercisable at 31 March 2013	35,450,000	5.4p
Exercisable at 30 September 2013	35,000,000	5.4p

Warrants not issued
Ely Place Nominees Limited holds an additional 2,000,000 warrants to be distributed among the employees of, directors of and consultants to the Company as instructed by the Board.

In addition, Monford Holdings Limited holds an additional 25,000,000 warrants to be distributed among the employees of, directors of and consultants to the Company as instructed by the Board and Letsun Limited holds an additional 5,000,000 warrants to be distributed among the employees of, directors of and consultants to the Company as instructed by the Board.

At 30 September 2013, the weighted average remaining contractual life of the warrants outstanding was 1.54 years (2012: 2.52 years).

The fair value of the options and warrants was determined using the Black-Scholes option pricing model using the following assumptions:

	2013	2012
Share price at the date of grant - options issued	-	-
Share price at the date of grant - warrants issued	8.25p	2p
Risk free interest rate	0.34%	2.14%
Annual dividend yield	Nil	Nil
Expected volatility	67.6%	53%
Expected period until exercise after vesting	2.5 years	4.6 years
Fair value at the date of grant - options	-	-
Fair value at the date of grant - warrants	6.139p	18.7p

Risk free interest rate is based on the 5 year gilt rate at the date of grant. Annual dividend yield is based on management's immediate intention to re-invest operating cash flows. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year. The expected period until exercise is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

END

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