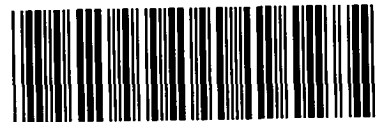


East West Resources plc

Company number 03172986

Report and Financial Statements
Year Ended 31 December 2013

WEDNESDAY



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COMPANIES HOUSE

East West Resources plc
Report and financial statements
for the year ended 31 December 2013

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East West Resources plc

Officers and advisers

Directors

Charles Crick (*Non-executive Chairman*)
John Coles (*Finance Director*)
Nicolas Rouveyre (*Non-executive Director*)
Kevin Lyon (*Non-executive Director*)
Ed Marlow (*Non-executive Director*)

Registered Office

Old Change House, 128 Queen Victoria Street, London, EC4V 4BJ

Company Secretary

Cargil Management Services Limited, 27/28 Eastcastle Street, London, W1W 8DH

Company Registration Number

3172986

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Registrars

Capita Asset Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Nominated Adviser

Cenkos Securities plc, 6-7-8 Tokenhouse Yard, London, EC2R 7AS

East West Resources plc

Chairman's statement

Introduction

2013 was an excellent year for the Group. Following on from our figures for the half year, I am pleased to report that the Group sustained its performance through to the year ended 31 December 2013.

The result is attributable to the success of the Group's metal trading business over the period, justifying our decision last year to focus on that division. That business over the period exceeded our expectations but its performance needs to be put in the context of relatively favourable trading conditions over the year which cannot be guaranteed for future years.

Since the year end, the metals division has opened an office in Taiwan and we look forward to that making a positive contribution to the Company in the future.

Other significant features occurring since the year end include the surrender of our head office lease at Old Change House in the City of London, the open offer by our major shareholder Consolidated General Minerals plc ("CGM") and changes to the Board. I refer to all of these matters below.

Results

For the year ended 31 December 2013, Ambrian Metals Limited ("AML"), our metal trading business had a record year. AML net revenues for the year rose to \$13.68 million, more than double those of the previous year (\$6.68 million) and the company recorded an operating profit before intra Group charges and tax of \$7.95 million for the year (2012: \$1.57 million).

The Group recorded an overall pre-tax profit of \$4.15 million, compared with a pre-tax loss for the year ended 31 December 2012 of \$1.82 million (from continuing operations). The Group's post tax profit of \$3.92 million for the year ended 31 December 2013 compares with an after tax loss from continuing operations for the previous year of \$1.97 million.

This is a significant turnaround for the Group but, as mentioned in my introduction, the results do need to be put into context. Trading conditions were relatively favourable and gave rise to a significant increase in tonnages of copper shipped by AML in the year and higher premiums. A large part of the tonnage increase resulted from spot market transactions. These transactions are in their nature unpredictable and opportunistic and there is no assurance that they can be replicated year on year. Trading activity generally is also significantly dependent upon global demand – particularly from the Far East and the Middle East; so, the result for the year ended 31 December 2013 should not be treated as a necessary indicator of future performance. More detail on the results is contained in the Strategic report which follows this statement.

Consolidated General Minerals plc

Over the year ended 31 December 2013, CGM continued to make progress with the construction of its cement mill in Mozambique. As reported to its shareholders, construction was delayed in 2013 but towards the end of the year momentum picked up and most of the civil works were complete by the end of the year. We understand that, subject to unforeseen delays, commissioning of the cement mill is now anticipated for September 2014.

In January 2014, we participated in the open offer of CGM to its shareholders and increased our stake in the company from 11.36 per cent to 11.95 per cent. The open offer was made at a price of 17 pence (US 28 cents) per share which compares with the 26 pence (US 43 cents) share price at which the Group's initial stake in the company was purchased. As a result of this, we are required to revalue our total investment in CGM at the open offer price. This gives rise to a write down in our investment of \$0.88 million which is included in the Group's results for the year. This is a technical accounting matter as a result of the application of a Tier 1 valuation basis according to IFRS and does not reflect the Board's opinion of the value of CGM and our investment which we consider to be substantially in excess of 17 pence per share.

East West Resources plc

Chairman's statement (*Continued*)

The Board considers that the Group's investment in CGM is a major strategic investment for the Group and that its relationship with CGM is of importance for the future development of the Group.

Premises

Most recently, the Company has entered into an agreement to surrender the lease on its head office premises at Old Change House which is due to expire in June 2015. We are expecting to vacate the premises before the end of June 2014. Concurrently, the Group has entered into a new lease on other premises in the City of London. The new premises will result in an economy of costs on an ongoing basis, although in the current year the savings are likely to be largely off-set by the cost of the move.

Board changes

Since the year end we have appointed two additional Non-executive Directors to the Board, Kevin Lyon and Ed Marlow.

Kevin is a chartered accountant, with over 30 years of experience in private equity and senior directorate positions within a number of companies. He spent approximately 17 years with the 3i Group, responsible for their core private equity business across the UK. He is currently Chairman of Mono Global Group, Cutis Developments and NextEnergy Solar Fund Limited and also serves as an independent director of DCK Group. He is also a member of the Institute for Turnaround Professionals and won the Institute of Directors Scotland, Non-executive Director of the Year Award in March 2013.

Ed was, until July 2011, a Managing Director at Credit Suisse and was previously Global Head of Coverage for Principal Investments at HSBC. He has over 10 years of specific investment and advisory experience in sub-Saharan Africa with a particular emphasis on natural resources. He also has considerable experience of the UK and Canadian resource markets and is currently Non-executive Director of Sanatana Resources Inc (TSX) and a Non-executive Director of Thor Explorations Ltd (TSX). He is also Chief Executive Officer of African Potash Limited, an AIM traded company.

Kevin and Ed are already making a valuable contribution to the Group in helping to develop its long term future.

At the same time as Kevin and Ed joined the Board, Rob Ashley retired as a Non-executive Director. The Board is grateful to Rob for his contribution to the Group.

Personnel

We thank all our staff for their considerable loyalty, commitment and efforts during the year in contributing to the successful result of the Group for the 2013 financial year.

Outlook

AML has made a good start to the current financial year with trading conditions continuing to be favourable and its performance over the first four months of the current year is in line with that for the previous year. The company's focus remains on the trading of copper but it is expanding its footprint into other metals (particularly zinc and aluminium) and the intention is to continue this expansion.

Whilst the Group's current asset base is sufficient for its present purposes and offers some scope for expansion, the Board's view is that in order to achieve a step change in the future growth and development of the Group it needs to increase its asset base and diversify its revenue streams. The Board continues to look at ways of achieving this.



Charles Crick
Chairman

East West Resources plc

Strategic report

The Directors of the Company and its subsidiary undertakings (which together comprise the "Group") present their Strategic report for the year ended 31 December 2013.

Overview of the Group

The Group's focus is to continue to grow the sourcing and marketing of physical metals. We will do this by nurturing existing client relationships, seeking out new opportunities in other metals, risk management of the business expansion and retention of key staff within the business. We also continue to seek ways of increasing the Group's asset base and to diversify its revenue streams.

With the shift in focus of the Group, we also have elected to change the reporting currency of the financial statements. It was felt that with the functional currency of the Group is now predominantly US Dollars based, a fairer representation of the business performance would be to present the financial statements in US Dollars as opposed to our prior year presentation of Pounds Sterling.

Business review and future prospects

The Group had a successful year from both a financial and operational perspective. Operationally we began to feel the positive effects of the downsizing of non-core business units from the previous year. This further allowed the core business unit (the metals trading business) to enhance its importance to not only the Group, but also external stakeholders. We are now a more streamlined Group, aided by our financial success during 2013. We saw increased support from our long standing financing relationships as well as the introduction of new facilities. We continued to see growth on a tonnage basis of the sales made by AML. This growth was supported by an increase in our long term relationships with clients and an increase in spot business.

In the first few months of 2013 the copper price was relatively stable compared to 2012. However this stability was short-lived as copper prices began to decline in the middle part of the year. The price per tonne between the start of the year and the end of June 2013 saw a high of \$8,242 and a low of \$6,870 (2012: \$8,765 high: \$7,220 low).

In the second half of the year, there were a few key factors that kept the copper price subdued. First, there was a lot of uncertainty regarding the global economic recovery, especially for the world's largest consumers of copper – China and the U.S.A. The second factor that contributed to this was copper's elevated stockpiles. This was largely driven by China and its restocking of copper inventory.

AML continued to build its reputation globally and thus, in spite of the softening commodity prices, it saw an increase in both the long term customer sales and spot business. In 2013, AML supplied 30 per cent more total refined copper than in 2012.

Demand in the Middle East saw a turn of fortune from 2012 where the anticipated demand never arrived. Given the decrease in geopolitical tensions during 2013, demand for both refined copper and semi-finished product in the region increased. The increase of sales in this region was once again an indication of AML's ability to continue to develop its existing client base, with expansion in current contracts, as well as new clientele emerging within the sales portfolio.

During the second half of 2013, efforts to increase AML's footprint generically were implemented successfully and AML intends further to expand and diversify its activities in the zinc, lead and tin business sectors during 2014.

Performance management and business development

Our key performance indicators include, but are not limited to, both financial metrics and operational metrics. Indicators of the financial metrics are profit before tax, revenue by segment, own cash, tangible net asset value and tangible net asset value per share. This is discussed in greater detail below under the Financial performance of the Group.

East West Resources plc

Strategic report (*Continued*)

The operational metrics that further demonstrate the positive year within the trading business have been the increase in tonnage bought and sold; the continued support of our financing banks and the increase in their facilities and the retention and addition of clients to the books of AML. AML continues to maintain its strict controls around cashflow management and client health. These controls were evidenced by another year with no bad debts in the books of AML. Further, as a Group we continue to strive for a sustainable approach to our operations.

Financial performance of the Group

The Group recorded a profit after tax of \$3.92 million (2012: \$7.10 million loss).

Total income from continuing operations was \$12.43 million for the year ended 31 December 2013 compared with \$6.45 million for the year ended 31 December 2012, an increase of more than 100 per cent resulting from higher revenues in our metals trading business.

Operating costs from continuing operations of \$8.29 million were in line with operating costs for the same period last year of \$8.27 million.

The Group reported a profit attributable to shareholders from continuing operations before tax of \$4.15 million, a significant improvement on the loss of \$1.82 million for the same period last year. As is clear from the above, the significant improvement in results was due to higher revenues from our metals trading business.

There were no discontinued activities during 2013. The losses from discontinued activities in the previous year resulted from the disposal of Ambrian Energy GmbH, our fossil fuels business.

Overall, the Group reported a post-tax profit of \$3.92 million for the year compared to a loss for the year ended 31 December 2012 including discontinued activities, of \$7.10 million.

Ambrian Metals Limited

Net revenue from AML, our physical metals trading business, was \$13.68 million for the year ended 31 December 2013 (2012: \$6.68 million), a doubling of revenues over the year. This was due to a greater volume of business both in long term contracts and spot contracts and a higher level of premiums. This had a significant impact on profits for this activity with pre-tax profits of \$7.95 million (before intra Group interest and management charges) (2012: \$1.57 million). Net assets of AML at 31 December 2013 were \$26.50 million (2012: \$17.23 million).

AML continued to benefit from the strong support of its bankers.

In the first half of the year, AML repaid the subordinated loan of \$3.00 million which it had received from the Company's major shareholder, Consolidated General Minerals plc ("CGM").

Principal Investments

In the 12 months ended 31 December 2013, our investment portfolio recorded a pre-tax loss of \$1.53 million compared with a pre-tax loss in 2012 of \$0.89 million. Included in the current loss of \$1.53 million is a write down of \$0.88 million on our investment stake in CGM, referred to above in the Chairman's statement.

Following the Board's decision last year to substantially reduce the Group's exposure to junior resource stocks, the total value of the Group's investment portfolio, including all net assets, held by Ambrian Principal Investments Limited ("APIL") at 31 December 2013 was \$0.44 million (2012: \$1.63 million). The investment portfolio itself was valued at \$0.22 million at 31 December 2013 (2012: \$0.75 million).

At 31 December 2013, APIL had five holdings with the largest being Cominco Resources (\$0.19 million). Two of the holdings are unquoted.

East West Resources plc

Strategic report (*Continued*)

The Company continues to hold an interest in CGM (which in turn holds a near 30 per cent interest in the Company). As at 31 December 2013, the interest was 11.36 per cent. CGM is managed and part-owned by employees of Ambrian Resources AG ("ARAG") which was established in February 2010 in partnership with a team of three former executives of Glencore International AG, one of whom, Nicolas Rouveyre, is now a Director of the Company. ARAG employees are charged to CGM. CGM continues to focus on developing its clinker grinding mill and cement packaging plant in Beira, Mozambique.

Commissioning of the cement mill is anticipated for September 2014. The Board considers its interest in CGM a core holding for the future development of the Group and the Company's investment in CGM has been valued at \$1.71 million as a result of the application of a Tier 1 valuation basis according to IFRS.

It is to be emphasized that there is a high degree of subjectivity (and therefore uncertainty) involved in the valuation of unquoted investments. This applies to all of the Group's unquoted investments.

Expenses

Administrative expenses attributable to the Group's continuing operations for the year ended 31 December 2013 were \$8.29 million (2012: \$8.27 million), which included provisions for year-end profit related bonuses. Like for like expenses were broadly in line with those for last year but the expenses for 2012 included professional fees related to the disposal of certain activities and a number of one off costs.

Remuneration expenses attributable to continuing operations were \$4.95 million for the 12 months ended 31 December 2013 (2012: \$5.45 million). Total headcount in our continuing operations at 31 December 2013 was 34 (31 December 2012: 32).

Balance Sheet

Total net assets of the Group at 31 December 2013 were \$28.97 million, up by 17.2 per cent from 31 December 2012. This increase was principally driven by the significantly improved results from AML and no losses arising from discontinued activities.

The Group's own cash resources totalled \$22.07 million at 31 December 2013 (2012: \$28.22 million). The cash resources at 31 December 2012 included a \$3.00 million loan from CGM to AML which was repaid during the course of 2013.

Net tangible asset value per share at 31 December 2013 was 28.79 cents (2012: 24.57 cents). Net tangible asset value is based on 100,602,104 ordinary shares outstanding at 31 December 2013 (excluding Treasury shares and shares held by the Ambrian Capital Employee Benefit Trust) (2012: 100,602,104 shares).

Risk Management and Financial Risk

The Group attaches great importance to effective risk management. The principal business unit (being Ambrian Metals Limited) operates through its own management committee which meets fortnightly and is also attended by the Group's senior management. The Group's principal exposures are monitored daily and reviewed by the Group's senior management. The Group also operates a Risk Committee which is responsible for recommending risk strategy to the Board and the Group's risk management framework.

The key business risks to which the Group is exposed are as follows:

Competition

The Group operates in a competitive environment with a limited customer base and is therefore vulnerable to losing business to third parties able and willing to offer more competitive terms. We aim to mitigate this risk by maintaining close relationships with our customers, seeking to expand our customer base and providing differentiating services.

East West Resources plc

Strategic report (*Continued*)

Premium risk

The prime determinant of the profitability of the metals business is the premium margin made on the sale of the metal, which in turn is a function of supply and demand and availability for delivery. Premiums also vary on a regional basis. A significant reduction in the premium margin or a material change in market dynamics would be likely to have a materially adverse effect on the Group. We manage this risk through diversification of our clients and suppliers on a geographical and political basis.

Commodity concentration and disintermediation

The Group's principal business is focused on commodities which is a cyclical sector, while acting as an intermediary. Any material change in demand for relevant commodities could have an adverse impact on the Group's performance. This is mitigated by the business keeping the majority business focussed on long term contracts with clients.

Loss of key staff

Retaining key staff, including, in particular, significant current and future revenue generators, is essential to the long-term health and growth of the business. The Group's policies on remuneration are devised to engender loyalty and promote performance by such staff. These policies include payment of bonuses and share option awards where appropriate. Succession management is also of importance to preserve key customer relationships. The Group seeks to ensure that these relationships will be maintained notwithstanding the loss of key personnel.

Operational risk

The value of some of the Group's trades particularly in its physical businesses is significant. The Group is accordingly exposed to the risk of material loss through operational errors in conducting those trades. We manage this risk by a combination of well established procedures, an experienced and well-trained operations team, and sophisticated trade capture systems which are designed to minimise the risk of loss through such errors.

Information technology risk

All of our businesses depend upon robust, effective and efficient IT support. We have in place appropriate back up procedures to safeguard the loss of information and records arising from IT failure. We also seek to ensure that our own material data and service providers have appropriate back up and disaster recovery procedures in place to overcome or mitigate any damage to us resulting from their failure.

Legal risk

Legal risk is inherent in most transactions affecting our businesses. This is managed by the use of external legal advisers where appropriate and the adoption of industry standard documentation.



John M Coles
Finance Director

East West Resources plc
Report of the Directors
for the year ended 31 December 2013

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2013.

Principal activities

The Group has two main operating businesses. The business of the sourcing and marketing of physical metals is conducted through Ambrian Metals Limited, a company incorporated in Switzerland and managed from the UK. The other operating business is the principal investments business, conducted through Ambrian Principal Investments Limited.

In comparative periods, the Group has treated the following businesses as discontinued operations:

- Ambrian Energy GmbH, incorporated in and managed in Germany, a provider of biofuels predominantly into European markets. The Group disposed of its interest in Ambrian Energy GmbH with effect from 31 December 2012.
- Ambrian Asset Management Limited regulated by the Financial Services Authority, a provider of asset management services. The Group disposed of its interest in Ambrian Asset Management Limited during 2012.

Business and review of future prospects

A full review of the activity of the business, key performance indicators and future prospects is contained in the Chairman's statement and the Strategic report pages 4 to 9 which accompany these financial statements.

Dividends

The Board is not recommending the payment of a dividend (2012: nil).

Directors' indemnity arrangements

The Group has purchased and maintained throughout the year qualifying indemnity provisions through Directors' and Officers' liability insurance.

Substantial shareholders

The Directors are aware of the following that have interests of 3% or more in the Company's shares as at 28 April 2014:

| | <i>Number</i> | <i>Percentage</i> |
|--|---------------|-------------------|
| Consolidated General Minerals plc | 31,941,354 | 28.68% |
| Charles Davies | 13,461,599 | 12.09% |
| Kestrel Opportunities | 11,233,396 | 10.09% |
| Ambrian Capital plc Employee Benefit Trust | 6,259,046 | 5.62% |
| Fidelity Investments | 4,491,423 | 4.03% |
| Church House Investments Limited | 3,765,000 | 3.38% |

Acquisition of own shares

At the Annual General Meeting of the Company held on 25 June 2013 the Company was given authority to grant rights to subscribe for shares in the Company up to an aggregate nominal amount of £1.1 million. The authority will expire on the earlier of the conclusion of the Annual General Meeting of the Company in 2014 and 24 September 2014.

The Company did not purchase any of its own ordinary 10p shares during the year (2012: nil). The number of shares held in treasury at the year-end remained unchanged at 4,500,058 shares. At 31 December

East West Resources plc

Report of the Directors

for the year ended 31 December 2013 *(Continued)*

2013 the Company had 111,361,208 shares in issue (2012: 111,361,208). Therefore, at 31 December 2013, the total number of shares held in treasury represented 4.04 per cent of the issued share capital (2012: 4.04 per cent). Shares held in treasury may in the future contribute to staff share schemes.

Employee Benefit Trust

The Group has an Employee Benefit Trust ("EBT") for the benefit of its employees. At 31 December 2013, the EBT held 6,259,046 ordinary 10p shares in the Company (2012: 6,259,046 shares). Details of the share options granted to staff by the EBT are set out in note 18.

Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls and procedures and for reviewing the effectiveness of these and ensuring that management of its subsidiaries review the internal controls and procedures operating in the subsidiaries. Such controls and procedures are designed to safeguard the Company's and the Group's assets and ensure reliability of reporting information, financial and otherwise, for both internal use and external publication. Whilst conscious that no system can provide absolute assurance against material misstatement, fraud, or loss, the Directors are satisfied that having regard to the Group's size and stage of development, the system of controls currently in place is adequate and effective.

Directors and their interests

The present membership of the Board, together with details of the Directors who served during the year and their interests in the share capital of the Company are set out below.

| | Ordinary shares | | Share options | |
|--------------|--|--|--|--|
| | At 31 December 2013 or on resignation if earlier | At 1 January 2013 or on appointment if later | At 31 December 2013 or on resignation if earlier | At 1 January 2013 or on appointment if later |
| J M Coles | 200,000 | 200,000 | 1,374,444 | 1,374,444 |
| C A Crick | 400,000 | 400,000 | 225,000 | 225,000 |
| N F Rouveyre | — | — | — | — |
| K J Lyon | — | — | — | — |
| E H Marlow | — | — | — | — |

Mr R N Ashley retired from the board on 19 February 2014.

Mr K J Lyon and Mr E H Marlow were appointed to the board on 19 February 2014.

Mr N F Rouveyre has an interest in Consolidated General Minerals plc, a substantial shareholder of the Company.

Further details in respect of the share options are disclosed in note 18.

Political Donations

No political donations were made by the Group during 2013 (2012: \$nil).

Disclosure of information to auditors

In so far as the Directors are aware, at the time this report was approved:

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

East West Resources plc
Report of the Directors
for the year ended 31 December 2013 (*Continued*)

Post balance sheet events

On 29 April 2014, East West Resources plc entered into an agreement for the surrender of the lease of its office premises which is due to expire in June 2015. It will vacate its premises before 30 June 2014.

On the same date, Ambrian Metals Limited entered into a ten year lease (with a break clause after 5 years) for office premises in the City of London.

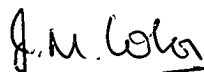
Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board, 7 May 2014.



John M Coles
Finance Director

East West Resources plc

Corporate Governance

Corporate Governance

The Directors give due regard to the principles set out in The UK Corporate Governance Code published in September 2012 by the Financial Reporting Council. They do not need to comply with the Code. However they have chosen to adopt those principles that are appropriate given the size and nature of activities of the Group.

The Board meets at least six times a year and at such other times when necessary in order to determine the strategy and policy of the Group, its trading performance, the risks to which the Group is exposed and any other matters of significance affecting the Group. The Board has a schedule of matters specifically reserved to it for decision.

The Remuneration Committee comprises all the Non-executive Directors of the Company and is chaired by Mr C A Crick. The Committee determines salary levels, discretionary bonuses and the terms and conditions of service of the executive Directors together with their share option awards. It also reviews the remuneration recommendations (including the overall level of bonuses and individual share option awards) relating to other staff. The Remuneration Committee is also responsible for exercising discretions in relation to the Group's share option scheme and for the development of the Group's strategy in relation to the use of equity related remuneration for the benefit of the Group's employees.

The Audit Committee comprises all the Non-executive Directors of the Company and is chaired by Mr K J Lyon. Mr J M Coles, although not a member of the Committee, regularly attends the meetings. The Committee meets at least twice a year and is responsible for monitoring the effectiveness of the internal control environment, reviews external financial reporting and monitors the framework for compliance with relevant laws and regulations. The Committee reports to the Board on the Group's full and half year results having considered the Group's accounting policies and relevant accounting principles applicable to the Group. The Committee also monitors the relationship between the Group and its auditors.

The Risk Committee comprises Mr N F Rouveyre (Chairman) and Mr E H Marlow. The Committee is responsible for recommending to the Board the Group's strategy in respect of the key risks to which the Group is exposed and the Group's appetite for those risks. The Committee is also responsible for approving the controls around those risks and monitors and reviews those controls.

Table of meetings and attendees

| | <i>Board Meetings</i> | <i>Audit Committee</i> | <i>Risk Committee</i> |
|--------------------------------|-----------------------|------------------------|-----------------------|
| Number of meetings held | 13 | 3 | 2 |
| J M Coles | 12(13) | — | — |
| C A Crick | 12(13) | 3(3) | 2(2) |
| R N Ashley | 13(13) | 3(3) | 2(2) |
| N F Rouveyre | 12(13) | 2(2) | 2(2) |

In the above table the numbers in brackets indicate the number of meetings which the Director concerned was eligible to attend.

There were no Remuneration Committee meetings during the year because all remuneration issues were dealt with by the Board. The Nomination Committee did not meet during the year as all issues were dealt with by the Board.

East West Resources plc

Statement of Directors' Responsibilities

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards for the Company and IFRS as adopted by the European Union for the Group have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

East West Resources plc

Independent Auditor's Report

Independent Auditor's Report to the Members of East West Resources plc

We have audited the financial statements of East West Resources plc for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position and company balance sheet, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

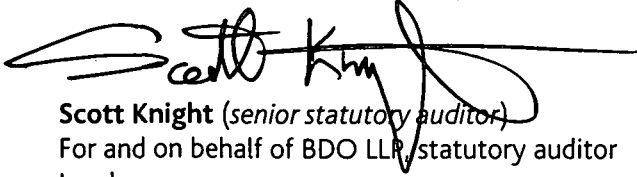
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

East West Resources plc

Independent Auditor's Report (*Continued*)

-
- the parent Company financial statements are not in agreement with the accounting records and returns; or
 - certain disclosures of directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit.



Scott Knight (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
London

7 May 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

East West Resources plc
Consolidated statement of comprehensive income
for the year ended 31 December 2013

| | | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
|--|------|---|---|
| | Note | | |
| Turnover | 3 | 2,565,693,966 | 1,798,378,863 |
| Cost of sales | 3 | (2,551,784,668) | (1,791,167,713) |
| Net revenue | 3 | 13,909,298 | 7,211,150 |
| Investment portfolio losses | | (1,476,342) | (759,413) |
| Total income | 3 | 12,432,956 | 6,451,737 |
| Administrative expenses | | (8,284,565) | (8,270,294) |
| Profit/(loss) before tax from continuing operations | 4 | 4,148,391 | (1,818,557) |
| Taxation | 6 | (228,226) | (147,858) |
| Profit/(loss) after tax from continuing operations | | 3,920,165 | (1,966,415) |
| (Loss) on discontinued operations net of tax | 28 | — | (5,129,574) |
| Profit/(loss) after tax from continuing and discontinued operations | | 3,920,165 | (7,095,989) |
| Other comprehensive income | | | |
| Exchange profit arising from translation of foreign operations | | 284,843 | 1,092,610 |
| Total other comprehensive profit | | 284,843 | 1,092,610 |
| Total comprehensive profit/(loss) | | 4,205,008 | (6,003,379) |
| Profit/(loss) for the period attributable to: | | | |
| Owners of the parent | | 3,915,109 | (7,089,984) |
| Non-controlling interest | | 5,056 | (6,005) |
| | | 3,920,165 | (7,095,989) |
| Total comprehensive profit/(loss) attributable to: | | | |
| Owners of the parent | | 4,199,952 | (5,997,374) |
| Non-controlling interest | | 5,056 | (6,005) |
| | | 4,205,008 | (6,003,379) |
| Basic earnings per share in USD cents: | | | |
| Earnings per share from continuing and discontinued operations | 7 | 3.89 | (7.09) |
| Continuing operations | 7 | 3.89 | (1.97) |
| Diluted earnings per share | 7 | 3.86 | (1.97) |

The accounting policies and notes set out on pages 21 to 50 form an integral part of these consolidated financial statements.

East West Resources plc
Consolidated statement of changes in equity
for the year ended 31 December 2013

| | Share capital US \$ | Share premium account US \$ | Treasury shares US \$ | Retained earnings US \$ | Share based payments reserve US \$ | Employee benefit trust US \$ | Exchange reserve US \$ | Total equity attributable to the owner of the parent US \$ | Non-controlling interest US \$ | Total equity US \$ |
|---|------------------------|--------------------------------|--------------------------|----------------------------|---------------------------------------|---------------------------------|---------------------------|---|-----------------------------------|-----------------------|
| Balance at 31 December 2011 (Restated) | 17,665,294 | 18,043,816 | (1,986,574) | 3,444,902 | 7,504,944 | (11,009,670) | (2,912,480) | 30,750,232 | (65,504) | 30,684,728 |
| Comprehensive income | | | | | | | | | | |
| (Loss) for the year | — | — | — | (7,089,984) | — | — | — | (7,089,984) | (6,005) | (7,095,989) |
| Recycled on disposal | — | — | — | (305,543) | — | — | 305,543 | — | — | — |
| Transfer between reserves | — | — | — | — | 477,603 | (477,603) | — | — | 32 | 32 |
| Foreign currency adjustments | — | — | — | 19,995 | (8,384) | 40,829 | 1,040,170 | 1,092,610 | — | 1,092,610 |
| Total comprehensive income/(loss) for the year | — | — | — | (7,375,532) | 469,219 | (436,774) | 1,345,713 | (5,997,374) | (5,973) | (6,003,347) |
| Transactions with owners | | | | | | | | | | |
| Share-based payment charge | — | — | — | — | 39,444 | — | — | 39,444 | — | 39,444 |
| Transactions with owners | — | — | — | — | 39,444 | — | — | 39,444 | — | 39,444 |
| Balance at 31 December 2012 | 17,665,294 | 18,043,816 | (1,986,574) | (3,930,630) | 8,013,607 | (11,446,444) | (1,566,767) | 24,792,302 | (71,477) | 24,720,825 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | — | — | — | 3,915,109 | — | — | — | 3,915,109 | 5,056 | 3,920,165 |
| Foreign currency adjustments | — | — | — | — | — | — | 284,843 | 284,843 | — | 284,843 |
| Total comprehensive income for the year | — | — | — | 3,915,109 | — | — | 284,843 | 4,199,952 | 5,056 | 4,205,008 |
| Transactions with owners | | | | | | | | | | |
| Share-based payment charge | — | — | — | — | 38,803 | — | — | 38,803 | — | 38,803 |
| Transactions with owners | — | — | — | — | 38,803 | — | — | 38,803 | — | 38,803 |
| Balance at 31 December 2013 | 17,665,294 | 18,043,816 | (1,986,574) | (15,521) | 8,052,410 | (11,446,444) | (1,281,924) | 29,031,057 | (66,421) | 28,964,636 |


The other comprehensive income / (expense) items may be recycled through the Statement of Comprehensive Income if certain events and circumstances arise in future periods.

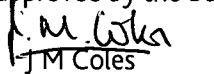
East West Resources plc
Consolidated statement of financial position
at 31 December 2013

Company number 03172986

| | | As at 31 December 2013 US \$ | As at 31 December 2012 US \$ | As at 31 December 2011 US \$ |
|---|------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Note | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 8 | 68,596 | 87,404 | 274,672 |
| Deferred tax asset | 16 | 601,875 | 54,043 | 358,619 |
| | | <u>670,471</u> | <u>141,447</u> | <u>633,291</u> |
| Current assets | | | | |
| Financial assets at fair value through profit or loss | 9 | 1,925,612 | 3,613,949 | 7,481,491 |
| Inventory | 10 | 208,872,237 | 362,377,398 | 276,847,937 |
| Trade and other receivables | 11 | 59,633,460 | 109,257,698 | 91,369,981 |
| Cash and cash equivalents | 12 | 22,074,881 | 28,217,608 | 23,764,639 |
| | | <u>292,506,190</u> | <u>503,466,653</u> | <u>399,464,048</u> |
| Total assets | | <u>293,176,661</u> | <u>503,608,100</u> | <u>400,097,339</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 13 | (2,371,159) | (971,228) | (7,740,361) |
| Short term borrowings | 14 | (176,889,933) | (237,876,724) | (246,023,387) |
| Short term liabilities under sale & repurchase agreements | 14 | (33,054,823) | (175,578,090) | (69,627,576) |
| Trade and other payables | 15 | (51,095,655) | (64,441,230) | (45,524,011) |
| Current tax payable | | (800,455) | (20,003) | (497,276) |
| Total liabilities | | <u>(264,212,025)</u> | <u>(478,887,275)</u> | <u>(369,412,611)</u> |
| Total net assets | | <u>28,964,636</u> | <u>24,720,825</u> | <u>30,684,728</u> |
| CAPITAL AND RESERVES | | | | |
| Share capital | 17 | 17,665,294 | 17,665,294 | 17,665,294 |
| Share premium account | | 18,043,816 | 18,043,816 | 18,043,816 |
| Treasury shares | | (1,986,574) | (1,986,574) | (1,986,574) |
| Retained earnings | | (15,521) | (3,930,630) | 3,444,902 |
| Share-based payment reserve | | 8,052,410 | 8,013,607 | 7,504,944 |
| Employee benefit trust | | (11,446,444) | (11,446,444) | (11,009,670) |
| Exchange reserve | | (1,281,924) | (1,566,767) | (2,912,480) |
| Total equity attributable to the owner of the parent | | <u>29,031,057</u> | <u>24,792,302</u> | <u>30,750,232</u> |
| Non-controlling interest | 26 | (66,421) | (71,477) | (65,504) |
| Total equity | | <u>28,964,636</u> | <u>24,720,825</u> | <u>30,684,728</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 7 May 2014.


C A Crick
Chairman


J M Coles
Finance Director

The accounting policies and notes set out on pages 21 to 50 form an integral part of these consolidated financial statements.

East West Resources plc
Consolidated statement of cash flows
for the year ended 31 December 2013

| | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
|--|---|---|
| Profit/(loss) for the year | 3,920,165 | (7,095,989) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 18,808 | 31,362 |
| Amortisation of intangible assets | — | — |
| Foreign exchange gains | (375,025) | 49,720 |
| Taxation expense | 228,226 | 147,858 |
| Unrealised gains on financial assets designated at fair value | 1,577,022 | 490,109 |
| Realised loss/(gain) on financial assets designated at fair value | 12,795 | (899,613) |
| Net cost on acquisition of financial assets designated at fair value | — | 3,470,603 |
| Proceeds of sale from disposal of financial assets at fair value through profit and loss | 224,578 | — |
| Decrease/(increase) in inventories | 153,505,161 | (71,890,453) |
| Decrease/(increase) in trade and other receivables | 46,923,695 | (10,317,739) |
| Unrealised gains/(losses) on financial liabilities at fair value | 1,399,930 | (7,026,480) |
| (Increase)/decrease in trade and other payables | (13,345,575) | 16,613,869 |
| Share-based payment charge | 38,803 | 39,444 |
| Loss on disposal of subsidiaries | — | 1,297,000 |
| Cash generated/(used) in operations | 194,128,583 | (75,090,309) |
| Taxation (paid) | — | — |
| Net cash flow generated/(used) in operating activities | <u>194,128,583</u> | <u>(75,090,309)</u> |
| Investing activities | | |
| Disposal of subsidiary undertakings | 2,700,544 | (910,116) |
| Purchase of property, plant and equipment | — | (3,850) |
| Disposal of property, plant and equipment | — | 47,559 |
| Net cash generated/(used) in investing activities | <u>2,700,544</u> | <u>(866,407)</u> |
| Financing activities | | |
| (Decrease)/increase in short term liabilities under sale and repurchase agreements | (142,523,267) | 100,299,361 |
| (Decrease) in short term borrowings | (60,986,791) | (20,465,675) |
| Net cash (used)/generated in financing activities | <u>(203,510,058)</u> | <u>79,833,686</u> |
| Net (decrease)/increase in cash and cash equivalents | (6,680,931) | 3,876,970 |
| Cash and cash equivalents at the beginning of the year | 28,217,608 | 23,764,639 |
| Effect of foreign exchange rate differences on cash and cash equivalents | 538,204 | 575,999 |
| Cash and cash equivalents at the end of the year | <u>22,074,881</u> | <u>28,217,608</u> |

The accounting policies and notes set out on pages 21 to 50 form an integral part of these consolidated financial statements.

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013

1. Nature of operations

The Group is engaged in physical metals merchanting and principal investing. A full review of the Group's activities is contained in the Chairman's statement and the Strategic report on pages 4 and 9.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis, as modified by the valuation of financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss.

The preparation of the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the appropriate application in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 25.

The accounting policies that have been used in the preparation of these consolidated financial statements are described below. The particular accounting policies adopted by the Directors are described below and are unchanged from the previous year unless otherwise stated.

The following new standards, interpretations and amendments, applied for the first time from 1 January 2013, have been applied in these financial statements, but have not had an effect on the Group's financial statements:

- IFRS 7 Offsetting Financial Assets and Financial Liabilities (amendment) – *Effective date 1 January 2013*
- IFRS 13 Fair Value Measurement – *Effective date 1 January 2013*
- IAS 1 Presentation of Items of Other Comprehensive Income (amendment) – *Effective date 1 January 2013*
- IAS 19 Employee Benefits – *Effective date 1 January 2013*
- Annual Improvements 2009 – 2011 – *Effective date 1 January 2013*

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these consolidated financial statements. Management are assessing the impact of these on the financial statements.

These are to be applied to financial statements with periods commencing on or after the following dates:

Standards and Interpretations effective date

- IFRS 2 Share based payments (amendment) – *Effective date 1 January 2015*

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

- IFRS 3 Business combinations (amendment) – *Effective 1 January 2015*
- IFRS 7 Financial Instruments: Disclosures (amendment) – *to be confirmed*
- IFRS 8 Operating segments (amendment) – *Effective date 1 January 2015*
- IFRS 9 Financial Instruments – *To be confirmed*
- IFRS 10 Consolidated Financial Statements (amendment) – *Effective date 1 January 2014*
- IFRS 11 Joint Arrangements (amendment) – *Effective date 1 January 2014*
- IFRS 12 Disclosure of Interests in Other Entities – *Effective date 1 January 2014*
- IFRS 13 Fair Value Measurement (amendment) – *Effective date 1 January 2015*
- IAS 16 Property, Plant & Equipment (amendment) – *Effective date 1 January 2015*
- IAS 24 Related Party Disclosures (amendment) – *Effective date 1 January 2014*
- IAS 32 Financial Instruments: Presentation (amendment) – *Effective date 1 January 2014*
- IAS 36 Impairment of assets (amendment) – *Effective date 1 January 2014*
- IAS 38 Intangible Assets (amendment) – *Effective date 1 January 2015*
- IAS 39 Financial Instruments: Recognition and Measurement (amendment) – *Effective date 1 January 2014*

2.2 **Changes in accounting policies**

Presentational currency

The financial statements have been presented in US Dollars which is the functional currency of the Company's principal trading subsidiary, Ambrian Metals Limited. Until 31 December 2012, the Company presented its financial statements in Pounds Sterling. Figures for comparative periods have been converted from Pounds Sterling into US Dollars as set out below:

- Assets and liabilities denominated in non-US Dollar currencies were translated into US Dollars at closing rates of exchange. Non-US Dollar trading results were translated into US Dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to the translation reserve; and
- Share capital, share premium and other reserves were translated at the historic rates prevailing at the dates of transactions.

The exchange rates of Pounds Sterling to US Dollar over the periods included in the financial statements are as follows:

| US Dollar exchange rate /Pounds Sterling | 31/12/2012 | 31/12/2011 |
|--|------------|------------|
| Closing rate | 1.6253 | 1.5453 |
| Average rate | 1.5928 | 1.6084 |

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (*Continued*)

2.3 *Basis of consolidation*

(i) Subsidiaries and acquisitions

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is recognised where an investor is expected, or has rights, to variable returns from its investment with the investee and has the ability to affect these returns through its power over the investee. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as a "fair value" adjustment. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

(ii) Transactions eliminated on consolidation

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

2.4 *Financial Instruments*

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity or available for sale.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

These are financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivative assets, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated balance sheet at fair value with gains or losses recognised in the consolidated statement of income.

Fair value of securities listed in active markets are determined by current bid prices; where independent prices are not available, fair values have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. Prepayments and accrued income and accruals and deferred income principally represent open sales and purchase contracts which are initially recognised at fair value when the company becomes a party to the contractual provision of the instrument and are subsequently measured to fair value at the end of each reporting period with reference to recognised commodity prices. At the reporting date, ownership of the metals had not transferred to the purchasing counterparty. The effect of measurement of these is presented net in either prepayments and accrued

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

income or accruals and deferred income depending on whether the outcome of measuring these results is gains or losses at the end of each reporting period.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises out-of-the-money derivatives and accrued and deferred income. They are carried in the consolidated statement of financial position at fair value, with changes in fair value recognised in the comprehensive statement of consolidated income. Accruals and deferred income and prepayments and accrued income principally represent open purchase and sales contracts which are initially recognised at fair value when the Company becomes a party to the contractual provision of the instrument and are subsequently measured at fair value, being the LME value at 17:00 GMT, the end of each reporting period with reference to recognised commodity exchange prices. If at the reporting date, ownership of the metals had not transferred to the Company, the effect of measurement of these is presented net in either accruals and deferred income or prepayments and accrued income depending on whether the outcome of measuring results is in gains or losses at the end of each reporting period.

Financial liabilities measured at amortised cost

All other financial liabilities include the following items:

- Short term borrowings;
- Short term liabilities under sale and repurchase agreements; and
- Other payables

All of the above are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (*Continued*)

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require a classification of financial assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. 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)
- level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the financial asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measured. Financial assets and liabilities are classified in their entirety into only one of the three levels.

2.5 *Turnover and Cost of sales*

Turnover is the gross revenues generated from all business activities except for the investment portfolio. Turnover represents the gross sales invoices of the physical metals division.

Cost of sales are the direct costs associated with sales of the physicals metals division and include such purchases of metals, freight and other costs directly related to sales.

2.6 *Total income*

Revenue is recognised when it is probable that the economic benefits will flow to the entity and these benefits can be measured reliably.

Revenue recognition in the physical metals business:

- Revenue is recognised on an accruals basis. It is recognised when the seller has transferred to the buyer the necessary legal documents that indicate that significant risks and rewards of ownership have transferred. In most instances this is evidenced by a bill of lading, legal documents or holding certificate.
- In certain instances there are contracts where the sales price is determined on a provisional basis at the date of sale, as the final selling price is subject to movements in market prices up to the date of final pricing. Revenue on provisionally priced sales is recognised based on the total expected value of the sales contract. This is determined by assessing the fair value of sales contracts. The change in the value of the sales contract is offset in the revenue line by the hedging gain/(loss) that arises from the hedge associated with the provisional pricing of the sales contract.

Total income is revenue defined as above and investment portfolio gains and losses.

2.7 *Foreign currencies*

The Group's presentation currency is US Dollars and has been selected based on the currency of the primary economic environment in which the Group as a whole operates on the basis that the Group's primary product is generally traded by reference to its pricing in US Dollars.

Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 *(Continued)*

balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in profit or loss.

On consolidation, the assets and liabilities of the Group's overseas operations that do not have a US Dollar functional currency are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Exchange differences arising on the net investment in subsidiaries are recognised in other comprehensive income.

2.8 ***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs to its tax base, except for differences arising on:

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group Company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.9 ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by the reducing balance method over their estimated useful economic lives. The rates generally applicable are:

- Office equipment – 25%

Residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

2.10 *Pensions*

The Group contributes to the private pension scheme of one Director. The assets of the scheme are held separately from that of the Group. Contributions are charged in the consolidated statement of comprehensive income as incurred in line with a defined contribution scheme.

2.11 *Share-based payment – transactions*

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to share-based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

2.12 *Inventory*

Inventory relates to commodity contracts where delivery has been taken of the underlying commodity with the intention of resale within a short period after delivery.

Inventory is held at fair value less costs to sell. Any changes in fair value less costs to sell are recognised in the consolidated statement of comprehensive income in the period of the change.

2.13 *Sale and repurchase agreements*

Inventory may be sold subject to a commitment to repurchase them (a repo). Such inventory is retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group. The transactions are treated as collateralised borrowing and the counterparty liability is presented separately on the balance sheet as short term liabilities under sale and repurchase agreements. The net of the repo transaction is recognised as a finance cost within cost of sales.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

2.14 *Equity*

Called up share capital is determined using the nominal value of shares that have been issued.

Share premium account includes any premium received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium account, net of any related income tax benefits.

Equity-settled share-based employee remuneration is credited to the share-based payment reserve until related stock options are exercised.

The cost of own shares purchased under the Employee Benefit Trust is debited to the reserve for Employee Benefit Trust and the proceeds of any sales of such shares are credited to this reserve.

The cost of Treasury shares purchased is debited to the reserve for Treasury shares.

Retained earnings include all current and prior period results as disclosed in the consolidated statement of comprehensive income.

2.15 *Employee benefit trust*

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated statement of comprehensive income.

2.16 *Treasury shares*

The costs of purchasing treasury shares are shown as a deduction against equity. The proceeds from the sale of own shares held increase equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the consolidated statement of comprehensive income.

2.17 *Operating leases*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

2.18 *Segmental reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is the Executive Committee and the management team for the relevant business segment. The Executive Committee comprises the Chairman and Managing Director of Ambrian Metals Limited, the Finance Director and the Chief Operating Officer.

2.19 *Disposal of assets*

The gain or loss on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income. The gain or loss arising from the sale of fixed assets is included in "administrative expenses" in the consolidated statement of comprehensive income.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

2.20 *Discontinued operations*

Operations that were disposed of in previous years are separately disclosed in the consolidated statement of comprehensive Income and relevant related notes to this statement. Such disclosures relate to the prior period.

3 **Segmental analysis**

The Group has two reportable segments attributable to its continuing operations and unallocated central revenues and costs:

- Physical metals – comprises Ambrian Metals Limited, a physical metals merchant.
- Investment portfolio – comprises the Group's principal investment portfolio held in Ambrian Principal Investments Limited.
- Head office costs relate to overheads incurred in connection with operating the public limited company and include the share-based payment charges in relation to the staff share option schemes, the remuneration of the Directors of East West Resources plc and the costs of Ambrian Resources AG.

During 2012 the Group disposed of its asset management business and biofuels business. In 2012, the Group closed down its fossil fuels activities. As a result of these disposals and closures, the three divisions were treated as discontinued activities of the Group for 2012.

The measurement of the segmental revenue, profit before tax, capital expenditure, depreciation, total assets, total liabilities and net assets have been prepared using consistent accounting policies across the segments. These policies are disclosed in note 2.

| | <i>Physical Metals</i> | <i>Investment</i> | <i>Head office costs</i> | <i>Total</i> |
|------------------------------|------------------------|--------------------|--------------------------|-------------------|
| | <i>2013</i> | <i>Portfolio</i> | <i>2013</i> | <i>2013</i> |
| | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> |
| Continuing operations | | | | |
| Turnover | 2,565,463,074 | — | 230,892 | 2,565,693,966 |
| Cost of Sales | (2,551,784,668) | — | — | (2,551,784,668) |
| Revenue | — | (1,476,342) | — | (1,476,342) |
| | <u>13,678,406</u> | <u>(1,476,342)</u> | <u>230,892</u> | <u>12,432,956</u> |
| | | | | |
| | <i>Physical Metals</i> | <i>Investment</i> | <i>Head office costs</i> | <i>Total</i> |
| | <i>2012</i> | <i>Portfolio</i> | <i>2012</i> | <i>2012</i> |
| | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> |
| Turnover | 1,797,847,859 | — | 531,004 | 1,798,378,863 |
| Cost of Sales | (1,791,167,713) | — | — | (1,791,167,713) |
| Revenue | — | (759,413) | — | (759,413) |
| | <u>6,680,146</u> | <u>(759,413)</u> | <u>531,004</u> | <u>6,451,737</u> |

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (Continued)

| | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
|---|---|---|
| Discontinued operations | | |
| Biofuels | — | 265,431 |
| Fossil Fuels | — | 742,922 |
| Asset Management | — | 48,300 |
| | <u>—</u> | <u>1,056,653</u> |
| | | |
| | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
| Investment portfolio losses represents: | | |
| Unrealised (losses)/ gains on financial assets designated at fair value | (1,463,547) | 444,176 |
| Realised (losses) on financial assets designated at fair value | (12,795) | (1,240,849) |
| Dividends, distributions and other | — | 37,260 |
| | <u>(1,476,342)</u> | <u>(759,413)</u> |
| | | |
| | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
| Profit/(loss) before tax | | |
| Continuing operations | | |
| Physical metals | 7,948,910 | 1,572,551 |
| Investment portfolio | (1,527,089) | (885,560) |
| Head office costs | (2,273,430) | (2,505,548) |
| | <u>4,148,391</u> | <u>(1,818,557)</u> |
| | | |
| | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
| Discontinued operations (after tax) | | |
| Biofuels | — | (4,268,999) |
| Fossil Fuels | — | (724,877) |
| Asset Management | — | (135,698) |
| | <u>—</u> | <u>(5,129,574)</u> |

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (Continued)

| | Year to 31 December 2013 US \$ | Year to 31 December 2012 US \$ |
|--------------------------|---|---|
| Total assets | | |
| Physical metals | 288,779,249 | 494,485,643 |
| Investment portfolio | 436,892 | 1,802,884 |
| Head office | 3,960,520 | 7,279,188 |
| Fossil fuels | — | 40,385 |
| | <u>293,176,661</u> | <u>503,608,100</u> |
| Total liabilities | | |
| Physical metals | 262,280,511 | 477,256,310 |
| Investment portfolio | 524 | 178,321 |
| Head office | 1,930,990 | 1,412,655 |
| Fossil fuels | — | 39,989 |
| | <u>264,212,025</u> | <u>478,887,275</u> |

The majority of the Group's non-current assets are located in the UK.

4 Profit before tax and Auditors' remuneration

| | 2013 US \$ | 2012 US \$ |
|---|----------------|------------------|
| Relating to continued operations: | | |
| Profit before tax, all of which arises from the Group's principal activities, is stated after charging/(crediting): | | |
| - fees payable to the Group's auditor for the audit of the Group's annual financial statements | 153,294 | 189,430 |
| - other assurance services | 16,563 | 25,485 |
| - non-audit assurance services | — | 199,100 |
| Depreciation of property, plant and equipment | 18,808 | 31,362 |
| Operating lease rentals – land and buildings | 396,709 | 403,268 |
| Staff costs | 4,948,925 | 4,064,151 |
| Exchange (gains)/losses | (375,025) | 49,719 |
| Interest income (included in Net revenue) | <u>(3,006)</u> | <u>(43,850)</u> |
| Relating to discontinued operations: | | |
| Staff costs | <u>—</u> | <u>1,380,561</u> |

Included in the auditors fees above are \$22,447 (31 December 2012: \$26,321) related to associate firms of BDO LLP.

Non-audit assurance services from the Group's auditors are fees that include consultancy services during 2012.

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

5 Information regarding Directors and Employees

| | | |
|--|-------------|-------------|
| <i>Number of Employees</i> | <i>2013</i> | <i>2012</i> |
| The average monthly number of employees (including Directors) during the year was: | <u>34</u> | <u>32</u> |

| | | |
|--|------------------|------------------|
| <i>Employment costs</i> | <i>US \$</i> | <i>US \$</i> |
| Salaries and bonuses | 4,174,338 | 4,753,839 |
| Social security costs associated with salaries and bonuses | 682,596 | 626,303 |
| Defined contribution pension costs | 53,188 | 25,126 |
| Share-based payment charge | <u>38,803</u> | <u>39,444</u> |
| | <u>4,948,925</u> | <u>5,444,712</u> |

| <i>Directors' emoluments</i> | <i>Salary/Fees</i> <i>US \$</i> | <i>Other</i> <i>US \$</i> | <i>Pension</i> <i>US \$</i> | <i>2013</i> <i>Total</i> <i>US \$</i> |
|------------------------------|------------------------------------|------------------------------|--------------------------------|---|
| J M Coles* | 219,365 | — | 10,968 | 230,333 |
| R N Ashley | 39,172 | — | — | 39,172 |
| C A Crick | 78,345 | — | — | 78,345 |
| N F Rouveyre | 39,172 | 94,013 | — | 133,185 |
| Share-based payment charge** | <u>15,634</u> | <u>—</u> | <u>—</u> | <u>15,634</u> |
| | <u>391,688</u> | <u>94,013</u> | <u>10,968</u> | <u>496,669</u> |

| | <i>Salary/Fees</i> <i>US \$</i> | <i>Other</i> <i>US \$</i> | <i>Pension</i> <i>US \$</i> | <i>2012 Total</i> <i>US \$</i> |
|------------------------------|------------------------------------|------------------------------|--------------------------------|-----------------------------------|
| J M Coles* | 222,992 | — | 11,150 | 234,142 |
| R N Ashley | 178,526 | — | — | 178,526 |
| C A Crick | 61,057 | — | — | 61,057 |
| N F Rouveyre | 11,022 | — | — | 11,022 |
| Share-based payment charge** | <u>18,625</u> | <u>—</u> | <u>—</u> | <u>18,625</u> |
| | <u>492,222</u> | <u>—</u> | <u>11,150</u> | <u>503,372</u> |

* Denotes highest paid Director

** The share-based payment charge is a cost related to the Directors' emoluments but it is not apportioned individually to Directors.

Mr N F Rouveyre's fees were derived from consulting services provided to Ambrian Metals Ltd (\$78,345) and his fees as a director on the board of Ambrian Resources AG (\$15,668).

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

6. Taxation

The tax provision for the period is lower than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The deferred tax charge resulting from the origination and reversal of temporary differences on losses brought forward includes adjustments reflecting the reduction in the rate of corporation tax. The differences are explained as follows:

| | 2013 US \$ | 2012 US \$ |
|--|----------------|----------------|
| Profit/(loss) before tax | 4,148,391 | (6,948,130) |
| UK corporation tax on profit for the year at 23.25% (2012: 24.5%) | 964,501 | (1,702,292) |
| Expenses not deductible for tax purposes | 58,348 | 1,327,288 |
| Other adjustments | 15,123 | (263,588) |
| Adjustments in respect of prior years | 38,361 | (174,881) |
| Exchange differences | 73,885 | — |
| Losses carried forward | — | 961,331 |
| Recognition of deferred tax | (350,000) | — |
| Utilisation of brought forward losses | (571,992) | — |
| | <u>228,226</u> | <u>147,858</u> |
| Comprising: | | |
| Current tax expense | 771,887 | — |
| Prior year tax (over) provision | — | (174,882) |
| Overseas taxation | 3,139 | — |
| Deferred tax resulting from the origination and reversal of temporary differences: | | |
| – on losses brought forward | (301,888) | 353,949 |
| – on deferred relief on bonuses | (244,912) | — |
| – on unrealised gains on financial assets | — | (90,039) |
| – on reserve for share-based payments | — | 58,830 |
| | <u>228,226</u> | <u>147,858</u> |

7. Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year, excluding shares held in the Employee Benefit Trust and Treasury shares.

The calculation of diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares through the share option schemes (note 18) on the assumed conversion of all dilutive options.

Options exercisable in 2012 have been excluded from the diluted earnings per share calculation because they are antidilutive.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (Continued)

Reconciliations of the earnings and weighted average number of shares in the calculations are set out below.

The profit/(loss) attributable to the owners of the company for continuing and discontinued operations used in the above calculation is that presented in the consolidated statement of comprehensive income.

| | 2013 | 2012 |
|--|--------------|----------------|
| Continuing and discontinued operations | | |
| Profit/(loss) attributable to shareholders | \$ 3,915,109 | \$ (7,089,984) |
| Diluted profit/(loss) attributable to shareholders | \$ 3,915,109 | \$ (7,089,984) |
| Weighted average number of shares | 100,602,104 | 100,007,699 |
| Dilutive effect of share options | 916,300 | — |
| Basic earnings per share US \$ cents | 3.89 | (7.09) |
| Diluted earnings per share US \$ cents | 3.86 | (7.09) |
| Continuing operations | | |
| Profit/(loss) attributable to shareholders | \$ 3,915,109 | \$ (1,966,415) |
| Diluted profit/(loss) attributable to shareholders | \$ 3,915,109 | \$ (1,966,415) |
| Weighted average number of shares | 100,602,104 | 100,007,699 |
| Dilutive effect of share options | 916,300 | — |
| Basic earnings per share US \$ cents | 3.89 | (1.97) |
| Diluted earnings per share US \$ cents | 3.86 | (1.97) |

8. Property, plant and equipment

| | 2013 US \$ | 2012 US \$ |
|-------------------------|----------------|----------------|
| Office equipment | | |
| <i>Cost</i> | | |
| At 1 January | 165,033 | 347,028 |
| Additions | — | 3,850 |
| Disposals | — | (185,845) |
| Balance at 31 December | <u>165,033</u> | <u>165,033</u> |
| <i>Depreciation</i> | | |
| At 1 January | 77,629 | 72,356 |
| Charge for the year | 18,808 | 31,362 |
| Disposals | — | (26,089) |
| Balance at 31 December | <u>96,437</u> | <u>77,629</u> |
| <i>Net book value</i> | | |
| At 31 December | <u>68,596</u> | <u>87,404</u> |
| At 1 January | <u>87,404</u> | <u>274,672</u> |

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

9. Financial assets at fair value through profit or loss

| | 2013 US \$ | 2012 US \$ |
|----------------------|------------------|------------------|
| Listed: | | |
| Investment portfolio | — | 444,898 |
| Unlisted: | | |
| Investment portfolio | 1,925,612 | 3,169,051 |
| | <u>1,925,612</u> | <u>3,613,949</u> |

Included in the unlisted investment portfolio is the Company's stake in CGM valued at \$1.71 million. This valuation is based upon the most recent open offer to shareholders. The directors believe the value of the project on a risked NPV basis significantly exceeds this value but recognise that accounting standards have a hierarchy of basis values which places greater emphasis on observable market inputs such as an open offer.

All amounts presented in respect of unlisted securities have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This determination requires significant judgement in determining changes to fair value since the last valuation date. In making this judgement the Board evaluates, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies and the most recent fund raise achieved by the investee company.

10. Inventory

| | 2013 US \$ | 2012 US \$ |
|-----------------|--------------------|--------------------|
| Physical metals | <u>208,872,237</u> | <u>362,377,398</u> |

Inventory represents a combination of physical metals in warehouses and afloat.

Metals inventory includes stock held under sale and repurchase agreements amounting to \$33,054,823 (2012: \$175,578,090).

11. Trade and other receivables

| | 2013 US \$ | 2012 US \$ |
|--|-------------------|--------------------|
| Amounts falling due within one year | | |
| Trade receivables | 57,463,061 | 103,623,451 |
| Other receivables | 162,322 | 3,527,850 |
| Prepayments and accrued income | 1,001,331 | 1,813,042 |
| Other taxes and social security | 1,006,746 | 293,355 |
| | <u>59,633,460</u> | <u>109,257,698</u> |

The carrying value of trade receivables which is considered a reasonable approximation of fair value, includes amounts greater than three months' but not more than one year past due of \$nil (2012: \$nil). All amounts past due included in the carrying value are considered recoverable. Accordingly, no provision is made for impairment of these trade receivables.

Prepayments and accrued income principally represent open sales and purchase contracts that had been contracted but not paid for at the reporting date. At the reporting date, ownership of the metals had not transferred to the purchasing counterparty. The effect of measurement of these is presented net in prepayments and accrued income.

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

12. Cash and cash equivalents

Within cash and cash equivalents there is restricted cash of \$1,559,526 (2012: \$2,251,379). These are deposits held on account for any potential adverse market price movements for any margin calls on commodity futures.

13. Financial liabilities at fair value through profit or loss

| | 2013 US \$ | 2012 US \$ |
|--|------------------|----------------|
| Financial liabilities at fair value through profit or loss | <u>2,371,159</u> | <u>971,228</u> |

All financial liabilities at fair value through profit or loss represent commodity futures. These are used to hedge inventory of metals and purchases and sales of metals. Hedges take into account both contango and backwardation market conditions and are marked to market at the year-end closing price.

14. Short term financial liabilities

| | 2013 US \$ | 2012 US \$ |
|-----------------------|--------------------|--------------------|
| Short term borrowings | <u>176,889,933</u> | <u>237,876,724</u> |

Short term borrowings are secured upon inventory of \$175,817,414 (2012: \$186,799,308) and trade and other receivables of \$1,072,519 (2012: \$51,077,369).

Short term borrowings in 2012 included an amount of \$3,000,000 which had been borrowed from the Group's largest shareholder, Consolidated General Minerals plc. The loan was repaid in full during 2013.

| | 2013 US \$ | 2012 US \$ |
|---|-------------------|--------------------|
| Short term liabilities under sale and repurchase agreements | <u>33,054,823</u> | <u>175,578,090</u> |

15. Trade and other payables

Accruals and deferred income principally represent open purchases of metals that have been contracted for but not paid for at the reporting date. These are not classified as trade payables as the final price of the physical metals may not have been determined and ownership has not transferred to the Group.

| | 2013 US \$ | 2012 US \$ |
|--|-------------------|-------------------|
| Amounts falling due within one year | | |
| Trade payables | 45,594,926 | 15,751,332 |
| Other payables | 415,754 | 494,335 |
| Other taxation and social security | 916,655 | 187,998 |
| Accruals and deferred income | <u>4,168,320</u> | <u>48,007,565</u> |
| | <u>51,095,655</u> | <u>64,441,230</u> |

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

16. Deferred taxation

Deferred tax assets represent temporary differences on:

| | 2013 US \$ | 2012 US \$ |
|---|----------------|---------------|
| Losses carried forward | 7,155 | 47,273 |
| Deferred tax on forward loss utilisation | 350,000 | — |
| Deferred tax on bonus liability | 244,720 | — |
| Reserve for share-based payments | — | 6,770 |
| | <u>601,875</u> | <u>54,043</u> |
| Movement in the year: | | |
| Balance at 1 January | 54,043 | 377,185 |
| Origination and reversal of temporary differences | | |
| – on losses carried forward | — | (361,171) |
| – on unrealised gains on financial assets | — | 91,877 |
| – on reserve for share-based payments | — | (60,032) |
| – on change in corporation tax rate | — | 6,184 |
| – change to exchange rates | 1,224 | — |
| – provision for the year | 546,608 | — |
| Balance at 31 December | <u>601,875</u> | <u>54,043</u> |

17. Share capital

| | 2013 Number | 2013 US \$ | 2012 Number | 2012 US \$ |
|---|--------------------|-------------------|--------------------|-------------------|
| Authorised | | | | |
| Ordinary shares of 10p each | <u>250,000,000</u> | <u>25,000,000</u> | <u>250,000,000</u> | <u>25,000,000</u> |
| Called up, allotted and fully paid | | | | |
| Ordinary shares of 10p each | <u>111,361,208</u> | <u>17,665,294</u> | <u>111,361,208</u> | <u>17,665,294</u> |

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

18. Share options

The Company has an unapproved share option scheme under which options to subscribe for the Company's shares have been granted to certain Directors and other persons. The vesting condition is the number of years' service. The share options currently in existence were granted and are exercisable as follows:

| Exercise date granted | Price | Number of shares | Period exercisable |
|-----------------------|-------|------------------|---|
| 2 January 2008 | 10p | 264,444 | Between 2 January 2008 and 3 January 2015 |
| 16 May 2008 | 10p | 660,000 | Between 2 January 2009 and 3 January 2015 |
| 6 April 2009 | 25p | 1,075,000 | Between 6 October 2009 and 5 April 2016 |
| 2 June 2009 | 30p | 800,000 | Between 2 December 2009 and 1 June 2016 |
| | | <u>2,799,444</u> | |

At the year-end the market value of the Company's shares was 12.00 pence (2012: 11.00 pence) per share. The highest price during the year was 14.00 pence (2012: 16.25 pence) and the lowest price was 10.50 pence (2012: 8.375 pence).

The number and weighted average exercise prices of share options are as follows:

| | Weighted average exercise price in pence 2013 | Number of options 2013 | Weighted average exercise price in pence 2012 | Number of options 2012 |
|----------------------------|---|------------------------|---|------------------------|
| Outstanding at 1 January | — | 2,799,444 | — | 3,149,444 |
| Forfeited during the year | — | — | 25 | (350,000) |
| Outstanding at 31 December | <u>21</u> | <u>2,799,444</u> | <u>21</u> | <u>2,799,444</u> |
| Exercisable at 31 December | <u>21</u> | <u>2,799,444</u> | <u>21</u> | <u>2,799,444</u> |

The options outstanding at 31 December 2013 have an exercise price in the range of 10 pence to 30 pence and a weighted average contractual remaining life of 6 years.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

The Company also has an Employee Benefit Trust unapproved share option scheme under which options to subscribe for the Company's shares have been granted to staff. Directors of East West Resources plc are not eligible for awards under this scheme. Options are generally granted at 10 pence per ordinary share and the vesting condition is the number of years of service. The share options currently in existence were granted and are exercisable as follows:

| Exercise date granted | Price | Number of shares | Period exercisable |
|-----------------------|-------|------------------|---|
| 29 May 2006 | 10p | 100,000 | Between 12 January 2007 and 30 June 2014 |
| 31 May 2006 | 10p | 13,333 | Between 29 June 2007 and 29 June 2016 |
| 31 January 2007 | 10p | 44,444 | Between 31 January 2008 and 31 January 2017 |
| 23 May 2007 | 10p | 100,000 | Between 23 May 2008 and 23 May 2017 |
| 18 January 2008 | 10p | 62,500 | Between 18 January 2009 and 18 January 2018 |
| 7 April 2008 | 10p | 600,000 | Between 2 January 2010 and 7 April 2015 |
| 1 July 2009 | 10p | 250,000 | Between 1 July 2010 and 1 July 2016 |
| | | <u>1,170,277</u> | |

| | Exercise price in pence 2013 | Number of options 2013 | Exercise price in pence 2012 | Number of options 2012 |
|----------------------------|------------------------------------|------------------------------|------------------------------------|------------------------------|
| Outstanding at 1 January | 10 | 1,170,277 | 10 | 3,471,043 |
| Exercised during the year | 10 | — | 10 | (462,280) |
| Forfeited during the year | 10 | (100,000) | 10 | (1,838,486) |
| Granted during the year | 10 | 100,000 | 10 | — |
| Outstanding at 31 December | 10 | 1,170,277 | 10 | 1,170,277 |
| Exercisable at 31 December | 10 | 1,170,277 | 10 | 1,170,277 |

The share-based payment charge relating to the share options granted to the EBT amounted to \$38,803 (2012: \$39,444).

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

19. Share-based payment reserve

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity settled share-based payments are recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to share-based payment reserve.

20. Operating lease commitments

At 31 December 2013 the total of future minimum commitments is due as follows:

| | 2013 US \$ | 2012 US \$ |
|---------------------------------|----------------|------------------|
| Commitments falling due: | | |
| Within one year | 419,345 | 411,497 |
| Between one year and five years | 329,485 | 734,814 |
| | <u>748,830</u> | <u>1,146,311</u> |

Lease commitments relate to office premises.

21. Capital commitments

There were no capital commitments as at 31 December 2013 (2012: \$nil). Refer to note 27 concerning the surrender of the lease.

22. Contingent Liabilities

There were no contingent liabilities as at 31 December 2013 (2012: \$nil).

23. Transactions with related parties

Details of transactions with the Group's key management personnel, who comprise the Directors, are given in note 5. Intra-group transactions and balances are eliminated on consolidation.

A subsidiary of the company, Ambrian Resources AG, received fees of \$448,839 (2012: \$571,688) from Consolidated General Minerals plc for the year ended 2013. The only related party outstanding balance at year end was between Consolidated General Minerals and Ambrian Resources AG totalling \$nil (2012: \$65,526).

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

24. Financial instruments – Risk management

Principal financial instruments

A summary of the financial instruments held by category is provided below:

| | <i>Loans and Receivables at amortised cost 2013 US \$</i> | <i>At fair value through profit or loss 2013 US \$</i> | <i>Total 2013 US \$</i> |
|---|---|--|---------------------------------|
| Financial assets | | | |
| Cash and cash equivalents | 22,074,881 | — | 22,074,881 |
| Trade receivables – current | 57,463,061 | — | 57,463,061 |
| Other receivables – current | 162,322 | — | 162,322 |
| Financial assets at fair value through profit or loss – equities | — | 1,925,612 | 1,925,612 |
| Total | 79,700,264 | 1,925,612 | 81,625,876 |
| | <i>2012 US \$</i> | <i>2012 US \$</i> | <i>2012 US \$</i> |
| Financial assets | | | |
| Cash and cash equivalents | 28,217,608 | — | 28,217,608 |
| Trade receivables – current | 103,623,451 | — | 103,623,451 |
| Other receivables – current | 3,527,850 | — | 3,527,850 |
| Financial assets at fair value through profit or loss – equities | — | 3,613,949 | 3,613,949 |
| Total | 135,368,909 | 3,613,949 | 138,982,858 |

A certain amount of the cash and cash equivalents is held as collateral by third party banks as disclosed in note 12. Trade receivables, current of \$58,169,671 (2012: \$106,170,558) were pledged as collateral against short term borrowings as disclosed in note 14.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

| | <i>Trade and other payables at amortised cost 2013 US \$</i> | <i>At fair value through profit or loss 2013 US \$</i> | <i>Total 2013 US \$</i> |
|---|--|--|---------------------------------|
| Financial liabilities | | | |
| Trade payables | 45,594,926 | — | 45,594,926 |
| Other payables – current | 415,754 | — | 415,754 |
| Short term borrowings | 176,889,933 | — | 176,889,933 |
| Accruals and deferred income | — | 4,168,320 | 4,168,320 |
| Short term liabilities under sale and repurchase agreements | 33,054,823 | — | 33,054,823 |
| Financial liabilities at fair value through profit or loss | | | |
| – derivatives | — | 2,371,159 | 2,371,159 |
| Total | 255,955,436 | 6,539,479 | 262,494,915 |
| | <i>2012 US \$</i> | <i>2012 US \$</i> | <i>2012 US \$</i> |
| Financial liabilities | | | |
| Trade payables | 15,751,332 | — | 15,751,332 |
| Other payables – current | 494,335 | — | 494,335 |
| Short term borrowings | 237,876,726 | — | 237,876,726 |
| Accruals and deferred income | — | 48,007,565 | 48,007,565 |
| Short term liabilities under sale and repurchase agreements | 175,578,090 | — | 175,578,090 |
| Financial liabilities at fair value through profit or loss | | | |
| – derivatives | — | 971,228 | 971,228 |
| Total | 429,700,483 | 48,978,793 | 478,679,276 |

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

Financial instruments are measured at fair value as follows:

| | Fair value measurements at 31 December 2013 | | | |
|--|---|------------------|------------------|------------------|
| | Level 1 US \$ | Level 2 US \$ | Level 3 US \$ | Total US \$ |
| Financial assets | | | | |
| Equity investments | 1,706,158 | — | 219,454 | 1,925,612 |
| Financial assets at fair value through profit or loss | | | | |
| – derivatives | — | — | — | — |
| Total | <u>1,706,158</u> | <u>—</u> | <u>219,454</u> | <u>1,925,612</u> |
| | US \$ | US \$ | US \$ | US \$ |
| Financial liabilities | | | | |
| Accruals and deferred income | 4,168,320 | — | — | 4,168,320 |
| Financial liabilities at fair value through profit or loss | | | | |
| – derivatives | — | 2,371,159 | — | 2,371,159 |
| Total | <u>4,168,320</u> | <u>2,371,159</u> | <u>—</u> | <u>6,539,479</u> |

| | Fair value measurements at 31 December 2012 | | | |
|--|---|------------------|------------------|-------------------|
| | Level 1 US \$ | Level 2 US \$ | Level 3 US \$ | Total US \$ |
| Financial assets | | | | |
| Equity investments | 444,898 | — | 3,169,051 | 3,613,949 |
| Financial assets at fair value through profit or loss | | | | |
| – derivatives | — | — | — | — |
| Total | <u>444,898</u> | <u>—</u> | <u>3,169,051</u> | <u>3,613,949</u> |
| | US \$ | US \$ | US \$ | US \$ |
| Financial liabilities | | | | |
| Accruals and deferred income | 48,007,565 | — | — | 48,007,565 |
| Financial liabilities at fair value through profit or loss | | | | |
| – derivatives | — | 971,228 | — | 971,228 |
| Total | <u>48,007,565</u> | <u>971,228</u> | <u>—</u> | <u>48,978,793</u> |

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (Continued)

Market Risk

Effective risk management is a fundamental aspect of the Group's business operations. In the ordinary course of the Group's business it is exposed to a number of financial risks: market risk, credit risk and liquidity risk. The principal risks and the policies for managing them are summarised below.

The principal market risks the Group is exposed to are interest rate, foreign currency, commodity and equity risk.

Interest rate risk

The Group is exposed to interest rate risk on cash it holds and trade finance credit facilities.

Interest rate risk is derived from interest bearing deposits in which the Group invests cash. Due to the Group's liquidity requirements, cash is generally deposited at interest rates set on a daily basis. Interest income included within revenue in the year was \$3,006 (2012: \$43,849). The Group's interest bearing assets are held as cash or cash equivalents at floating interest rates as follows:

| | 2013 US \$ | 2012 US \$ |
|--------------------------|-------------------|-------------------|
| Sterling | 346,500 | 1,752,689 |
| Canadian Dollars | 94,307 | 2,197 |
| US Dollars | 21,539,372 | 25,564,498 |
| Euros | 56,356 | 158,995 |
| Swiss Francs | 33,202 | 34,477 |
| Other denominations | 5,144 | 704,752 |
| Cash or cash equivalents | <u>22,074,881</u> | <u>28,217,608</u> |

The Group is also exposed to interest rate risk in respect of the interest rate charged by trade finance providers for its physical metals activities. Interest rates charged by the banks are typically set at a margin over US\$ LIBOR calculated on the total US Dollar value of a shipment at the time of shipping. The Group has a policy of estimating its per tonne profit margin using interest rates that are above the prevailing interest rate.

The Group typically enters into arrangements to purchase and sell specific tonnages of metal up to 12 months in advance of shipment and estimates its profit margin per tonne of metal sold after all costs, including an estimate for the expected rate of interest. As the actual interest rate is not known until the time of shipping there is the risk if interest rates rise that the actual interest charge would adversely affect the profitability of the transaction.

In 2012, we considered a proposal to mitigate our interest rate risk with the use of interest rate instruments designed to cap the interest rate at a particular level up to one year in advance. However after examining the proposal further, we concluded that the potential cost of providing the protection was uneconomic.

A change of 100 basis points upwards or downwards in interest rates at the year-end would have (decreased)/increased pre-tax profit from continuing operations and net assets by (\$1,626,364)/\$1,626,364 (2012: (\$1,071,079)/ \$1,071,079). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

Foreign currency risk

The Group is exposed to currency risks from its operating and investing activities. The Group publishes its consolidated financial statements in US Dollars. The revenue generated by Ambrian Metals Limited is for the most part denominated in US Dollars while the vast majority of their operating expenses are denominated in Pounds Sterling. Thus the impact arising from foreign currency risk on the Group's trading activities is potentially material.

The Group mitigates the risk of a loss as a result of transactions that occur in US Dollars by the purchase of forward foreign exchange contracts to sell a proportion of US Dollar income forward or through the purchase of options to sell US Dollars.

A 10% strengthening or weakening in the exchange rate between the Pound Sterling and the US Dollar at 31 December 2013 would have increased/(decreased) pre-tax profit from continuing operations and net assets by \$291,736/(\$291,736) (2012: \$339,111/(\$339,111)), assuming that all other variables, in particular interest rates, remain constant.

A summary of the financial instruments held by currency is provided below:

| | <i>Sterling</i> 2013 US \$ | <i>US Dollars</i> 2013 US \$ | <i>Euros</i> 2013 US \$ | <i>Other</i> 2013 US \$ |
|--|----------------------------------|------------------------------------|-------------------------------|-------------------------------|
| Financial Assets | | | | |
| Cash at bank | 346,500 | 21,539,372 | 56,356 | 132,653 |
| Trade and other receivables | 20,889 | 56,729,631 | 712,541 | — |
| Other receivables – current | — | 162,322 | — | — |
| Financial assets at fair value through profit or loss | | | | |
| – equities | 1,898,906 | — | 26,706 | — |
| Total | <u>2,266,295</u> | <u>78,431,325</u> | <u>795,603</u> | <u>132,653</u> |

| | 2012 US \$ | 2012 US \$ | 2012 US \$ | 2012 US \$ |
|--|------------------|--------------------|------------------|------------------|
| Financial Assets | | | | |
| Cash at bank | 1,752,689 | 25,564,498 | 158,995 | 741,426 |
| Trade and other receivables | 20,986 | 99,625,535 | 3,976,040 | 891 |
| Other receivables – current | 57,298 | 3,470,553 | — | — |
| Financial assets at fair value through profit or loss | | | | |
| – equities | 2,818,924 | 81,870 | 263,941 | 449,215 |
| Total | <u>4,649,897</u> | <u>128,742,456</u> | <u>4,398,976</u> | <u>1,191,532</u> |

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

| | <i>Sterling</i> 2013 US \$ | <i>US Dollars</i> 2013 US \$ | <i>Euros</i> 2013 US \$ | <i>Other</i> 2013 US \$ |
|---|----------------------------------|------------------------------------|-------------------------------|-------------------------------|
| Financial Liabilities | | | | |
| Trade and other payables | 50,886 | 41,931,302 | 2,013 | 3,610,725 |
| Short-term borrowings | — | 176,888,821 | — | 1,112 |
| Short term liabilities under sale and repurchase agreements | — | 33,054,823 | — | — |
| Financial liabilities at fair value through profit or loss | | | | |
| – derivatives | — | 2,371,159 | — | — |
| Accruals and deferred income | 739,852 | 3,428,467 | — | — |
| Total | <u>790,738</u> | <u>257,674,572</u> | <u>2,013</u> | <u>3,611,837</u> |

| | <i>Sterling</i> 2012 US \$ | <i>US Dollars</i> 2012 US \$ | <i>Euros</i> 2012 US \$ | <i>Other</i> 2012 US \$ |
|---|----------------------------------|------------------------------------|-------------------------------|-------------------------------|
| Financial Liabilities | | | | |
| Trade and other payables | 644,306 | 15,353,049 | 7,793 | 240,517 |
| Short-term borrowings | — | 237,741,577 | 134,040 | 1,107 |
| Short term liabilities under sale and repurchase agreements | — | 175,578,090 | — | — |
| Financial liabilities at fair value through profit or loss | | | | |
| – derivatives | — | 971,228 | — | — |
| Accruals and deferred income | 956,289 | 46,916,848 | — | 134,429 |
| Total | <u>1,600,595</u> | <u>476,560,792</u> | <u>141,833</u> | <u>376,053</u> |

Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of commodities.

The Group is exposed to commodity price risk arising from physical sales of base metals, primarily refined copper.

This risk is principally managed through contractual arrangements with customers and the use of futures contracts. Any adverse price movement on physical positions will be offset by a positive movement on futures positions.

The Group is also exposed to commodity price risk in the event that commodity prices rise and the US Dollar value of total tonnages of commodities that it has contracted to purchase exceeds the total US Dollar amount of trade finance facilities available to the Group.

The Group mitigates this risk by entering into purchase contracts assuming commodity prices above prevailing levels. The Group also has the potential to finance metal purchases with trade finance providers by entering into sale and re-purchase agreements for the commodity.

Equity risk

Equity risk arises from changes in the prices of the Group's equity investments arising through the normal course of its investing activities. An adverse movement in the fair value of the equity investments has a negative impact on the capital resources of the Group.

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (Continued)

Equity risk exposures are primarily managed through the use of the individual stock position and overall portfolio limits.

A 10% increase or decrease in the underlying share price of listed financial assets of the Group at the year-end would have increased/(decreased) pre-tax profit and net assets by \$nil in the current financial year (2012: \$16,110/(\$16,110)).

Credit and non-performance risk

The Group is exposed to credit risk from its operating activities.

The Group's cash and cash equivalents are placed with major financial institutions.

Counterparty credit risk arises from our normal business operations including purchases and sales transactions, and thus receivables, as well as transactions which may involve a performance risk, for example associated with prepayments and accrued income. These risks are addressed by individual counterparty analysis and the creation of risk limits which are monitored on an ongoing basis. Given the global nature of our business operations, which involves a diverse counterparty base, the impact of individual risk exposure is reduced. Concentration risk is regularly monitored and assesses counterparty exposure, industry sector exposure and country exposure.

Trade receivables payment risk associated with the physical metals business is reduced as almost all the trade receivables are either backed by a letter of credit from a major financial institution or there is credit insurance for substantially all of the credit exposure or there is other protection through title retention arrangements.

The maximum exposure to credit risk before the consideration of collateral or other credit enhancements is represented by the carrying amounts of the financial assets that are shown on the consolidated statement of financial position, including derivatives with positive market value.

The Group is exposed to the potential risk of a supplier defaulting on delivery of a contracted shipment of metal. We mitigate this risk in our physical metals business, by keeping a quantity of stock in storage and, by the use of performance bonds or similar instruments. Further, as the physical metals business deals almost exclusively in readily convertible commodities, we expect to be able to source metals from alternative counterparties although this may impact the profitability of the transaction.

As at 31 December 2013, the analysis of trade receivables outstanding was as follows:

| | <i>Total</i> | <i>< 30 days</i> | <i>31-60 days</i> | <i>61-90 days</i> | <i>91-120 days</i> | <i>> 120 days</i> |
|------|--------------|---------------------|-------------------|-------------------|--------------------|----------------------|
| | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> | <i>US \$</i> |
| 2013 | 57,463,061 | 57,463,061 | — | — | — | — |
| 2012 | 103,623,451 | 103,623,451 | — | — | — | — |

At 31 December 2013 and at 31 December 2012 there were no trade receivables that were considered to be impaired.

Liquidity risk

The Group defines liquidity risk as the failure to have sufficient financial resources to meet its day to day capital and cashflow requirements.

The Group's liquidity risk management strategy includes (a) projecting cashflows from operations, (b) maintaining sufficient cash and (c) accessing a diverse number of uncommitted bi-lateral trade finance facilities.

The Group's liquidity is monitored daily within agreed procedures designed to ensure that the Group has sufficient liquidity to fully meet its obligations, including physical metal purchases and margin requirements at LME clearers and at third party brokers.

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (Continued)

Excess liquidity is invested in cash deposits with financial institutions, typically, on an overnight basis.

As at 31 December 2013, the Group had cash and cash equivalents of \$22,074,881 (2012: \$28,217,608).

Ambrian Metals Limited had as at 31 December 2013, bi-lateral bank facilities with eight (2012: seven) banks totalling US\$365,000,000 (2012: \$295,000,000) under which the Group had access to cash borrowings and trade finance facilities. At 31 December 2013, \$176,889,933 of these facilities, were drawn down (2012: \$234,876,724). The Group's policy is to maintain strong relationships with a number of alternative major providers of trade finance. The Group's metals trading business is dependent upon the continued availability of these banking facilities. The withdrawal or a material reduction of these facilities would have a materially adverse effect on the Group. The future growth of the metals trading business depends upon the availability of appropriate bank facilities and trade finance to fund them.

The table below summarises the maturity profile of the Group's financial liabilities and derivatives at 31 December based on contractual undiscounted payments.

| | 2013 US \$ | 2012 US \$ |
|---|--------------------|--------------------|
| <i>Up to 6 months</i> | | |
| Trade and other payables | 46,010,680 | 16,245,667 |
| Accruals and deferred income | 4,168,320 | 48,007,565 |
| Short term trade finance | 176,889,933 | 237,876,725 |
| Short term liabilities under sale and repurchase agreements | 33,054,823 | 175,578,090 |
| Financial liabilities at fair value through profit or loss | 2,371,159 | 971,229 |
| | <u>262,494,915</u> | <u>478,679,276</u> |

Capital management

The primary objective of the Group's capital management is to ensure that it has sufficient capital to support its businesses and maximise shareholder value.

For the purpose of capital management, capital is defined as share capital, share premium account, treasury shares and retained earnings.

To maintain or adjust the Group capital structure, the Group may return capital to shareholders or issue new shares.

The Group enters into short term borrowings secured upon inventory to finance trading activity. There are no long term borrowings within the Group.

25. Accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are considered below.

Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained

East West Resources plc
Notes forming part of the consolidated financial statements
for the year ended 31 December 2013 (*Continued*)

from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately. Details of financial assets held at fair value through profit or loss are provided in note 9.

All amounts presented in respect of unlisted securities have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This determination requires significant judgement in determining changes to fair value since the last valuation date. In making this judgement the Board evaluates, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies.

Deferred tax asset

The Group determines the recoverability of deferred tax assets based on an assessment of the future financial performance of the business and the ability to offset or recover this under the tax legislation of the jurisdictions that the Group operates in. The extent to which estimates about future performance of the business or tax legislation are different from current assessments may impact the ultimate realisation of this asset.

Legal proceedings

At the reporting date there were no known legal proceedings outstanding against any of the Group companies.

26. Non-controlling interest

The non-controlling interest disclosed in the statement of comprehensive income and statement of financial position represents a 20% minority interest in Ambrian Resources AG held by shareholders other than East West Resources plc.

27. Post balance sheet events

On 2 May 2014, East West Resources plc entered into an agreement for the surrender of the lease of its office premises which is due to expire in June 2015. It will vacate its premises before 30 June 2014.

On the same date, Ambrian Metals Limited entered into a ten year lease (with a break clause after 5 years) for office premises in the City of London.

28. Result of discontinued operations

There were no discontinued operations in the current year. This note relates the disposal of Ambrian Asset Management Limited and Ambrian Energy GmbH which were discontinued in 2012.

| | <i>At disposal 2013 US \$</i> | <i>At disposal 2012 US \$</i> |
|-------------------------------|---------------------------------------|---------------------------------------|
| Property, plant and equipment | — | 124,885 |
| Trade and other receivables | — | 20,762 |
| Inventory | — | 2,160,253 |
| Cash | — | 2,174,970 |
| Trade and other payables | — | (432,408) |
| Net asset position | <u>—</u> | <u>4,048,462</u> |

East West Resources plc

Notes forming part of the consolidated financial statements for the year ended 31 December 2013 (*Continued*)

Result of discontinued operations

| | 2013 US \$ | 2012 US \$ |
|---|---------------|---------------|
| Revenue | — | 7,240,108 |
| Administrative expenses | — | (11,072,682) |
| Loss on operating activities | — | (3,832,574) |
| Loss from selling discontinued operations | — | (1,297,000) |
| | — | (5,129,574) |
| Taxation | — | — |
| (Loss) for the year | — | (5,129,574) |
| (Loss) per share on discontinued operations: | | |
| Basic in US \$ cents | — | (5.13) |

Statement of cash flows from discontinued operations

| | 2013 US \$ | 2012 US \$ |
|---------------------------------------|---------------|---------------|
| Operating activities | — | (1,072,348) |
| Investing activities | — | (910,116) |
| Net cash from discontinued operations | — | (1,982,464) |

East West Resources plc

Company Balance Sheet at 31 December 2013

| <i>Company number 03172986</i> | <i>Note</i> | <i>2013 US \$</i> | <i>2012 US \$</i> |
|--|-------------|-----------------------|-----------------------|
| Fixed assets | | | |
| Property, plant and equipment | 3 | 62,967 | 83,476 |
| Investments | 4 | 20,080,923 | 19,705,080 |
| | | <u>20,143,890</u> | <u>19,788,556</u> |
| Current assets | | | |
| Investments | 5 | 1,706,159 | 2,786,361 |
| Debtors: amounts due within one year | 6 | 7,705,877 | 3,031,111 |
| Cash at bank and in hand | | 1,765,078 | 1,370,739 |
| | | <u>11,177,114</u> | <u>7,188,211</u> |
| Current liabilities | | | |
| Creditors: amounts due within one year | 7 | (6,850,507) | (5,667,179) |
| Net current assets | | <u>4,326,607</u> | <u>1,521,032</u> |
| Total assets less current liabilities | | <u>24,470,497</u> | <u>21,309,588</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 8 | 17,665,294 | 17,665,294 |
| Share premium account | 9 | 18,043,816 | 18,043,816 |
| Treasury shares | 9 | (1,986,574) | (1,986,574) |
| Retained earnings | 9 | (9,516,688) | (11,934,095) |
| Share-based payment reserve | 9 | 8,052,410 | 8,013,607 |
| Employee benefit trust | 9 | (11,446,444) | (11,446,444) |
| Exchange Reserve | | 3,658,683 | 2,953,984 |
| Shareholders' funds | | <u>24,470,497</u> | <u>21,309,588</u> |

These financial statements were approved and authorised by the Board of Directors on 7 May 2014


 C A Crick
 Chairman


 J M Coles
 Finance Director

The accounting policies and notes set out on pages 52 to 58 form an integral part of these parent Company financial statements.

East West Resources plc
Notes forming part of the Company financial statements
for the year ended 31 December 2013

1. Accounting policies

The parent Company financial statements of East West Resources plc have been prepared in accordance with applicable UK accounting standards (UK GAAP). The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 not to present its individual profit and loss account and related notes. The accounting policies that have been used in the preparation of these financial statements are described below.

The Company has elected not to adopt the provisions of Financial Reporting Standard 26 "Financial Instruments: Recognition and Measurement".

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

The financial statements have been presented in US Dollars which is the functional currency of the Company's principal trading subsidiary, Ambrian Metals Limited. Until 31 December 2012, the Company presented its financial statements in Pounds Sterling. Figures for comparative periods have been converted from Pounds Sterling into US Dollars as set out below:

- assets and liabilities denominated in non-US Dollar currencies were translated into US Dollars at closing rates of exchange. Non-US Dollar trading results were translated into US Dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to the translation reserve; and
- share capital, share premium and other reserves were translated at the historic rates prevailing at the dates of transactions.

The exchange rates of Pounds Sterling to US Dollar over the periods included in the financial statements are as follows:

| <i>US Dollar exchange rate /Pounds Sterling</i> | <i>31/12/2012</i> | <i>31/12/2011</i> |
|---|-------------------|-------------------|
| Closing rate | 1.6253 | 1.5453 |
| Average rate | 1.5928 | 1.6084 |

1.3 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all timing differences when the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

East West Resources plc
Notes forming part of the Company financial statements
for the year ended 31 December 2013 (*Continued*)

1.4 *Pensions*

The Company contributes to the private pension scheme of one Director. The assets of the scheme are held separately from that of the Company. Contributions are charged in the accounts as incurred.

1.5 *Share-based payment transactions*

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

The fair values of employees' services rewarded using share-based payments are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are recognised as an expense in the profit and loss account with a corresponding credit to share-based payment reserves.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

1.6 *Employee benefit trust*

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Company's accounts. Any assets held by the EBT cease to be recognised on the consolidated statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the profit and loss account.

1.7 *Treasury shares*

The costs of purchasing treasury shares are shown as a deduction against shareholders' funds. The proceeds from the sale of own shares held increase shareholders' funds. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the profit and loss account.

1.8 *Investments*

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

1.9 *Capital contributions*

Where the Company makes a loan to a subsidiary company on a subordinated basis, this is treated as equity in the subsidiary and as a fixed asset investment in the Company.

East West Resources plc
Notes forming part of the Company financial statements
for the year ended 31 December 2013 (*Continued*)

2. Company profit/(loss)

The Company has taken advantage of exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Company's profit after tax was \$2,417,407 (2012: (\$8,343,621)).

3. Property, plant and equipment

| | 2013 US \$ | 2012 US \$ |
|-------------------------|----------------------|----------------------|
| Office equipment | | |
| <i>Cost</i> | | |
| At 1 January | 158,941 | 158,941 |
| Additions | — | — |
| Balance at 31 December | <u>158,941</u> | <u>158,941</u> |
| <i>Depreciation</i> | | |
| At 1 January | 75,465 | 46,415 |
| Charge for the year | 20,509 | 29,050 |
| Balance at 31 December | <u>95,974</u> | <u>75,465</u> |
| <i>Net book value</i> | | |
| At 31 December | <u><u>62,967</u></u> | <u><u>83,476</u></u> |

4. Investments held as current assets

| | <i>Shares in subsidiary Undertakings US \$</i> |
|-------------------------------|--|
| <i>Cost</i> | |
| At 1 January | 19,705,080 |
| Additions/(disposals) | — |
| Effect of foreign translation | 375,843 |
| At 31 December | <u>20,080,923</u> |
| <i>Net book value</i> | |
| At 31 December 2013 | <u>20,080,923</u> |
| At 31 December 2012 | <u>19,705,080</u> |

East West Resources plc
Notes forming part of the Company financial statements
for the year ended 31 December 2013 (Continued)

Details of the investments in subsidiary undertakings held by the Company at the year-end are as follows:

| Name of Company | Country of operation | Country of incorporation | Holding | Proportion of shares and voting rights held | Nature of business |
|---------------------------------------|----------------------|--------------------------|-----------------|---|--------------------------|
| Ambrian Nominees Limited | UK | UK | Ordinary shares | 100% | Nominee |
| Ambrian Principal Investments Limited | Jersey | Jersey | Ordinary shares | 100% | Managed fund |
| Ambrian Metals Limited | UK | Switzerland | Ordinary shares | 100% | Physical metals merchant |
| Ambrian Trading (Shanghai) Limited | China | China | Ordinary shares | 100% | Physical metals merchant |
| Ambrian Energy Limited | UK | Switzerland | Ordinary shares | 100% | Dormant |
| Strategic Energy Bank | UK | UK | Ordinary shares | 100% | Dormant |
| Ambrian Resources AG | Switzerland | Switzerland | Ordinary shares | 80% | Consultancy |

All the other holdings have been held throughout the year and the proportion of shares and voting rights held is unchanged.

5. Investments

| | 2013 US \$ | 2012 US \$ |
|----------|------------------|------------------|
| Listed | — | 245,505 |
| Unlisted | 1,706,159 | 2,540,856 |
| | <u>1,706,159</u> | <u>2,786,361</u> |

6. Debtors

| | 2013 US \$ | 2012 US \$ |
|--|------------------|------------------|
| Amounts falling due within one year | | |
| Trade and other debtors | — | 2,764,474 |
| Amounts owed by subsidiary undertakings | 7,072,213 | — |
| Deferred tax asset | 356,901 | 66,863 |
| Other taxes and social security | — | 93,715 |
| Prepayments and accrued income | 276,763 | 106,059 |
| | <u>7,705,877</u> | <u>3,031,111</u> |

Amounts owed by subsidiary undertakings are shown after provisions of \$nil (2012: \$1,271,269).

East West Resources plc
Notes forming part of the Company financial statements
for the year ended 31 December 2013 (Continued)

7. Creditors

| | 2013 US \$ | 2012 US \$ |
|--|------------------|------------------|
| Amounts payable within one year | | |
| Other creditors | 6,423 | 557,701 |
| Other taxation and social security creditors | 873,379 | — |
| Accruals and deferred income | 671,441 | 773,591 |
| Corporation tax | 15,788 | 15,554 |
| Amounts owed to subsidiary undertaking | 5,283,476 | 4,320,333 |
| | <u>6,850,507</u> | <u>5,667,179</u> |

8. Called up share capital

| | 2013 | 2012 |
|---------------------------------------|--------------------|--------------------|
| Authorised | | |
| Number of ordinary shares of 10p each | <u>250,000,000</u> | <u>250,000,000</u> |
| | £ | £ |
| Value of ordinary shares at 10p each | <u>25,000,000</u> | <u>25,000,000</u> |

| | 2013 | 2012 |
|---|--------------------|--------------------|
| Called up, allotted and fully paid | | |
| Ordinary shares of 10p each | <u>111,361,208</u> | <u>111,361,208</u> |
| | US \$ | US \$ |
| Value of ordinary shares at 10p each | <u>17,665,294</u> | <u>17,665,294</u> |

9. Statement of movement on reserves

| | <i>Share Premium account US \$</i> | <i>Profit and loss account US \$</i> | <i>Other reserves US \$</i> |
|-------------------------------|--|--|---------------------------------|
| At 1 January 2013 | <u>18,043,816</u> | <u>(11,934,095)</u> | <u>(2,465,427)</u> |
| Income for the financial year | — | 2,417,407 | — |
| Foreign currency adjustments | — | — | 704,699 |
| Share-based payment charge | — | — | 38,803 |
| Balance at 31 December 2013 | <u>18,043,816</u> | <u>(9,516,688)</u> | <u>(1,721,925)</u> |
| Balance at 31 December 2012 | <u>18,043,816</u> | <u>(11,934,095)</u> | <u>(2,465,427)</u> |

East West Resources plc
Notes forming part of the Company financial statements
for the year ended 31 December 2013 (Continued)

Analysis of other reserves

| | <i>Share based payments reserve US \$</i> | <i>Employee benefit trust US \$</i> | <i>Treasury shares US \$</i> | <i>Exchange reserve US \$</i> | <i>Total US \$</i> |
|---------------------------------|---|---|--------------------------------------|---------------------------------------|------------------------|
| At 1 January 2013 | 8,013,607 | (11,446,444) | (1,986,574) | 2,953,984 | (2,465,427) |
| Foreign currency adjustments | | | | 704,699 | 704,699 |
| Share-based payment charge | 38,803 | — | — | — | 38,803 |
| Balance at 31 December 2013 | <u>8,052,410</u> | <u>(11,446,444)</u> | <u>(1,986,574)</u> | <u>3,658,683</u> | <u>(1,721,925)</u> |

During the year the Company loaned \$nil (2012: \$nil) to the Employee Benefit Trust set up by the Group.

There are 4,500,058 (2012: 4,500,058) shares held in Treasury Shares, and 6,259,046 shares (2012: 4,500,058) are held by the Employee Benefit Trust.

10. Reconciliation of movements in shareholders' funds

| | <i>2013 US \$</i> | <i>2012 US \$</i> |
|--|-----------------------|-----------------------|
| Income/(loss) for the financial year | 2,417,407 | (8,343,621) |
| Movement in exchange reserves | 704,699 | (14,804,711) |
| FRS 20 share option charge | 38,803 | 39,444 |
| Purchase of shares | — | — |
| Sales of shares | — | — |
| Net (reduction) to shareholders' funds | <u>3,160,909</u> | <u>(23,108,888)</u> |
| Opening shareholders' funds | <u>21,309,588</u> | <u>44,418,476</u> |
| Closing shareholders' funds | <u>24,470,497</u> | <u>21,309,588</u> |

11. Share options

The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to the Directors and other persons. Full details of the share options currently in existence are set out in note 18 to the consolidated financial statements.

12. Capital commitments

There were no capital commitments as at 31 December 2013 or at 31 December 2012.

13. Contingent liabilities

There were no contingent liabilities as at 31 December 2013 or at 31 December 2012.

14. Guarantees and other financial commitments

The Company has granted a \$10,000,000 guarantee (2012: \$10,000,000) to a consortium of banks that provide trade finance facilities to Ambrian Metals Limited.

East West Resources plc

Notes forming part of the Company financial statements for the year ended 31 December 2013 *(Continued)*

15. Transactions with related parties

Details of transactions with Directors and Directors' remuneration are given in note 5 to the consolidated financial statements.

Details of a loan granted to a subsidiary company by a significant shareholder in 2012 are disclosed in note 14 to the consolidated financial statements.

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with its wholly owned subsidiaries.

There were no other related party transactions.

16. Post balance sheet event

On 29 April 2014, East West Resources plc entered into the surrender of the lease of its office premises which is due to expire in June 2015. It will vacate its premises before 30 June 2014.

East West Resources plc

Directors

EAST WEST RESOURCES PLC

Charles A Crick

Non-executive Chairman

Charles is a solicitor and was most recently a director of the Company and its subsidiary, Ambrian Partners Limited. Charles trained and spent the early part of his career at Allen & Overy. After a number of years in private practice specialising in corporate finance and banking law, he joined Numis Securities in 1996. Until his retirement at the end of 2004 he was head of corporate finance and a main board Director of Numis Corporation plc.

John M Coles

Finance Director

John has over 25 years' experience in investment banking and asset management. After qualifying as a chartered accountant, he worked with Robert Fleming & Co. Limited in private equity, investment banking and stockbroking. Prior to joining the Group, John was Deputy Managing Director of JP Morgan Fleming Asset Management in France. John holds an honours degree in business and economics from Trinity College, Dublin, and is a member of the Institute of Chartered Accountants in England and Wales.

Nicolas F Rouveyre

Non-executive Director

Nicolas Rouveyre is a French citizen and has worked in the minerals industry all of his professional life, starting his career with Transamine in Bolivia and Peru. Thereafter, he spent over 20 years with the Marc Rich Group and then with the Glencore International Group ("Glencore"), where he was a senior partner and responsible for the zinc, lead, silver and gold trading department. He has substantial experience in managing and developing large businesses and was instrumental in acquiring a significant portfolio of integrated zinc and lead operations worldwide which assisted Glencore to become the largest global player in these markets.

Kevin Lyon

Non-executive Director

Mr Lyon is a chartered accountant, with over 30 years of experience in private equity and in senior Director positions in a number of different companies. He spent approximately 17 years with the 3i Group, responsible for their core private equity business across the UK. Mr Lyon was Chairman of Smart Metering Systems plc and Valiant Petroleum plc and Non-executive Director of Booker Group plc. He is currently Chairman of Mono Global Group, Cutis Developments and NextEnergy Solar Fund Limited and also serves as an independent Director of DCK Group. He is also a member of the Institute for Turnaround Professionals and won the Institute of Directors Scotland, Non-Executive Director of the Year Award in March 2013.

Ed Marlow

Non-executive Director

Mr Marlow was, until July 2011, a Managing Director at Credit Suisse and was previously Global Head of Coverage for Principal Investments at HSBC. In September 2007, Mr Marlow founded HSBC's Principal Investments Africa team having worked and travelled extensively in Africa for more than 20 years. He has over 10 years of specific investment and advisory experience in sub-Saharan Africa with a particular emphasis on natural resources. Mr Marlow also has considerable experience of the UK and Canadian resource markets and is currently Chairman of Sanatana Resources Inc (TSX) and a Non-executive Director of Thor Explorations Ltd (TSX). He is also Chief Executive Officer of African Potash Limited, an AIM listed company. He was formerly on the boards of ESO Uranium Corp (TSX) and Kopane Diamonds plc (AIM).