GoldStone Resources Limited

Report and Consolidated Financial Statements

for the year ended
31 December 2016

contents

general information

director details:

N Gardyne
E Priestley (appointed 30 June 2016)
R Lloyd (appointed 19 September 2016)
B Foster (resigned 4 April 2017)
C Hall (resigned 28 July 2016)
K Parker (resigned 31 May 2016)
A Bell (appointed 30 June 2016, resigned 19 September 2016)
JH Wessels (resigned 18 February 2016)

company secretary:

J Coetzer

registered office:

15 Esplanade, St Helier, Jersey, JE1 1RB

auditor:

PKF Littlejohn LLP
1 Westferry Circus, Canary Wharf, London, E14 4HD

nominated adviser:

Strand Hanson Limited
26 Mount Row, London, W1K 3SQ

broker adviser:

SI Capital Limited
46 High Street, Godalming, Surrey, GU7 1HL

crest source adviser and UK transfer agent:

Computershare
The Pavillions, Bridge Road, Bristol, BS99 6

chairman's report

I am pleased to report to shareholders following my appointment as Chairman of GoldStone Resources Limited ("GoldStone" or the "Company") in July 2016.

2016 saw a number of changes to the Company, following the £1.0 million (US$1.4 million) equity financing in July 2016, we were able to undertake further exploration activities. The results from the diamond, reverse circulation and auguring drill programmes that were carried out at the Homase-Akrokerri project in Ghana, provided encouraging results and have highlighted the areas that we need to focus on in order to firm up and add to the existing resource, in order to advance the project towards a scoping study and ultimately, to bring the project back into production.

Whilst our core focus is centred on the Homase-Akrokerri project, we continue to seek ways of realising the value of our Senegal and Gabon assets. It is too early to claim any success in this regard, nevertheless we are working on these interesting prospects.

To align our accounting policy with international peers, GoldStone has elected to capitalise its exploration costs, where previously it had been expensing them through profit or loss. This will apply only to the work undertaken on the Homase-Akrokerri project. We believe this will provide a better reflection of the results of the Company's activities as well as its financial position.

The Board continues to monitor and manage the Company's working capital position and to consider funding structure to provide the requisite funding to advance the Homase-Akrokerri project. With this in mind, post the year-end, the Company brought in a strategic partner, Paracale Gold Limited ("Paracale"), pursuant to a loan of up to £0.4 million (US$0.5 million) to provide near term working capital. Their involvement is subject to the passing of important resolutions at the forthcoming AGM, discussed further in the Chief Executive Officer's Report. Paracale has the expertise to build mines and bring brownfield projects into production. The Board sees this partnership taking the Company forward, with the ultimate aim of bringing the Homase-Akrokerri project back into production. We are confident that they will support the Company going forward and we will keep shareholders advised as to progress in this regard. With the support of Paracale, we hope to develop a wider shareholder base in the future as further funding will be required in order to, *inter alia*, advance the Company's projects.

In addition, in order to preserve cash, the Board also agreed, subject to approval of the requisite share authorities by shareholders at the AGM, to be issued shares in respect of salaries through to the end of September 2017.

During 2016, there were a number of changes to the Board and since the year end, Bob Foster has stepped down as Non-executive Director. His regular involvement will be missed as he had developed an excellent understanding of the complex geology of the Homase-Akrokerri project. We thank him for the continuity and valued expertise he contributed during his time with the Company. Richard Lloyd and I remain as the independent Non-executive Directors.

GoldStone is well positioned and has a core team who are committed to facilitate effective decision making, to realise the value of our assets for the benefit of all stakeholders. We thank our shareholders for supporting the Company thus far and we give you our commitment that we will work diligently to justify your trust in the Board and GoldStone's future, in building a robust mining company.

Neil Gardyne
Chairman
15 May 2017

chief executive officer's report

It is my pleasure to present my first Annual Report as the Chief Executive of GoldStone Resources Limited ("GoldStone" or the "Company") having been appointed in an acting role on 18 February 2016 and then substantive on 30 June 2016, I set out below a strategy for the Company and an operational update.

The focus for the Company going forward is to unlock value through the potential development of it's Homase-Akrokerri project in Ghana. GoldStone will focus its efforts on increasing the confidence in and overall scale of the existing mineral resource and economics for the project as it progresses through to a scoping study. The ultimate aim is to bring the project back into production, and to place the Company on a sound financial footing. With this in mind, the Company, post year-end, entered into a loan agreement with Paracale Gold Ltd ("Paracale"), which will provide the Company with important working capital and will, subject to shareholder approval, convert into shares in the Company. In addition, Paracale also brings extensive experience in developing and building mines and we welcome their support to date and their continued involvement will be dependent upon positive support from shareholders at the AGM.

Significant developments have occurred this last year and are highlighted below:

Homase-Akrokerri, Ghana

Since August 2016 the Company has made significant progress, bringing the project administration up-to-date and instigating work on its most advanced project, Homase-Akrokerri project in Ghana, with approximately 1,500 metres of reverse circulation drilling ("RC") and 800 metres of diamond drilling ("DD") and two auger drilling programmes for over 3,300 metres on the licences. The programme produced encouraging results by starting the process of targeting 'information gaps' within the existing resource. These results provide important insights to the controls on the mineralisation and allow us to plan further drilling with a view to adding to the existing resource, whilst at the same time improving confidence levels in the categorisation of the existing 0.62 million ounce JORC Code compliant resource. Although there is little doubt that the ore shoots continue to greater depths, our focus will be on identifying resources at depths that can be exploited in the foreseeable future. The Company will, subject to funding, also look to undertake further exploration work on additional areas of interest as it seeks to increase the total resources within the licences.

We welcome Paracale on board, subject to shareholder approval, to assist GoldStone in the development of Homase-Akrokerri and the evolution of GoldStone as a whole. We will be reviewing the Homase-Akrokerri project to advance the medium-term strategy of completing a scoping study with the ultimate aim to re-commence production. The Board believes that Paracale, given its experience in developing projects, will be able to provide support to the Company as it seeks to achieve the goal of bringing the project back into production.

Senegal and Gabon

Progress on the projects in these two jurisdictions has been inhibited with the focus on Ghana. However, we are encouraged by the recent interest of Randgold to progress their Massawa gold project and of Toro Gold's development of their Mako Project, both in Eastern Senegal. The Company has received approaches regarding possible joint ventures for each of the projects in Senegal and Gabon and these will continue to be assessed and considered. However, the projects in these jurisdictions, due to their early stage nature, are considered to have limited value at the current time and therefore costs associated with these projects will continue to be expensed through profit or loss until such time that they may be considered to be commercially viable.

Former Director Claim

As announced on 13 October 2016, there is an outstanding claim by a former director. Whilst the Board believes there is no merit in the claim, discussions are ongoing with the claimant in order to resolve the situation. As previously disclosed, the original claim exceeds the Company's current available cash and should an agreement not be reached, the claim will be in heard in the South African Labour Court. This has been disclosed as a contingent liability in note 17 to the financial statements.

Accounting Practice

Previously GoldStone had been writing off all exploration expenditure to profit or loss. The Company has now elected to capitalise such costs as assets, as GoldStone believes this will align its accounting policy with its peers and provide a better reflection of the results of its activities as well as its financial position.

This change will only affect the work at the Homase-Akrokerri project since GoldStone instigated work on the combined licences. This is detailed in the accounts at notes 3(c) and 3(i) to the financial statements. The effect of change in the accounting policy increases the total carrying value of Intangible Assets – Exploration by US$6.3 million since inception in 2010.

Working capital management and Funding

In July 2016, £1.0 million (US$1.4 million) was raised with US$0.64 million being spent in the ground at Homase-Akrokerri, including reinstating work at site, completion of two auger programmes and the RC and DD programmes, re-interpretation of the geo-physics and modelling old data.

The balance of the funds was spent on administration related costs in Ghana and the Corporate overheads in London amounting to US$0.75 million, which includes the loan to Stratex International Plc ("STX") of US$0.25 million which was capitalised as equity and the settlement payment of US$0.13 million to settle an employment related dispute.

Following the year end, the Company secured a £0.4 million convertible loan with Paracale, which was not subject to settlement on the claim by the former director. £0.2m has already been drawn down and, subject to shareholder approval at the Company's Annual General Meeting ("AGM"), the second tranche of £0.2 million will be drawn down in full within three business days of AGM and the full amount of the loan plus accrued interest will then be converted into new ordinary shares of 1 penny each in the capital of the Company ("Ordinary Shares").

This loan will be used for essential corporate purposes, including renewal of licences and a review of existing data for all the projects, with the initial focus on the Homase-Akrokerri project. Following the review, further funding will be required to advance the Company's projects. The loan, if drawn in full, together with the Company's existing cash resources, are expected to provide funds through to early 2018, prior to taking into account the claim by the former director.

The Directors continue to monitor and manage the Company's working capital position very carefully and have, in order to preserve cash and subject to the required authorities being granted by shareholders at the AGM, agreed to convert accrued and future salaries and fees through to the end of September 2017 for all Directors into new Ordinary Shares ("Fee Shares"). This is expected to save US$140,850 over a nine month period.

The Board welcomes and values the support and credentials of Paracale, who we believe will be a long-term strategic investor and stakeholder in the Company.

Risk management

The Board has identified the following as being principal strategic and operational risks (in no particular order).

Going concern

The Company's going concern status is dependent on seeking working capital in the short term and the longer term to exploit the Homase-Akrokerri project. The loan of £0.4 million (US$0.5 million) from Paracale is conditional upon shareholder approval at the AGM and, should it be drawn in full and converted, together with the Company's existing cash is expected to be sufficient to fund the Company's working capital requirements through to early 2018. However, in order to advance the projects, as set out above, the Company will need to raise additional funds.

It should be noted that with the outstanding claim by a former director, the Company incurs a contingent liability, and in the event the claim results in a court hearing and the ruling goes against GoldStone, then it could potentially result in the Company becoming insolvent. Further details are provided in note 17 to the financial statements.

The loan provided by Paracale was not subject to the claim being settled and the Board was mindful of this and also the need to minimise dilution for existing shareholder, with the conversion of the loan resulting in dilution of shareholders, and the need to raise working capital in the short-term. Accordingly, the Board took all of this into consideration at the time of entering into the loan and believe that the loan is in the best interest of the Company and shareholders as a whole.

If shareholders do not approve the conversion of the Paracale loan at the AGM, the Company will be unable to draw the second tranche of the loan of £0.2 million and the initial tranche, plus accrued interest and a default fee of 50% of the initial tranche will be repayable in full within six weeks of the AGM. If this was to occur and the Company is subsequently unable to secure the necessary funding in the short term to repay the loan and to provide general working capital, it is highly likely that the Company will not be able to meet its liabilities as the fall due and may therefore be forced into insolvency proceedings (be that administration or liquidation) and in such a case it is highly unlikely that there would be any value attributable to Shareholders.

Notwithstanding the contingent liability, and the support from Paracale, the Company will have to seek further funding to be able to advance the projects and to provide general working capital. Therefore, in order to provide maximum flexibility to the Company going forward, the Company will be seeking the necessary shareholder approvals to be able to issue new ordinary shares, in respect of the both the conversion of the loan and for future equity placings at the AGM. Accordingly, the Directors will be seeking Shareholder approval at the AGM to increase the Company's authority to issue shares without pre-emption in order to provide maximum flexibility to the Company.

A General Meeting of the Company is to be held at 10 a.m. on 2 June 2017 at the offices of Faegre Baker Daniels LLP at 7 Pilgrim Street, London EC4V 6LB.

It should be noted that the auditors have drawn attention to going concern within their audit report by way of an emphasis of matter.

Exploration

Exploration for natural resources is speculative and involves significant risk. Drilling and operating risks include geological, geotechnical, seismic factors, industrial and mechanical incident, technical failures, labour disputes and environmental hazards.

The Directors are constantly evaluating each project site by site in order to mitigate as far as possible these risks inherent in exploration. Use of modern technology and electronic tools assist in reducing risk in this area. Good employee relations is also key in reducing the exposure to labour disputes. The Company is committed to following sound environmental guidelines and practice and is keenly aware of the issues surrounding each individual project.

Country and political

The Company's projects are in Ghana, Senegal and Gabon. Emerging market economies could be subject to greater risks including legal, regulatory, economic and political risks and are potentially subject to rapid change.

The Board routinely monitors political and regulatory developments in its countries of interest. Ghana has recently gone through a successful peaceful election. In addition, the Company actively engages in dialogue with relevant Government representatives in order to keep abreast of all key legal and regulatory developments applicable to its areas of interest. The Company has a number of internal processes in place to ensure that it is wholly compliant with all relevant regulations in order to maintain its licences within each country. These country risks are further addressed in notes 2(d)(ii) and 3(j) to the financial statements.

Social, Safety and Environmental

The Company's success may depend upon its social, safety and environmental performance as failures can lead to delays or suspensions of its activities.

The Company takes its responsibilities in these areas seriously and monitors its performance across these areas on a regular basis. As we continue to build our confidence in the Homase-Akrokerri project through drilling, metallurgical and engineering studies, we will also strengthen our relationship with the communities living within the concession areas and close to the projects. Initially in Ghana, our initiative will be centred on building a co-operative with the smallholder farmers and out-grower schemes with the communities. These schemes benefit both the communities in which we will be operating and our investors into the agricultural programmes.

Well-Positioned for Growth

GoldStone is a gold explorer with assets in West Africa. The Company is focused on unlocking the value in its advanced Homase-Akrokerri project in Ghana and gaining an improved understanding of the exploration upside potential at the projects in Senegal and Gabon.

I would like to thank my fellow Board members, both past and present, and the Company's advisers for their enthusiasm, hard work and valuable guidance. 2016 was a year of considerable change for GoldStone and I look forward to updating you on our continued progress over the course of 2017. Despite the challenging market conditions, with the continued support of our shareholders and partners, we are well positioned to be able to deliver further growth for all stakeholders.

I view the future of the gold industry with optimism and, with the ability to take advantage of enabling situations, I believe GoldStone will present better growth for all shareholders and stakeholders.

Emma Priestley
Chief Executive Officer
15 May 2017

directors' report

The directors present their report and consolidated financial statements (the "financial statements") for GoldStone Resources Limited (the "Company") and its subsidiaries (together "the Group") for the year ended to 31 December 2016.

Incorporation

The Company was incorporated in Jersey as a private company under the Companies (Jersey) Law 1991 on 17 April 1998. The Company was changed from a private company to a public company on 16 March 2004. The Company was successfully admitted to trading on the AIM market of the London Stock Exchange on 25 March 2004. As of 31 December 2016, the Company has an issued share capital of 102,286,363 ordinary shares of 1 pence each (December 2015: 62,286,363 ordinary shares).

Principal activity and review of business

The Company's principal activity is that of a holding company. The Group's principal activity is exploration and mining of gold and associated elements. The directors are currently active in pursuing the Group's exploration projects and prospects in West and Central Africa, with the main focus in Ghana. A review of the Company's performance and indications of likely future development is included in the CEO's report on pages 5 to 9.

There has been a change in accounting policy in the period to a full cost based accounting policy in respect of specific exploration licences. This is discussed further in the CEO's report on pages 5 to 9 and Notes 3(c) and 3(i) to the financial statements.

Going concern

The financial statements have been prepared assuming the Group and Company will continue as a going concern. In assessing whether the going concern assumption is appropriate, the directors have taken into account all available information for the foreseeable future; in particular for the 12 months from the date of approval of these financial statements. This assessment included consideration of the cost reduction measures that have been implemented, the funding that has been brought in post the year-end, licence requirements and the ability of the directors to raise further funds going forward.

As disclosed in Note 2(b) to the financial statements, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. It should be noted, however, that the auditors have drawn attention to going concern within their audit report by way of an emphasis of matter.

Results and dividends

The loss for the financial year is set out in the consolidated statement of comprehensive income on page 15. The directors do not recommend a dividend for the year ended 31 December 2016 (year ended 31 December 2015: US$ nil).

Events after the Reporting Period

In April 2017, the Group entered into a loan agreement with Paracale Gold Limited, following which Paracale Gold will provide a loan of up to £0.4 million (US$0.5 million). The nature of this transaction is a convertible loan note. See Note 22 to the financial statements for further details.

Directors
The directors of the Company who served during the year and to the date of this report are as set out on page 2.

Corporate governance
The Company seeks to comply with the provisions of the QCA's Corporate Governance Code for Small and Mid-Size Quoted Companies to the extent that the directors believe it is appropriate in light of the size, stage of development and resources of the Company. At present, due to the size of the Group, audit and risk management issues will be addressed by the Board. As the Group grows, the Board will consider establishing an audit and risk management committee and will consider developing further policies and procedures which reflect the principles of good governance.

Financial instruments
The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk foreign exchange risk and interest rate risk. The Group has in place a risk management programme that seeks to contain, where appropriate, exposures in these financial risks in order to limit any negative impact on the Group's financial performance and financial position. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

The Board maintains responsibility of monitoring financial risk and setting the policies that are implemented by the Group's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk and credit risk, and circumstances where it would be appropriate to use financial institutions to manage these.

Details on the Group's exposure to foreign exchange risk, credit risk, liquidity risk and interest rate risk are shown at Note 16 to the financial statements.

Provision of information to Auditor
The Directors who held office at the date of this report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor
PKF Littlejohn LLP has expressed their willingness to continue in office.

Company secretary:
J Coetzer
15 Esplanade, St Helier, Jersey, JE1 1RB

Approved by the Board of Directors
and signed on behalf of the Board

Director
15 May 2017

statement of directors' responsibilities

The directors are responsible for preparing the consolidated financial statements (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 prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of financial information differs from legislation in other jurisdictions. The Company is compliant with AIM Rule 26 regarding the Company's website.

Signed on behalf of the board

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLDSTONE RESOURCES LIMITED

We have audited the financial statements of GoldStone Resources Limited for the year ended 31 December 2016 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU').

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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 Auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2b to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of US$834,874 during the year ended 31 December 2016 and its operations are not yet cash generative. Whilst the Group had net current assets of US$102,599 as at 31 December 2016 its ability to continue as a going concern is dependent on its ability to raise funds on the open market. These conditions, along with the other circumstances explained in note 2b to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent Company; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Joseph Archer

Joseph Archer (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
15 May 2017

1 Westferry Circus
Canary Wharf
London E14 4HD

consolidated statement of financial position

as at 31 December 2016

in united states dollars		December 2016	December 2015	Restated as at 1 January 2015
assets				
property, plant and equipment	8	6,809	9,110	21,507
intangible assets – exploration	9	6,344,127	5,706,602	5,300,610
non-current assets		**6,350,936**	**5,715,712**	**5,322,117**
trade and other receivables		239	912	9,923
cash and cash equivalents	11	135,572	244,530	1,563,085
current assets		**135,811**	**245,442**	**1,573,008**
total assets		**6,486,747**	**5,961,154**	**6,895,125**
equity				
share capital – ordinary shares	12	1,526,658	1,008,352	1,008,352
share capital – deferred shares	12	6,077,013	6,077,013	6,077,013
share premium	12	26,495,336	25,717,878	25,717,878
capital contribution reserve		555,110	555,110	555,110
share options reserve		49,447	605,808	605,808
accumulated deficit		(28,250,029)	(28,011,854)	(27,119,923)
total equity		**6,453,535**	**5,952,307**	**6,844,238**
liabilities				
trade and other payables	15	33,212	8,847	50,887
current and total liabilities		**33,212**	**8,847**	**50,887**
total equity and liabilities		**6,486,747**	**5,961,154**	**6,895,125**

The consolidated financial statements were approved by the Board of Directors on 15 May 2017.
Signed on behalf of the Board

Chief Executive Officer

The notes on page 19 to 39 form part of these consolidated financial statements.

consolidated statement of comprehensive income

for the year ended 31 December 2016

in united states dollars		**year ended 31 December 2016**	**year ended 31 December 2015 (restated)**
continuing operations			
other income		1,758	27,500
exploration expenses - restated		(370)	(119,299)
administrative expenses		(838,127)	(804,366)
operating loss	7	**(836,739)**	**(896,165)**
finance income		1,865	4,234
net finance cost		**1,865**	**4,234**
loss before tax		(834,874)	(891,931)
loss from continuing operations		**(834,874)**	**(891,931)**
other comprehensive income (items that may or will be reclassified to profit or loss)		-	-
total comprehensive loss for the year		(834,874)	(891,931)
earnings per share			
basic earnings per share - restated	13	(0.011)	(0.014)

The notes on page 19 to 39 form part of these consolidated financial statements.

consolidated statement of changes in equity

for the year ended 31 December 2016

in united states dollars	share capital ordinary shares	share capital deferred shares	share premium	capital contribution reserve	share options reserve	accumulated deficit	total equity
balance as at 1 January 2015	**1,008,352**	**6,077,013**	**25,717,878**	**555,110**	**605,808**	**(32,420,533)**	**1,543,628**
change in policy adjustment	-	-	-	-	-	5,300,610	5,300,610
balance as at 1 January 2015 - restated	**1,008,352**	**6,077,013**	**25,717,878**	**555,110**	**605,808**	(27,119,923)	**6,844,238**
total comprehensive loss for the year – restated	-	-	-	-	-	(891,931)	**(891,931)**
Total comprehensive income for the year	-	-	-	-	-	(891,931)	**(891,931)**
balance as at 31 December 2015	**1,008,352**	**6,077,013**	**25,717,878**	**555,110**	**605,808**	**(28,011,854)**	**5,952,307**
total comprehensive loss for the year	-	-	-	-	-	(834,874)	**(834,874)**
issue of ordinary shares	518,306	-	777,458	-	-	-	**1,295,764**
options expired or lapsed in the year	-	-	-	-	(596,699)	596,699	**-**
warrants issued in the year	-	-	-	-	40,338	-	**40,338**
Total transactions with owners	518,306	-	777,458	-	(556,361)	(238,175)	**501,228**
balance as at 31 December 2016	**1,526,658**	**6,077,013**	**26,495,336**	**555,110**	**49,447**	**(28,250,029)**	**6,453,535**

The notes on page 19 to 39 form part of these consolidated financial statements.

consolidated statement of cash flows

for the year ended 31 December 2016

in united states dollars	year ended 31 December 2016	year ended 31 December 2015 (restated)
cash flow from operating activities		
loss for the year	(834,874)	(891,931)
adjusted for:		
- depreciation	3,412	12,397
- finance income	(1,865)	(4,234)
- share based payments	40,338	-
changes in working capital:		
- decrease in trade and other receivables	673	9,011
- increase in trade and other payables	24,365	(42,040)
net cash used in operating activities	**(767,951)**	**(916,797)**
cash flow from investing activities		
finance income	1,865	4,234
capitalisation of exploration costs - restated	(637,524)	(405,992)
acquisition of property, plant and equipment	(1,110)	-
net cash used in investing activities	**(636,769)**	**(401,758)**
cash flow from financing activities		
proceeds from short term loan	250,000	-
repayment from short term loan	(250,000)	-
proceeds from issue of ordinary share capital	1,295,762	-
net cash generated from financing activities	**1,295,762**	**-**
net decrease in cash and cash equivalents	**(108,958)**	**(1,318,555)**
cash and cash equivalents at beginning of the year	**244,530**	1,563,085
cash and cash equivalents at end of the year	**135,572**	**244,530**

The notes on page 19 to 39 form part of these consolidated financial statements.

1. reporting entity

The consolidated financial statements (the "financial statements") for the year ended 31 December 2016 comprise GoldStone Resources Limited (the "Company") and its subsidiaries Goldstone Akrokerri (Ghana) Limited and Goldstone Resources Limited Gabon S.A.R.L. (together referred to as the "Group"). The Company is quoted on the AIM market of the London Stock Exchange. The Company is incorporated and domiciled in Jersey (Channel Islands). The address of its registered office is PO Box 560, 11-15 Seaton Place, Jersey, JE4 8XP. The Company's principal activity is that of a holding company. The Group's principal activity is exploration and mining of gold and associated elements.

2. basis of preparation

(a) statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in Note 2(d) and Note 3.

(b) going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, CEO's report and directors' report on pages 3 to 12; in addition Note 16 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The financial statements have been prepared on a going concern basis. The Group's assets are not generating revenues, an operating loss has been reported, operating cash outflows have been incurred and are expected in the 12 months subsequent to the date of these financial statements and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures.

Based on the Board's assessment that the cash flow budgets (which include the impact of managements cost cutting programme) can be achieved and that the necessary funds will be raised, the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 31 December 2016.

Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Going concern is referred to in the auditor's report as an emphasis of matter without any modification of their opinion.

2. **basis** of preparation **(continued)**

(c) **functional** and presentational currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (its functional currency). These consolidated financial statements are presented in United Stated Dollars, which is the functional and presentational currency of the Group.

Monetary assets and liabilities denominated in other currencies at the statement of financial position date are translated at the exchange rate ruling at that date. These translation differences are dealt with in the statement of comprehensive income. Transactions denominated in other currencies are translated into United States Dollars at the rates prevailing at the date of the transaction.

The results and financial position of the Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at the monthly average exchange rate; and
- all resulting exchange differences are recognised in the statement of comprehensive income.

(d) **use** of estimates and judgements

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

The following are the key estimates and judgements that have a significant risk of resulting in a material adjustment within the next year:

(i) going concern

The Group's ability to continue as a going concern will be dependent upon its ability to meet its obligations as they fall due. Accordingly, the Directors assess the expected future cash flows having regard to the Group's ability to do so, either from existing financial resources or by raising additional funds to either continue its exploration programmes or to realise its exploration assets.

2. basis of preparation (continued)

(d) use of estimates and judgements (continued)

(ii) valuation of exploration, evaluation and development expenditure

The value of the Group's exploration, evaluation and development expenditure will be dependent upon the success of the Group in discovering economic and recoverable mineral resources, especially in the countries of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

The future revenue flows relating to these assets is uncertain and will also be affected by competition, relative exchange rates and potential new legislation and related environmental requirements.

The Group's ability to continue its exploration programs and develop its projects is dependent on future fundraisings the outcome of which is uncertain. The ability of the Group to continue operating within Ghana is dependent on a stable political environment which is uncertain based on the history of the country. This may also impact the Group's legal title to assets held which would affect the valuation of such assets.

There have been no changes made to any past assumptions.

3. significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

(a) basis of consolidation

The consolidated financial statements consolidate the financial statements of GoldStone Resources Limited and the audited financial statements of its subsidiary undertakings made up to 31 December 2016.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(b) financial instruments

(i) non-derivative financial assets

The Group recognises loans and receivables at fair value on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3. **significant** accounting policies **(continued)**

(b) **financial** instruments **(continued)**

(i) non-derivative financial assets **(continued)**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.
The Group classifies non-derivative financial assets into the following categories: loans and receivables and cash and cash equivalents.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise bank balances only.

(ii) non-derivative financial liabilities

The Group recognises financial liabilities initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into trade and other payables.

(iii) share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares are recognised as a deduction from equity, net of tax effects.

(iv) deferred shares

Deferred shares are classified as equity, and held in the capital contributions reserve account.

(c) **intangible** assets – exploration and evaluation

The Group capitalises expenditure in relation to exploration and evaluation of mineral assets when the legal rights are obtained. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas. Whenever the exploration for and evaluation of mineral resources does not lead to the discovery of commercially viable quantities of mineral resources or the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to profit or loss.

3. significant accounting policies (continued)

(d) impairment of financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss.

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

(e) capital management

The primary objective of the Group's capital management is to optimally execute its exploration objectives and, if feasible, to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, exploration results and the need for further exploration capital. To maintain or adjust the capital structure, the Group may issue new shares. The Group considers its capital structure to consist of issued equity.

The Group is not subject to externally imposed capital requirements.

(f) taxation

Current and deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the related tax is also dealt with in equity. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, except for differences arising on investments in subsidiaries 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 the deferred tax assets is restricted to those instances where it is probable that a taxable profit will be available against which the difference can be utilised.

Deferred tax is calculated based on rates enacted or substantively enacted at the reporting date and expected to apply when the related deferred tax asset is realised or liability settled.

3. significant accounting policies (continued)

(g) operating leases

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

(h) finance income and finance costs

Finance income comprises interest income on funds invested. Finance income is recognised as it accrues in statement of comprehensive income, using the effective interest method.

Foreign gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(i) change in accounting policies

Previously the Group was expensing its exploration costs. It has now elected to capitalise such costs and details of the new accounting policy can be found in Note 3(c).

The Group believes this will align its accounting policy with its international peers and provide a better reflection of the results of its activities as well as its financial position. The effect of change in this policy is to capitalise the cost of the Homase and Akrokerri licences since inception and the associated cost of geological and geophysical activities.

The cumulative costs of exploration of the Homase and Akrokerri licences and the related costs charged up to the year 2014 are US$5,300,610, the costs charged for 2015 are US$405,992 and the costs charged for 2016 are US$637,524.

The effect of change in the accounting policy increases the total carrying value of Intangible Assets – Exploration by US$6,344,127. Accordingly, the corresponding amount charged to the Statement of Comprehensive Income for the year 2016 is US$637,524 and for the year 2015 is US$405,992 and the amount adjusted in the retaining earning for the period up to 2014 is US$ US$5,300,610.

Any costs in relation to other projects have continued to be expensed through profit or loss due to them not meeting the eligibility requirements of IFRS 6.

(j) risk management

The main financial risks facing the Group are the availability of adequate funding, movements in interest rates and fluctuations in foreign exchange rates. Constant monitoring of these risks ensures that the Group is protected against any potential adverse effects of such risks so far as it is possible and foreseeable. The Group only deals with high-quality banks. It does not hold derivatives, trade in financial instruments or engage in hedging instruments.

Its continued future operations depends on the ability to raise sufficient working capital. Management monitors its cash and future funding requirements through the use of on-going cash flow forecasts. All cash, with the exception of that required for immediate working capital requirements, is held on short term deposit.

3. significant accounting policies (continued)

(j) risk management (continued)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand, the Ghana Cedis, Sterling and the West African CFA Franc. Foreign exchange risk arises from future commercial transactions and net investments in foreign operations. The Group does not hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise.

The Group's liquidity risk is monitored through cash flow forecasts.

4. adoption of new and revised standards

The following IFRSs or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

standard / interpretation	
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 18 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity method in separate financial statements
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting
IAS 1 (amendments)	Disclosure Initiative

5. new standards and interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet been adopted by the EU:

standard / interpretation	impact on initial application	effective date
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019*
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
IAS 7 (amendments)	Disclosure Initiative	1 January 2017*
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018*
Annual Improvements to IFRSs: 2014-2016 Cycle	Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates	1 January 2017 (IFRS 12)* / 1 January 2018 (IFRS 1 and IAS 28)*
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018*

**Effective dates provided are the IASB effective dates. EU effective dates are yet to be confirmed.*

5. new standards and interpretations in issue but not yet effective (continued)

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

6. operating segments

The Group has two reportable segments, exploration and corporate, which are the Group's strategic divisions. For each of the strategic divisions, the Group's CEO, deemed to be the Chief Operating Decision Maker ("CODM"), reviews internal management reports on at least a monthly basis. The Group's reportable segments are:

Exploration: the exploration operating segment is presented as an aggregation of the Homase and Akrokerri licences (Ghana), the Manso Amenfi licence (Ghana), the Sangola licence (Senegal), the Oyem licence (Gabon) and the Ngoutou licence (Gabon). Expenditure on exploration activities for each licence is used to measure agreed upon expenditure targets for each licence to ensure the licence clauses are met.

Corporate: the corporate segment includes the holding company costs in respect of managing the Group. There are varying levels of integration between the corporate segment and the combined exploration activities, which include resources spent and accounted for as corporate expenses that relate to furthering the exploration activities of individual licences.

information about reportable segments for the year ended 31 December 2016

in united states dollars	**exploration**	**corporate**	**total**
reportable segment expenditure	**(1,203)**	**(837,294)**	**(838,497)**
reportable segment profit/(loss)	555	(835,429)	(834,874)
finance income	-	1,865	1,865
depreciation	(833)	(2,579)	(3,412)
reportable segment assets	**6,355,291**	**131,456**	**6,486,747**
reportable segment liabilities	**-**	**(33,212)**	**(33,212)**

information about reportable segments for the year ended 31 December 2015

in united states dollars	**exploration**	**corporate**	**total**
reportable segment expenditure – restated	**(124,299)**	**(799,366)**	**(923,665)**
reportable segment loss – restated	(96,799)	(795,132)	(891,931)
finance income	-	4,234	4,234
depreciation	(5,000)	(7,397)	(12,397)
reportable segment assets – restated	**5,718,577**	**242,577**	**5,961,154**
reportable segment liabilities	**-**	**(8,847)**	**(8,847)**

6. operating segments (continued)

reconciliation of reportable segment revenues, profit or loss, assets and liabilities, and other material items

in united states dollars	year ended December 2016	year ended December 2015
revenues		
total revenue for reportable segments	-	-
consolidated revenue	**-**	**-**
loss		
total loss for reportable segments – restated	(834,874)	(891,931)
consolidated loss from continuing operations – restated	**(834,874)**	**(891,931)**
assets		
total assets for reportable segments – restated	6,486,747	5,961,154
consolidated total assets – restated	**6,486,747**	**5,961,154**
liabilities		
total liabilities for reportable segments	(33,212)	(8,847)
consolidated total liabilities	**(33,212)**	**(8,847)**

reconciliation of reportable segment revenues, profit or loss, assets and liabilities, and other material items

in united states dollars	reportable segment total	adjustments	consolidated totals
other material items			
finance income	1,865	-	1,865
depreciation	(3,412)	-	(3,412)

7. expenses by nature

The operating loss is stated after charging:

in united states dollars	year ended December 2016	year ended December 2015
auditor's remuneration in respect of audit of the financial statements	37,178	27,638
depreciation	3,412	12,397
foreign exchange difference	47,781	81,491

8. property, plant and equipment

in united states dollars	December 2016 cost	December 2016 accumulated depreciation	December 2016 carrying value	December 2015 cost	December 2015 accumulated depreciation	December 2015 carrying value
gold samples	4,570	-	4,570	4,570	-	4,570
computer equipment	58,137	(57,273)	864	57,027	(55,996)	1,031
office equipment	106,894	(105,519)	1,375	106,894	(104,218)	2,676
field/geological equipment	56,228	(56,228)	-	56,228	(56,228)	-
motor vehicles	20,000	(20,000)	-	20,000	(19,167)	833
total	**245,829**	**(239,020)**	**6,809**	**244,719**	**(235,609)**	**9,110**

reconciliation of property, plant and equipment – December 2016

in united states dollars	carrying value balance	additions	depreciation	carrying value ending balance
gold samples	4,570	-	-	4,570
computer equipment	1,031	1,111	(1,278)	864
office equipment	2,676	-	(1,301)	1,375
field/geological equipment	-	-	-	-
motor vehicles	833	-	(833)	-
total	**9,110**	**1,111**	**(3,412)**	**6,809**

reconciliation of property, plant and equipment – December 2015

in united states dollars	carrying value balance	depreciation	carrying value ending balance
gold samples	4,570	-	4,570
computer equipment	3,611	(2,580)	1,031
office equipment	7,493	(4,817)	2,676
field/geological equipment	-	-	-
motor vehicles	5,833	(5,000)	833
total	**21,507**	**12,397**	**9,110**

9. intangible assets - exploration

The Group's Intangible assets comprise wholly of Exploration assets in respect of the Homase-Akrokerri project in Ghana.

in united states dollars	homase and akrokerri	Total
balance as at 1 January 2015 – restated	**5,300,610**	**5,300,610**
additions	405,992	405,992
balance as at 31 December 2015	**5,706,602**	**5,706,602**
additions	637,524	637,524
balance as at 31 December 2016	**6,344,127**	**6,344,127**

The Group has implemented a change in accounting policy in the year to adopt a full cost based accounting policy for their Homase and Akrokerri licences with retrospective effect. This has resulted in a prior year restatement per the above. See Notes 3(c) and 3(i) for further details.

10. taxation

(a) current tax

in united states dollars	December 2016	December 2015
Current tax:		
Current tax on profits for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	**-**	**-**

(b) deferred tax

in united states dollars	December 2016	December 2015
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	**-**	**-**

The Company is subject to Jersey income tax at the rate of 0%. The Group is also registered for income tax purposes with the South African Revenue Service. Due to the loss making position of the Group in all jurisdictions there is no tax charge and no deferred tax asset has been recognised in the current or prior periods due to uncertainty of future profits. As a result no reconciliation has been prepared.

11. **cash** and cash equivalents

The cash and cash equivalents balance as at year/period end was made up of balances in the following currencies:

in united states dollars	**December 2016**	**December 2015**
Sterling	106,059	125,168
US Dollars	1,391	37,137
South African Rand	22,691	75,817
Ghana Cedis	5,431	6,319
West African CFA Francs	-	89
total	**135,572**	**244,530**

12. **capital** and reserves

(a) **share** capital

	December 2016	**December 2015**
ordinary shares		
called up, allocated and fully paid		
102,286,363 ordinary shares of 1 pence each (2015: 62,286,363)	£1,022,864	£622,864
converted to united states dollars at date of issue	$1,526,658	$1,008,352
deferred shares		
called up, allocated and fully paid		
in issue at 1 January	£3,730,772	£3,730,772
in issue at 31 December – fully paid 414,530,304 (December 2015: 414,530,304) deferred 0.9 pence shares	£3,730,772	£3,730,772
converted to united states dollars at date of issue	$6,077,013	$6,077,013
Authorised		
1,000,000,000 (December 2015: 1,000,000,000) authorised ordinary 1 pence shares	£10,000,000	£10,000,000

12. capital and reserves (continued)

(a) share capital (continued)

During the year the Company issued the following ordinary 1 pence fully paid shares:

		Number of Shares	Nominal Value	Share premium
1 January 2016	**Opening balance**	62,286,363	$1,008,352	$25,717,878
28 July 2016	**Placing shares at 2.5p per share**	40,000,000	£400,000	£600,000
	Converted to United States Dollars at date of issue	-	$518,305	$777,457
31 December 2016	**Closing balance**	102,286,363	$1,526,658	$26,495,336

(b) ordinary shares
Each holder of ordinary shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Company.

(c) deferred shares
Each holder of deferred shares shall not be entitled to receive notice of, attend or vote at any meeting of the Company (other than a meeting of the holder of the Deferred shares), shall not be entitled to any dividends or other distributions (whether on a winding up of the Company or otherwise). On a winding up of the Company, each deferred share shall confer upon its holder the right to receive an amount equal to the nominal amount paid up on such deferred share.

(d) issue and consolidation of ordinary shares
During the year, the Company issued a total of 40,000,000 (December 2015: Nil) new ordinary shares, all of which rank *pari passu* with the existing ordinary shares. The shares (which had a par value of 1.0p each) were issued at a placing price of 2.5p per share. The value received for the share issuance was US$1,295,764 (December 2015: US$ Nil).

The Company has not concluded any share repurchases since its incorporation.

(e) dividends
No dividends were proposed or declared during the period under review (2015: Nil).

(f) description and purpose of reserves
(i) share capital
Share capital consists of amounts subscribed for share capital at nominal value.

(ii) share premium
Share premium consists of amounts subscribed for share capital in excess of nominal value.

(iii) capital contribution reserve
Capital contribution reserve consists of deferred shares classified as equity.

12. **capital** and reserves **(continued)**

(f) **description** and purpose of reserves **(continued)**

(iv) share options reserve
Share options and warrants reserve consists of the fair value of options and warrants outstanding at the year end.

(v) accumulated deficit
Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

13. **earnings** per share

The calculation of basic earnings per share at 31 December 2016 was based on the losses attributable to ordinary shareholders of US$834,874 (2015: US$891,931), and an average number of ordinary shares in issue of 79,832,253 (2015: 62,286,363).

in united states dollars	**2016**	**2015**
loss attributable to shareholders – restated	(834,874)	(891,931)
weighted average number of ordinary shares	79,832,253	62,286,363
basic earnings per share	**(0.011)**	**(0.014)**

No diluted earnings per share is calculated.

The Group has the following instruments which could potentially dilute basic earnings per share in the future:

in number of shares	**2016**	**2015**
share options	100,000	420,000
warrants	40,000,000	20,833,333

14. **share** based payment arrangements

At 31 December 2016, the *Group* has the following share-based payment arrangements.

(a) share option programmes (equity-settled)

The Group adopted an Option Scheme in order to incentivise key management and staff. Pursuant to the option scheme, a duly authorised committee of the board of the Company may, at its discretion, grant options to eligible employees, including Directors, of the Company or any of its subsidiaries, to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of grant of the particular option or (ii) the nominal value of the shares.

There were no market conditions within the terms of the grant of the options therefore the main vesting condition for all the options awarded was that the Director or employee remained contracted to the Group at the date of exercise. The movement on share options and their weighted average exercise price are as follows for the reporting periods presented

14. share based payment arrangements (continued)

(a) share option programmes (equity-settled) (continued)

The conditions related to the grants of the share option programmes are as follows:

grant date/employee entitled	number of instruments	exercise price	vesting date
options granted to senior employees and other directors			
on 27 September 2012	100,000	90.0p	6 February 2013
	100,000		

The terms relating to the grants of the share option programmes are that on exercise date, the receiver of the options must still be employed by the Company, or in the case of the receiver being retrenched or retired, before three months thereafter, or in the case of the death of the receiver, before six months thereafter.

(b) reconciliation of outstanding share options

the number and weighted average exercise prices

	number of options December 2016	weighted average exercise price December 2016	number of options December 2015	weighted average exercise price December 2015
outstanding as at 1 January	420,000	109.29p	1,370,000	77.00p
exercised during the year	-	-	-	-
expired during the year	(320,000)	-	(950,000)	-
granted during the year	-	-	-	-
outstanding at 31 December	**100,000**	**90.00p**	**420,000**	**109.29p**
exercisable at 31 December	**100,000**	**90.00p**	**420,000**	**109.29p**

No share options were granted during the period under review.

The options outstanding at 31 December 2016 have an exercise price of 90.00p (2015: 90.00p to 140.00p) and a weighted average life of 1.61 years (December 2015: 0.33 years).

(c) warrants

On 11 August 2016, the Group granted 40,000,000 warrants with an exercise price of 5.0p vesting from 11 August 2016 up to 11 August 2018. No warrants have been exercised during the period under review.

All shares issued (excluding deferred shares) pursuant to the exercise of warrants rank *pari passu* in all respects with the ordinary shares.

14. share based payment arrangements (continued)

(c) warrants (continued)

The fair value of the rights granted through the share option programme was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected return.

(i) reconciliation of outstanding warrants

the number and weighted average exercise prices

	number of options December 2016	weighted average exercise price December 2016	number of options December 2015	weighted average exercise price December 2015
outstanding as at 1 January	20,833,333	7.0p	20,833,333	7.0p
exercised during the year	-	-	-	-
expired during the year	(20,833,333)	-	-	-
granted during the year	40,000,000	-	-	-
outstanding at 31 December	**40,000,000**	**5.0p**	**20,833,333**	**7.0p**
exercisable at 31 December	**40,000,000**	**5.0p**	**20,833,333**	**7.0p**

The warrants outstanding at 31 December 2016 have an exercise price of 5.0p (2015: 7.0p) and a weighted average life of 1.10 years (December 2015: 1.48 years).

(d) measurement of fair value

The inputs used in measuring the fair values of the warrants at grant date were as follows:

	warrants 11 August 2016
share price at grant	2.05p
warrant exercise price	5.00p
expected life of warrants from exercise date	2 years
expected volatility	46.40%
expected dividend yield	0.00%
risk free rate	0.09%
fair value per warrant	0.08p
exchange rate used	1.2356

Volatility has been based on the Group's trading performance to 31 December 2016. The risk free rate has been determined based on 2 year government bonds.

Total fair value as considered in the share options and warrants reserve was US$49,447 (December 2015: US$605,808).

(e) expense recognised in profit and loss

The expense recognised in respect of share-based payment transactions during the year was $40,338 (2015: $Nil).

15. trade and other payables

in united states dollars	December 2016	December 2015
trade payables	33,212	8,847

16. financial instruments

(a) financial risk management

The Group's principal financial instruments comprise of cash, receivables and payables. Financial risk management of the Group is governed by policies and guidelines described in the Group's Financial Reporting Memorandum approved by the board. Group policies and guidelines cover interest rate risk, foreign currency risk, credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's financial performance and financial position.

(b) credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. The Group's trade and other receivables consists of amounts refundable to the Company for expenses incurred on behalf of a third party and payments in advance to suppliers. The Group's exposure to significant concentration on credit risk on trade and other receivables is considered low.

(c) liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due. Ultimate responsibility for liquidity risk management rests with the board, which has established an appropriate liquidity risk management framework for the management of the Group's liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and by preserving cash resources through minimising the cash burn out rate achieved through cost reduction. The financial liabilities of the Group are mainly creditors which are payable on demand, hence it is the opinion of the board that an analysis of liabilities by maturity dates is not appropriate.

(d) market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has cash assets denominated in Sterling, United States Dollars, South African Rand, Ghana Cedis and West African CFA Francs and incurs liabilities for its working capital expenditure in one of these denominations. Payments are made in Sterling (GBP), United States Dollars (US$), South African Rand (ZAR), Ghana Cedis (GHS), West African CFA Francs (XAF), or Euro at the pre-agreed price and converted (if necessary) as soon as payment needs to occur. Currency conversions and provisions for expenditure are only made as soon as debts are due and payable. The Group is therefore exposed to currency risk in so far as its liabilities are incurred in South African Rand, Ghanaian Cedi and West African CFA Francs and fluctuations occur due to changes in the ZAR/GBP, ZAR/US$, GHS/US$ and XAF/US$ exchange rates. The Group's policy is not to enter into any currency hedging transactions.

16. **financial** instruments **(continued)**

(d) **market** risk **(continued)**

(i) foreign currency risk **(continued)**

The Directors consider currency risk to be manifested in the expenditure made on a day to day basis in Sterling, South African Rand and US Dollars. The Directors have undertaken a policy of holding cash raised in Sterling and US Dollars and to convert funds to South African Rand as and when required.

The exchange rates converted to United States Dollars affecting the Group were as follows:

	average rate December 2016	reporting date spot rate December 2016	average rate December 2015	reporting date spot rate December 2015
Sterling for 1 US$	1.355	1.233	1.528	1.476
South African Rand for 1 US$	0.068	0.073	0.079	0.064
Ghana Cedis for 1 US$	0.253	0.232	0.266	0.260
West African CFA Francs for 1 US$	0.002	0.002	0.002	0.002

A strengthening (weakening) of GBP, ZAR, GHS or XAF against all other currencies at 31 December 2016 would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts this translation at year end for a percentage change in foreign currency rate thus indicating the potential movement in equity. The analysis is performed on the same basis for December 2015, albeit that the reasonably possible foreign exchange rate might have been different, as indicated below.

in united states dollars	equity strengthening December 2016	equity weakening December 2016	equity strengthening December 2015	equity weakening December 2015
Sterling 13% (2015: 13%)	2,526	(2,526)	856	(856)
South African Rand 20% (2015: 20%)	1,628	(1,628)	655	(655)
Ghana Cedis 10% (2015: 10%)	-	-	-	-
West African CFA Francs 10% (2015: 10%)	-	-	-	-
total	**4,154**	**(4,154)**	**1,511**	**(1,511)**

The percentage change in foreign currency rate used to adjust the translation of outstanding foreign currency denominated financial assets and liabilities is in the opinion of the directors appropriate.

16. financial instruments (continued)

(ii) interest rate risk

The risks caused by changes in interest rates are minimal since the Group's only interest bearing financial asset pertains to cash. The Group is therefore not subject to a significant amount of risk due to fluctuations in the prevailing levels of market interest rates and as such has not prepared a sensitivity analysis.

17. contingencies

Since October 2016, the Company has been defending an action brought by a former director. The Board believes there is no merit in the case brought against the Company and discussions with the claimant are ongoing in order to resolve the situation without bringing the claim to the South African Labour Court, which would be a lengthy and expensive process. The original claim exceeds the Company's current available cash.

Legal advice has been sought and at the current time no estimate is available as to the likelihood or potential value of damages to the Company in respect of this claim.

On the basis of these uncertainties, no provision in relation to this claim has been recognised in the consolidated financial statements.

18. related parties

The key management personnel are considered to be only the Directors. Details of their remuneration are disclosed below.

salaries and other short-term benefits – detail:

in united states dollars	2016	2015
directors' remuneration: executive – J Wessels	94,787	162,500
directors' remuneration: executive – E Priestley	63,878	-
directors' remuneration: non-executive – C Hall	10,987	22,922
directors' remuneration: non-executive – N Gardyne	19,240	19,173
directors' remuneration: non-executive – R Lloyd	8,558	-
directors' remuneration: non-executive – A Bell	7,175	-
Directors' remuneration: non-executive – B Foster	-	-
total	**204,625**	**204,595**

The total amount payable to the highest paid Director in respect of emoluments was $94,787 (2015: $162,500). No Directors exercised any share options during the year. E Priestley's remuneration was paid to Santon Consultancy Limited, a company in which she is a Director.

19. **group** entities

Details of the Group's subsidiaries at the end of the reporting period are as follows:

	country of incorporation and operation	**principal activity**	**ownership interest December 2016**	**ownership interest December 2015**
Goldstone Akrokerri (Ghana) Limited	Ghana	Holder of the Akrokerri License	100%	100%
Goldstone Resources Limited Gabon S.A.R.L.	Gabon	Holder of the Oyem and Ngoutou Licenses	100%	100%

Under Article 105(ii) of the Companies (Jersey) Law 1991, the directors of the holding company need not prepare separate accounts (i.e. company only accounts) if consolidated accounts for the Company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company have not passed a resolution requiring separate accounts and, in the Directors' opinion, the Company meets the definition of a holding company. As permitted by the law, the Directors have elected not to prepare separate accounts.

20. **ultimate** controlling party

The Directors believe that there is no ultimate controlling party of the Group.

21. **operating** leases

Payments recognised as an expense *In united states dollars*	**December 2016**	**December 2015**
Minimum lease payments	3,013	27,038

The Group does not have any commitments under operating leases as the year end.

22. **subsequent** events

In April 2017, Bob Foster stepped down as Non-executive Director and the Group entered into a loan agreement with Paracale Gold Limited (“Paracale”), following which Paracale will provide a loan of up to £0.4 million (US$0.5 million). The nature of this transaction is a convertible loan note.

The initial drawdown on this loan was £0.2 million (US$0.3 million) with the remaining £0.2 million (US$0.3 million) to be drawn down within three business days of the Company’s 2017 Annual General Meeting (“AGM”). The loan will be unsecured and attract interest at a rate of 9.375 per cent per annum, compounded daily until repaid or converted and, subject to shareholder approval at the AGM, will convert automatically into new ordinary shares in the Company at a price of 1 pence per share.

A part of this agreement, within five business days of issue of these conversion shares Paracale will also receive warrants to subscribe for such number of new ordinary shares as equals the number of conversion shares issued, which will be exercisable at a price of 2 pence per share at any time during the 2-year period following the grant date.

If shareholders do not approve the conversion at the AGM, the drawn amount of the loan, accrued interest and a default fee of 50% of the amount of the loan then outstanding will become payable in full to Paracale within six weeks of the AGM. Also, if shareholders do not approve the conversion and the loan is repaid, Paracale shall receive warrants to subscribe for 20,000,000 Ordinary Shares (“Repayment Warrants”), to be issued within five business days of the AGM. If the Company does not have sufficient authority to issue the Repayment Warrants at that time, it will be unable to issue any further Ordinary Shares until such time as the Repayment Warrants have been issued to Paracale.

As a result, if the Company is unable to secure the necessary funding in the short term to repay the loan and to provide general working capital, it is highly likely that the Company will not be able to meet its liabilities as the fall due and may therefore be forced into insolvency proceedings (be that administration or liquidation) and in such a case it is highly unlikely that there would be any value attributable to Shareholders.