MERCATOR GOLD PLC

Mercator Gold plc

PRELIMINARY ANNOUNCEMENT OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 & ANNOUNCEMENT OF AGM ON 21 DECEMBER 2007

London: 22 November 2007 – Mercator Gold plc ("Mercator" or "the Company") announces its preliminary results for the year ended 30 June 2007.

Highlights

- Commencement of production, post year-end, at the Meekatharra Gold Project with annualised target of 120,000 ounces of gold
- Successful commissioning of Bluebird processing plant
- New significant exploration target identified at Euro Project
- Substantial increase to reserves and resources

Chairman's report

It is with great pleasure I present the third Annual Report to Shareholders of Mercator Gold plc in what has been a truly landmark year for your Company.

Firstly, and most importantly, I am pleased to report the numerous milestones achieved during the 2006/7 financial year were free of lost time injuries and environmentally negative incidents. This highlights the commitment and dedication of all staff and employees of Mercator Gold in maintaining the highest levels of safety and environmental practices and is something we will continue to strive for at all times.

On completion of the acquisition of the Meekatharra assets in early 2006 your Company set itself the task of bringing the mines of Meekatharra back into production on a profitable and sustainable basis.

To achieve this objective the Company realised it needed to establish a reserve base sufficient to support production for at least four years at 120,000 ounces per year. The Company's minimum requirement for the recommencement of production was therefore in the order of 500,000 ounces of reserves.

The Company's successful exploration at Surprise and Bluebird at Yaloginda in 2005 and 2006 formed the basis of a prolonged campaign of drilling, whilst the recognition of the potential of the Prohibition-Vivian-Consols area within the Paddy's Flat field became a focus of a second area of successful exploration. Our resources at the beginning of the year were 2,160,000 ounces of gold and have now grown to a total of 2,443,000 ounces of gold.

I am pleased to say the mining studies associated with reserve definition were commenced and largely completed during the year under review and now stand at 504,000 ounces of gold.

Immediately following on from the reserve definition studies the Company moved on its commitment to recommence production at Meekatharra. With reserves sufficient to sustain production for at least four years the Company undertook a thorough refurbishment of the Bluebird mill at a cost of £3 million.

First production is being sourced from the Surprise deposit, which is situated approximately 800 metres from the Bluebird Mill. Surprise contains a number of high grade lenses within a porphyry of generally lower grades, and will be mined over a nine month period. Pre-stripping of the larger and somewhat deeper Bluebird deposit – which lies approximately one kilometre from the Mill – will commence shortly, with ore from Bluebird to be blended with Surprise in the New Year. These deposits will supply approximately 200,000 ounces of production over a 20-22 month period.

Coinciding with the production from the Surprise and Bluebird pits, the Company intends to begin underground development of the highly regarded Paddy's Flat deposits. These deposits will be the source of production for at least two years after the depletion of the Surprise/Bluebird reserves and in our view, have the potential to provide further reserves over many more years. This view is based on the important fact that the Paddy's Flat deposits are open both along strike and at depth.

Our reserves represent only a small portion of the known mineralisation at Paddy's Flat, which has to date produced over 2 million ounces of gold to an average depth of less than 250 metres.

The financial results for the year reflect the ongoing costs associated with putting in place the financing and resources that will allow your Company to take advantage of the current upswing in the international gold market. Your Board remains cautiously optimistic that there is a longer term overall improvement in the West Australian gold mining industry and Mercator has the appropriate asset base to take advantage of this. It is with this opportunity in mind a full listing of Mercator on the Australian Stock Exchange is being considered.

Our objectives are:

1. To maintain our exemplary record in the areas of safety and environmental management;

2. To engage with our employees and the local community to the benefit of all stakeholders;

3. To produce 120,000 ounces of gold in the first full year of production by September 2008;

4. To grow our resources by a further one million ounces;

5. To grow our reserves by a minimum of 220,000 ounces.

In conclusion, I would like to extend a special thanks to our operational staff for the way they have carried out their tasks during the year – bringing a mine into production is never easy. In particular I would like to thank Denis Geldard, Alan Coles, Laurie Mann and Clarrie Lauritsen for their tireless pursuit of the Company's objectives.

Julian and Sue Vearncombe left the Company as full-time consultants during the course of the year. I thank them for their efforts and wish them well.

Finally, I would like to thank you, our shareholders, for your continuing support in what promises to be another active and exciting year ahead.

Terry Strapp
Chairman

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Consolidated Profit and Loss Account

For the year ended 30 June 2007

	2007	2006
	£	£
Administrative expenses	(3,344,664)	(2,127,615)
Other income	179,530	233,469
Operating loss	(3,165,134)	(1,894,146)
Interest payable and similar items	(199,747)	(94,682)
Interest receivable and similar items	549,112	152,203
Loss on ordinary activities before taxation	(2,815,769)	(1,836,625)
Taxation	(60,116)	-
Loss on ordinary activities after taxation	(2,875,885)	(1,836,625)
Basic and diluted loss per share	(5.18)p	(7.47)p

All amounts relate to continuing activities

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 30 June 2007

	2007	2006
	£	£
Loss for the financial year	(2,875,885)	(1,836,625)
Exchange adjustments on foreign currency net investments	1,270,907	(929,394)
Total recognised gains and losses for the financial year	(1,604,978)	(2,766,019)

Consolidated Balance Sheet

At 30 June 2007

	2007	2006
	£	£
Fixed assets		
Intangible	16,016,099	10,529,014
Tangible	6,798,177	2,859,412
Total fixed assets	22,814,276	13,388,426
Current assets		
Stocks	163,766	91,687
Debtors	437,237	403,524
Cash at bank and in hand	6,647,665	13,297,216
Total current assets	7,248,668	13,792,427
Creditors - amounts falling due within one year	(1,242,737)	(1,140,995)
Net current assets	6,005,931	12,651,432
Total assets less current liabilities	28,820,207	26,039,858
Creditors – amounts falling due after more than one year	-	(854,784)
Provisions for liabilities	(1,270,380)	(1,205,594)
Net assets	27,549,827	23,979,480
Capital and reserves		
Called -up share capital	6,224,491	5,355,215
Share premium account	26,963,483	22,528,660
Merger reserve	(399,831)	(399,831)
Other reserves	-	128,774
Profit and loss account	(5,238,316)	(3,633,338)
Equity shareholders' funds	27,549,827	23,979,480

Consolidated Shareholders' Funds

For the year ended 30 June 2007

	2007	2006
	£	£
Loss for the financial year	(2,875,885)	(1,836,625)
Exchange adjustments on foreign currency net investments	1,270,907	(929,394)
Equity reserve (transferred)/ arising on conversion/ issue of convertible loan notes	(128,774)	128,774
New share capital issued	5,304,099	24,520,078
Net addition to shareholders' funds	3,570,347	21,882,833
Opening shareholders' funds	23,979,480	2,096,647
Closing shareholders' funds	27,549,827	23,979,480

Consolidated Cash Flow statement

For the year ended 30 June 2007

	2007	2006
	£	£
Net cash outflow from operating activities	(3,024,909)	(376,588)
Returns on investments and servicing of finance	507,690	138,752
Capital expenditure and financial investment	(8,916,356)	(11,988,877)
Net cash outflow before management of liquid resources and financing:	(11,433,575)	(12,226,713)
Management of liquid resources	7,007,533	(12,939,994)
Financing	4,162,217	25,426,774
(Decrease)/increase in cash in the period	(263,825)	260,067

Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash in the period	(263,825)	260,067
Movement in short term deposits	(7,007,533)	12,939,994
Exchange differences	621,807	(857,312)
(Decrease)/Increase in cash and short term deposits	(6,649,551)	12,342,749
Decrease/(Increase) in debt due after more than one year	854,784	(854,784)
Movement in net funds in the period	(5,794,767)	11,487,965
Net funds at 30 June 2006	12,442,432	954,467
Net funds at 30 June 2007	6,647,665	12,442,432

Reconciliation of Operating Loss to Operating Cash Flows		
Operating loss	(3,165,134)	(1,894,146)
Depreciation and amortisation charges	202,434	48,187
Increase in debtors	(33,713)	(208,552)
Increase in inventories	(72,079)	(91,687)
Increase in creditors	41,625	1,769,610
Loss on disposal of fixed assets	1,958	-
Net cash outflow from operating activities	(3,024,909)	(376,588)

Notes:

1 The financial information set out above does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated balance sheet, reconciliation of shareholders' funds and consolidated cash flow statement have been extracted from the Group's 2007 statutory financial statements upon which the auditors' opinion is unqualified and contained no statements under s237 of the Companies Act 1985.

2 The loss per share is calculated by reference to the loss for the year of £2,875,885 (2006: £1,836,625) and the weighted average number of Shares in issue during the year of 55,547,888 (2006: 24,583,888. There is no dilutive effect of share options or warrants.

3 No dividend is proposed in respect of the period.

4 **Selected accounting policies**

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Application of going concern basis and availability of finance

These financial statements are prepared on a going concern basis, notwithstanding the loss for the period to 30 June 2007 of £2,875,885 (2006: £1,836,625), which the Directors believe to be appropriate for the following reasons:

In common with many mining and exploration companies, the Company has raised finance for its exploration and development activities in discrete tranches to finance its activities for limited periods only and further funding has been raised as and when required. Since the year end the Company has raised £2.5m by issue of a convertible loan note and has arranged a bank loan facility for A$12m (£5m). The Directors are of the opinion that the Company will be able to reach profitable production of gold with these facilities and It is their expectation that such future needs will be met from the profitable mining of gold. The Company commenced gold production in September 2007.

Accordingly, the financial statements do not include any adjustments, particularly in respect of fixed assets, investments, loans and provisions for winding up which would be necessary if the Company and Group ceased to be a going concern.

Basis of consolidation

The Group accounts consolidate the accounts of Mercator Gold plc and its subsidiary undertaking. The acquisition by the Company of Mercator Gold Australia Pty Ltd in August 2004 was accounted for in accordance with the principles of Merger accounting set out in Financial Reporting Standards 6 on “acquisitions and mergers”. Accordingly, the consolidated financial statements are presented as if Mercator Gold Australia Pty Ltd has been controlled by the Company throughout the period from its incorporation on 19 January 2004.

Deferred exploration and evaluation costs

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written off as incurred. Subsequent to obtaining the legal rights, all costs associated with mineral exploration and investments are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

The recoverability of all exploration and development costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition thereof.

Mine development costs

Exploration costs are capitalised as intangible fixed assets until a decision is made to proceed to development. Related costs are then transferred to mining assets. Before reclassification, exploration costs are assessed for impairment and any impairment loss recognised in the profit and loss account. Subsequent development costs are capitalised under mining assets, together with any amounts transferred from intangible exploration assets. Mining assets are amortised over the estimated life of the commercial ore reserves on a unit of production basis.

5 Copies of the Annual Report and Accounts for the year ended 30 June 2007 will be posted to shareholders by 28 November 2007 and will be available, free of charge, from the Company's registered office at Peek House, 3rd Floor, 20 Eastcheap, London, EC3M 1EB, for a period of 14 days from the date of their posting. The financial statements will be delivered to the Registrar of Companies following the conclusion of the annual general meeting.