Registration number 05875525 (England and Wales)

NORTH RIVER RESOURCES PLC

GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS, SECRETARY AND ADVISORS

DIRECTORS:	James Beams	*(Non-Executive Chairman)*
	Mark Sawyer	*(Non–Executive Director)*
	Kenneth Sangster	*(Non–Executive Director)*
	Ricardo De Armas Paredes	*(Non–Executive Director)*
	Brent De Jong	*(Non-Executive Director)*
SECRETARY:	Ben Harber	
COUNTRY OF INCORPORATION:	England and Wales	
REGISTERED NUMBER:	05875525	
REGISTERED OFFICE:	6th Floor, 60 Gracechurch Street London, EC3V 0HR	
GROUP AUDITORS:	UHY Hacker Young LLP Quadrant House 4 Thomas More Square London, E1W 1YW	

The year ended 31 December 2017 was an eventful period for North River. Early in the year, a decision was taken to cancel the listing on AIM and put further meaningful work on the Namib Lead & Zinc Project ("Namib Project" or "Project") on hold, on the back of prolonged and continuing uncertainty at the time as to when the critical mining licence for the Project would be granted. The listing was cancelled on 27 March 2017. A lower rate of spending on both the project and supporting overheads extended the time available to the Company as a going concern, to secure the mining licence or reassess the business strategy.

The mining licence for the Namib Project was then granted on 29 May 2017. The Company immediately commenced with updating an optimised project for development, and in August initiated a process to secure funding for project construction. On 20 February 2018, North River announced a proposed gross US$21.6m ($21.46m net of legal fees) capital raising by way of a new share issue to private equity group Castlelake and working capital loans from both Castlelake and existing shareholder Greenstone Resources. Shareholders approved the resolutions to support the capital raising at a General Meeting on 8 March 2018. The Board approved completion of the financing and proceeding into project construction on 23 March 2018. Greenstone Resources and Castlelake now each hold a 44.1% interest in the Company.

Castlelake is a registered investment adviser with the United States Securities and Exchange Commission and manages private investment funds. With primary offices in Minneapolis and London, Castlelake manages private funds and debt vehicles with approximately US$13.4 billion in assets as at 30 September 2017, on behalf of its investors, including endowments, foundations, public and private pension plans, private funds, family offices, insurance companies and sovereign wealth funds.

The Namib Lead & Zinc Project

Overview
The Namib Project entails the re-opening of a previously producing underground mine, and the construction of a new processing plant. Located 20km inland from the central, coastal town of Swakopmund in Namibia, the project benefits from being well located, with excellent surrounding infrastructure. Namibia has a well-established mining industry and good access to local mining suppliers and support services.

Geology
The Namib Project is hosted within the thinly interbedded clastics and carbonates of the Arises Marble unit of the Karibib Formation of the Swakop Group, which in the vicinity of the mine displays complex folding and deformation. The mineralised massive "Mine Marble" unit within the Karibib Formation is a weakly banded and coarse grained marble.

Structurally, mineralisation occurs in NE-SW striking tabular lodes that occur in the axial zone and limbs of a ductile SW-plunging anticlinal fold closure. The lodes have similar orientation around the fold closure and are therefore not folded. They are stratabound within the host mine marble unit but are very oblique to this enclosing envelope. As a result, the lodes typically have short strike lengths but much greater down-plunge continuity. Lodes do occur which are elongated along the mine marble strike, but this is less common.

The lodes within the deposit are assigned to four zones relative to their position in the fold closure, the North, South, N20 and Junction.

Project optimisation and resource expansion
Following completion of a feasibility study in November 2014, a number of areas were identified by the Board for additional technical evaluation to define a mine plan and processing plant design to a level of confidence to support a project investment decision.

Following the grant of the mining licence in May 2017 the results of the technical studies and resource drilling programmes carried out in 2015 and 2016 were incorporated into an optimisation of the project The updated feasibility study results announced in October 2017 included updated Mineral Resource and Ore Reserve Statements and optimisations to both the mine development plan and processing plant design.

In-situ Classified Mineral Resource Estimate for the Mine, as at August 2017.

		Tonnes	Density t/m^3	Zinc %	Lead %	Silver g/t
Indicated	North	522,700	3.53	7.30%	2.50%	53
	South	187,600	3.49	6.36%	2.22%	43
Inferred	North	193,300	3.40	5.73%	1.61%	29
	South	215,500	3.48	6.16%	2.64%	47
Total		**1,119,100**	**3.49**	**6.63%**	**2.31%**	**46**

Tonnages have been rounded to the nearest 100t to reflect that this is an estimate. Apparent differences may occur due to rounding.

Highlights from the updated feasibility study are as follows:

- Total JORC Mineral Resource of 1.12m tonnes at 6.6% zinc, 2.3% lead and 46g/t silver
- JORC Ore Reserve of 611k tonnes at 6.6% zinc, 2.3% lead, and 48g/t silver
- A staged development approach with an initial annual target production of 9,700t of Zn & Pb metal in concentrate and 135koz Ag by-product
- Future expansion potential from additional underground resources and tailings retreatment
- Construction period of less than one year and payback within 1.7 years
- With a construction capital of US$17.4m (approximately £12.55m), the project has an after-tax IRR of 81% and NPV_{10} of US$34.9M. The commodity price assumption was based on the forward curve at 5 October for 2018 to 2021 and held flat thereafter; $1.23/lb for Zn and $1.16/lb for Pb
- A mine life of eight years from the current resource base

The construction programme has been substantially de-risked in the project development plan:

- The geological drilling of the North orebodies has added substantially to information in the initial mining areas of North (35% more drilling), providing more confidence in the designs and mining methods proposed.
- A staged mine development plan with lower initial capital cost, and potential for phased expansion on the back of ongoing exploration activities when in operation.
- Initial development focuses on opening up the North orebodies only, with optimised independent North and South mine designs.
- Metallurgical testwork on fresh North ore samples increases confidence in the extraction process design.
- The underground haulage development completed in 2015 and early 2016 by mine personnel gives confidence that an owner managed mining team can be established, built-up and trained to meet the production requirements of the new mine plan.

Mining Ore and Reserves
Bara Consulting updated the mine layout and schedule to consider the new geological resource as well as optimised the production rate. The mining methods were also reconsidered to include the preferred sub-level open stoping where the orebody geometry allows in preference to the historical manual shrinkage and down-dip methods. The mine design has been updated to cater for the revised mineral resource estimate. The mine layout was revised to include the following changes:

- The focus of early mining is in the North mine, with the unmined portions of the South mine only being mined later in the life of the mine.
- The level spacing in the North mine has been normalised. Main levels are 30m apart with one sublevel between main levels.
- The predominant mining method has been changed to sub-level open stoping (SLOS).

The mine production rate has been optimised to an initial nominal 10,000 tonnes per month, resulting in an initial mine life of eight years. The capital and operating cost estimates have been updated to reflect the new mine design and production rate. A JORC 2012 compliant Ore Reserve has been declared based on the work completed in this revised mine plan. The Ore Reserves are tabled below.

A JORC 2012 compliant Ore Reserve has been declared based on the work completed in this revised mine plan. The Ore Reserves are tabled below.

Ore Reserve Estimate of NLZM, October 2017

	Mass (t)	Pb (%)	Zn (%)	Ag (g/t)	Combined Pb (t)	Contained Zn (t)	Contained Ag (Oz)
Proven Ore Reserves	-	-	-	-	-	-	-
Probable Ore Reserves	611,000	2.3	6.6	48.5	14,000	40,000	952,000
Total	**611,000**	**2.3**	**6.6**	**48.5**	**14,000**	**40,000**	**952,000**

The mining inventory by resource class is shown below. Although Inferred Mineral Resources are included in the life of mine design they are not included in the Ore Reserve statement above nor are they required to demonstrate the economic viability of the project. The conversion of Inferred Mineral Resources to Indicated Resources, resulting from continuous infill drilling following the primary development, will be an ongoing operational practice. As such, the Company has used the mine's entire resource base for life-of-mine planning. Further exploration on each development level represents upside potential in ore reserves, within the envelope of the current North and South orebodies.

Mining Inventory by Resource Categorisation, October 2017

	Mass (t)	Pb (%)	Zn (%)	Ag (g/t)	Combined Pb (t)	Contained Zn (t)	Contained Ag (Oz)
Indicated	610,859	2.35	6.66	49.1	14,381	40,695	964,748
Inferred	273,884	2.38	6.23	40.5	6,510	17,052	356,665
Total Inventory	**884,743**	**2.36**	**6.53**	**46.5**	**20,891**	**57,747**	**1,321,414**

Metallurgical optimisation work
At the time of publication of the feasibility study, the locked cycle tests which were underway had not yet been completed. The study postulated that the use of magnetic separation as a means of removing some of the pyrrhotite from the circuit was possible, but the subsequent results did not support this proposal as zinc recovery was compromised. Therefore, the focus of the work was to produce a robust operating environment, taking into account the main variables in mineralogy and flotation chemistry.

Using an optimised grind and new reagent regime, the Company has developed a robust processing methodology which can operate with a wide range of mineral compositions and produce consistent results. This is particularly evident with the variable pyrite and pyrrhotite content. An ore processing flow sheet has been defined that eliminates the variability associated with the previously proposed process and ensures a robust operating environment for future planned production. The main variables in mineralogy and flotation chemistry are accounted for and an optimised grind size and metallurgical route have been determined. This has resulted in increased confidence in expected concentrate grades and recoveries, with results from wide ranging ore composites conducted under simulated plant conditions:

- Lead concentrate grade of 62.2% Pb at 91.1% recovery, and
- Zinc concentrate grade of 52.4% Zn at 89.2% recovery.

Detailed minor element analyses of the above reported concentrates show no impurities that could affect the marketing acceptability.

These results are a significant development, removing any residual concern over operational variability in the processing plant and demonstrating robust controls of the final saleable products. This greatly assists in overall project bankability as we move forward with financing plans and, in particular, aids discussions with debt financiers.

A comprehensive test program was conducted on North ore core from the 2016/17 drill program at ALS Global in Burnie, Tasmania in mid-2017. This forms the basis of the process plant design.

The work, summarized in a formal report from ALS, comprised of:

- Mineragraphic and mineralogical examination
- Flotation batch tests to examine grind and flotation responses to varying conditions
- Concentrate filtration tests
- Product settling tests
- Oxidation tests
- Seawater response
- Concentrate minor element analyses

Eight composite samples representing discreet elements of the orebody were prepared. These samples were subjected to mineragraphic and mineralogical examination. Two weighted composites of the entire sample suite were then prepared of "typical ore" and "high zinc grade" ore for general testwork. Batch flotation tests were conducted using a variety of reagents and circuit modifications. From this, a robust set of operating conditions and reagent additions was achieved. In addition, testing of physical parameters as well as total analyses of final concentrates was carried out. The key results / conclusions from this work are:

- Flotation responses are robust and predictable even with variations in head grade metal ratios
- Cyanide addition to depress sphalerite in lead flotation is far superior to the use of zinc sulphate. The use of cyanide also has a tangible effect on the depression of both pyrite and pyrrhotite to the extent that flotation response appears to be independent of the relative proportions of pyrite/pyrrhotite in the ore
- Settling rates for all products are extremely fast; presenting no problems for dewatering. Predictably, filtration tests demonstrated rapid dewatering
- The use of seawater for flotation is a possibility if necessitated. Testwork indicated that rougher performance is not comprised by use of seawater. However, further work is required to assess the optimum configuration of the cleaner zinc circuit. Performance will not be affected providing that the zinc cleaner circuit uses fresh water make-up
- The cadmium level in the final zinc concentrate was 0.22%. There are no other deleterious elements in the concentrates
- Locked cycle testing showed no unmanageable build up within recycle streams
- Regrind of the zinc flotation intermediate streams is essential
- There are no significant quantities of soluble salts that could cause problems with concentrate production
- Heavy liquid separation testing of ore to determine if pre-concentration was an option, proved unsuccessful in that the "reject" stream carried too much metal to be economically discarded
- Metal recoveries will be 91% zinc, 90% lead and 75% silver
- The zinc concentrate will contain 53% Zn, 0.8% Pb and 11% Fe
- The lead concentrate will contain 67% Pb, 3.7% Zn, 6.4% Fe and 1,090g/t Ag.

Processing
The plant circuit is entirely conventional in terms of a crushing, grinding, flotation operation for a lead/zinc orebody. Bond Equipment is the preferred supplier of plant equipment.

Ore from the ROM pad will be fed by FEL to a bin, apron feeder and grizzly, which feeds a jaw crusher in closed circuit with a scalping screen. The crushing plant is a two-stage unit with intermediate screening and the ability to reject or recirculate coarse, potentially waste, material. An impact crusher was chosen as the second stage to take advantage of the high reduction ratio to provide suitable feed stock for the small-scale ball mill. Impact breakage suits grain boundary cleavage and avoids 'squashing' softer minerals like galena. Surge storage is handled via a fine ore bin and overflow stockpile.

A single stage ball mill was selected for its simplicity and suitability for the mineralogy, specifically the liberation sizes of galena and sphalerite. The inevitable overgrinding effect of heavier minerals is utilised to good effect in that an overall grind of P_{80} 100µm gives a mineral product of P_{80} 70µm which fits the galena release curve very well but leaves the sphalerite requiring further liberation in a selective regrind to achieve the optimal concentrate grade. Galena present in the ore is relatively competent and no evidence of 'sliming' was encountered in any testwork, past and present.

The flotation circuit provides flexibility to deal with both elevated head grades and circuit modifications. The circuit was designed to maximise the use of gravity, eliminating the need for pumps and increasing the plants ability to deal with variability. The lead roughers are 3 x $8m^3$ cells with additional cross launders to give enhanced lip length to cope with elevated head grades and thinner froths common with the selective collector used. The lead cleaner capacity can cope with elevated head grades. The lead rougher tails form the feed to the zinc conditioner. The zinc roughing cells are 6 x $8m^3$ units, being conservative to allow for easy reconfiguration should a larger scavenging duty be required which will build up a recirculating load and thereby reduce the actual residence time.

The zinc circuit is equipped with cross launders to facilitate higher weights pulls. The froth constraints are not as severe as in lead flotation but again commonalty of equipment was considered.

The zinc cleaner circuit incorporates a regrind facility to complete the effective liberation of the available sphalerite particles. In so doing a circulating load will arise, so an element of conservatism was adopted in cleaning capacity which also allows for ready conversion to a full two stage process if required.

The final concentrates flow at launder density at +30% solids to surge tanks which in turn feed the horizontal belt filters. It was considered undesirable to further thicken the pulp as the design of a very small but variable throughput thickener was complicated and would require considerable instrumentation.

Oversized horizontal vacuum filters were chosen as a means of simplifying the operation as well as allowing considerable air-drying time to comply with transportable moisture limitations, should bulk transport be considered for the zinc concentrate (lead concentrate will be bagged but still requires good handling characteristics).

The lead concentrate will be packaged into bulk bags to minimise any open piles and either load a container on site or transport the bags to Walvis Bay to load the containers. The zinc concentrate will be directly loaded onto trucks or bulk loaded into plastic lined containers on site with the addition of a small shuttle conveyor.

A tailings thickener is incorporated into the design to reduce water consumption. Settling tests indicated an 8 to 10m diameter unit but as a standard 12m unit gave similar costings this was chosen.

Project construction will be managed by a small Company owners' team. The owners' team will take direct responsibility for up-front development of the underground mine and site infrastructure, while construction of the processing plant is expected to be carried out by South African engineering company Bond Equipment.

Mining licence
The mining licence application for the Namib Project was filed in April 2014. Following three years of active engagement with the Ministry of Mines and Energy, the licence was granted in May 2017.

The Company has set up two trusts, the "Namib Lead & Zinc Mine Community Empowerment Trust" and "The NLZM Employee Benefit Trust", each holding a 5% interest in Namibian company Namib Lead & Zinc Mining, to meet the Ministry's requirement for Namibian participation in the Project to to benefit previously disadvantaged employees of the Company, and communities in need.

Corporate and financial review

Namib Project financing and approval

On 20 February 2018, North River announced a capital raising for the construction of the Namib Lead and Zinc Mine by way of a new share issue and working capital loan arrangement subject to shareholder approval at a General Meeting on 8 March 2018.

Following shareholder approval at the General Meeting of 8 March 2018, the Board approved:

(i) the Namib Project proceeding into construction,
(ii) the completion of a US$21.6m fundraising for the construction of the Namib Lead & Zinc Mine and associated corporate costs to see the Company through commissioning and into early production,
(iii) the appointment of Ricardo de Armas and Brent de Jong as non-executive directors. Mark Thompson resigned from his office of director of the Company with effect from completion of the fundraising,
(iv) and various documents and actions required in connection with the above.

An aggregate consideration of US$6,764,621 was raised before fees and expenses by allotting and issuing 24,010,037 CL Ventures Subscription Shares to CL Ventures Lux S.a.r.l. ("Castlelake") at a subscription price of US$0.2817 per share. As a condition to completion of this subscription of shares the pre-existing Greenstone Convertible Loan was converted into 4,034,537 New Greenstone Shares. As a result, Castlelake and Greenstone Resources each now hold 24,010,037 shares in North River, representing an interest of 44.11% each in the Company. On completion of the share subscription, working capital loan advances were made to the Company by Greenstone Resources and Castlelake for US$6,300,000 and US$8,395,379 respectively. These funds were drawn down immediately and are repayable in full on the third anniversary of the drawdown.

The proceeds of the capital raising transactions will be used to fund the capital requirement of the Namib Project in full through to the commissioning and ramp-up to full commercial levels of production.

Board of directors

Following the Cancellation from the AIM market on 28 March 2017, Dr Rod Beddows, Chairman, and Keith Marshall, both independent non-executive directors, resigned from the Board. James Beams stepped down from the CEO position and was appointed non-executive Chairman of the Board.

In April 2017 the Company announced new appointments to the Board of Directors of the Namibian subsidiaries, Namib Lead Zinc and Mining (Pty) Ltd ("NLZM"), West Africa Gold Exploration (Pty) Ltd and North River Resources Namibia (Pty) Ltd . Mr Dag Kullmann, a mining engineer with over 25 years operational, consulting & corporate experience (10 years in Namibia) was appointed as Managing Director of NLZM.

Francois du Plessis resigned from the Board as a Non-Executive Director of NLZM in April 2017.

In February 2018, Mr Paul Lombard, with over 15 years of experience working for subsidiary companies of De Beers and the Namibian Government in multiple finance and mine management positions, has been appointed as the new CFO of the Group.

On completion of the financing on 23 March 2018 and mentioned above, Mark Thompson resigned as an independent non-executive director, and Ricardo De Armas Paredes and Brent De Jong were appointed non-executive directors on behalf of Castlelake.

Financial review and future activities

The Group is reporting a loss before taxation for the year of £1,099,482 (2016: loss of £2,658,868).

This loss includes administrative expenses of £465,397 (2016: £878,529) and exploration and evaluation costs of £674,623 (2016: £988,861). The exploration and administrative expenditure costs were lower than in 2016 as a consequence of a decision to cut corporate overheads and project studies in light of the ongoing uncertainty in early 2017 around the grant of the mining licence. Levels of expenditure picked up in the second half of the year as the company updated the feasibility study and sought to raising financing for the Project.

The Group's cash position as at 31 December 2017 was £391,948 (2016: £1,010,614).

In December 2017 the Company secured a US$900,000 convertible loan facility from Greenstone Resources, at 31 December 2017 the Company had drawn down US$500,000 of the facility and in March 2018 the additional US$400,000 was drawn down.

On 8 March 2018 shareholders approved the fundraising proposal for the allotment of new share capital to Castlelake. and working capital loan facilities to the Company from Greenstone Resources and Castlelake. in the amounts mentioned earlier in this report.

Further, the US$900,000 convertible loan facility secured in December 2017 was converted in full to shares subsequent to the shareholder approval of the new fundraising proposal in March 2018 and converted in line with the agreement between Greenstone Resources LP and the Company entered into on 1 December 2017. This created an additional 4,034,537 new Ordinary Shares issued in the Company to Greenstone Resources.

The Group commenced project construction in late March 2018 and is targeting construction completion within one year. Initial zinc and lead concentrate production is anticipated in the first quarter of 2019 and ramping-up to full design capacity production and positive cash flows by during Q2 of 2019.

James Beams
Chairman
8 May 2018

The Directors of the Company and its subsidiary undertakings (which together comprise 'the Group') present their Strategic Report for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND STRATEGY

The principal activity of the Company is that of a holding company for its subsidiaries. The principal activity of the Group is the identification, acquisition, exploration and development of mineral projects with a principal focus on base metals particularly zinc and lead.

The North River Group is engaged in the exploration and development of mineral resources. The Group's activities are focussed in Namibia and its main project is the Namib Lead & Zinc Mine.

In 2017, the Group has completed an updated feasibility study into the restart of commercial mining operations at the Namib lead and zinc mine, and in March 2018 completed a capital raising to fund development of the project. The objective is to take Namib into profitable and cash generative operations which in turn will fund the Group's further exploration and expansion plans.

Further discussions on the Group's activities during the year and future outlook are included in the Chairman's Statement.

FINANCIAL RESULTS

The Group is reporting a loss before tax of £1,099,482 (2016: £2,658,868) for the year ended 31 December 2017. This loss is in line with the Directors' expectations following lower expenditure in the first half of the year, pending receipt of the mining licence for the Namib Project.

The Group's primary activity has been to define an optimised project for development at Namib. Following Board approval in March 2018 to proceed into construction, the company expects to bring the mine into production within one year, with first sales revenues in early 2019.

Cash balances at the year-end were at £391,948 (2016: £1,010,614).

Due to the early stage of development of the Group, it is not meaningful to consider a further review of key financial performance indicators.

ORGANISATION OVERVIEW

The Group's Board is based in London, and the full management team are located in Namibia. The corporate structure of the Group reflects the historical pattern of acquisition by the Group and the need where appropriate, for fiscal and other reasons, to have incorporated entities in particular territories.

The Board of Directors comprises the Non-Executive Chairman, two Non-Executive Directors appointed by Greenstone Resources and two Non-Executive Directors appointed by Castlelake.

The Group is currently in the construction phase of the Namib Lead Zinc project, and expenditure is tightly controlled against the Board approved capital cost and schedule.

PRINCIPAL RISKS AND UNCERTAINTIES

Mining and exploration have inherent risks and the main risks to which the Group could be exposed are identified as follows:

Exploration Risk
The Company's business includes mineral exploration and evaluation which are speculative activities and there is no certainty that the Group will be successful in the definition of new or additional economic mineral deposits, or that it will successfully proceed into development of any such additional mineral deposits.

Resource Risk
All mineral deposits have risks associated with their defined grade and continuity. Mineral Reserves and Resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and metal price assumptions.

Construction Risk
Delays in construction and commissioning of the Namib project would result in delays to the Group meeting future production targets.

Commodity Price Risk
Lower metal prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity. The Group has no metal price hedging in place.

Mining and Processing Technical Risk
Notwithstanding the completion of detailed metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, groundwater conditions and other geological conditions may still render a mining and processing operation economically or technically non-viable.

Licences Risk
Exploration and mining licences are issued by government and though the Group ensures that the applications and renewals are applied for in a timely manner and that all conditions have been met, there is a risk that licences will not be granted or renewed.

Environmental Risk
Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

Financing & Liquidity Risk Liquidity
The risk that the Company will not be able to raise working capital for its ongoing activities. The Group's goal is to finance its exploration and evaluation activities from future operating cash flows but until that point is reached the Company is reliant on raising working capital from equity markets or from industry sources. There is no certainty such funds will be available when needed.

Political Risk
All countries carry political risk that can lead to interruption of activity. Politically stable countries can, for example, have enhanced environmental and social permitting risks, risks of strikes, changes to taxation and changes to regulatory and legislative environments, including indigenisation policies, whereas less developed countries have enhanced risks in areas such as changes to the legal framework, civil unrest and government expropriation of assets.

The New Equitable Economic Empowerment Framework (NEEEF) Legislation proposed by the Namibian Government, could, if enacted into law, have material consequences on the operations of the group. The final terms and conditions have not yet been confirmed and there is a risk that such legislation could have a significant impact on the development of the Group's projects in the country.

The Company insures itself against certain political events which may adversely affect the trading status of the entity, to this means it is mitigating the inherent risk.

Currency risk
Once in operations at Namib, the Group will generate revenues from commodity sales in US Dollars, and incur most operating costs in Namibian Dollars, and report financial results in Pound Sterling. A weakening of the US Dollar against Pound Sterling and/or the Namibian Dollar would adversely impact group revenues and profitability.

US Dollar financing put in place in March 2018 for the construction phase of the Namib Project has been converted to Namibian Dollars to match the currency in which construction costs will be incurred.

The group has no currency hedging in place.

Partner Risk
The Group's activities could be adversely affected if joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments.

Financial Instruments and financial risk management
Details of risks associated with the Group's Financial Instruments and financial risk management disclosures are given in Note 16 to the financial statements.

Internal Controls and Risk Management
The Directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system of internal controls and risk management is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, and all borrowing decisions.

By order of the Board

James Beams
Chairman
8 May 2018

The Directors present their report, together with the audited financial statements for North River Resources plc ('North River' or 'the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 December 2017.The Company is registered in England and Wales, having been incorporated on 13 July 2006 under the Companies Act with registration number 05875525 as a public company limited by shares.

Directors
The following Directors held office during the year and remain in office as at the date of this report unless stated otherwise:

James Beams	
Ken Sangster	
Mark Sawyer	
Ricardo De Armas Paredes	(appointed 23 March 2018)
Brent De Jong	(appointed 23 March 2018)
Mark Thompson	(resigned 23 March 2018)
Rodney Beddows	(resigned 28 March 2017)
Keith Marshall	(resigned 28 March 2017)

Subsequent events

Fundraising
On 8 March 2018 the Group successfully raised an aggregate of US$6,764,621 (before expenses) via the issue of 24,010,037 new ordinary shares of £0.2 pence each in the share capital of the Group at a price of US$0.2817 per share to Castlelake. The net proceeds of the fundraising will be used for the development of the Namib Project in Namibia.

In conjunction with the subscription of new shares it was agreed that the Greenstone convertible loan facility (US$900,000) will be converted into 4,034,537 new ordinary shares of £0.2 pence per share. Additionally, the Group has obtained two working capital facilities from Castlelake and Greenstone Resources, totalling US$8,395,379 and $6,300,000 respectively and creating a total aggregated amount of US$14,695,379.

All amounts borrowed under the working capital facilities will be drawn down and used for the Namib Project only. Each of the working capital facilities carries an interest rate of 15% per annum with interest accruing from the date of drawdown. Interest is payable monthly on a cash basis from the end of the first year following the drawdown and the facilities become repayable in full on the third anniversary of the drawdown.

North River Resources (Murrupula) Lda
On 29 January 2018 ownership of the Murrupula exploration licence in Mozambique was successfully transferred to joint venture partner Baobab, in exchange for a royalty on future revenues deriving from the licence.

Going concern
During the year ended 31 December 2017 the Group made a loss before tax of £1,099,482 (2016: £2,658,868). At the year end date the Group had net assets of £1,212,812 (2016: net assets of £2,283,318) of which £391,948 (2016: £1,010,614) is cash at bank. The operations of the Group are currently being financed by funds raised from private and public shareholders.

As set out in Note 4, the application for the Namib Lead Zinc Licence, ML 185, (submitted in April 2014) was received from the Republic of Namibia Ministry of Mines and Energy on 29 May 2017 from the Republic of Namibia Ministry of Mines. This has allowed the Group to proceed with the next stage of the construction and development programme allowing the Company to seek additional investment to support the capital requirements of the Namib Project.

On 8 March 2018 shareholders approved the fundraising proposal for the allotment of new share capital via 24,010,037 new Ordinary Shares issued to Castlelake, raising an aggregate of US$6,764,621. Additionally two working capital loans were advanced simultaneously to the Company by Greenstone Resources and Castlelake for US$6,300,000 and US$8,395,379 respectively. This raised total aggregate additional funds of US$21,460,000 net of legal fees.

At the 30 April 2018 the Group had US$20,097,227 cash balances.

First production at Namib is expected in the first quarter of 2019, with a ramp-up to design capacity and positive free cash flows by mid-2019.

Management have reviewed the forecast cash flows for 12 months from the date of the approval of the annual report and financial statements and are confident that the Group will continue to meet its significant obligations through the construction phase. Therefore Management believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company, and the profit and loss of the Group for that period.

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Statement of disclosure to the auditors
So far as all the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors
In accordance with Section 485 of the Companies Act 2006, a resolution proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to determine their remuneration will be put to the Annual General Meeting.

By order of the Board

James Beams
Chairman
8 May 2018

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NORTH RIVER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2017

Opinion

We have audited the financial statements of North River Resources plc for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2017 and of the Group and Parent company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter –Going concern

In forming our opinion on the financial statements, which are not qualified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern. The group incurred a loss of £1.1m during the year ended 31 December 2017 and is still incurring losses. Along with similar sized exploration and mining companies, the Company raises finance for its exploration, appraisal and development activities in discreet tranches.

Subsequent to the year end, funding of over $21m has been raised in the form of loans worth $14m and share issues. This will enable North River Resources plc to support the activities of its subsidiaries as they move to the operational mining stage of their project. The Group now has a mining licence in place to enable it to carry out these activities.

However, there still exists an uncertainty, the fact that there is still a significant amount of work to complete before the Group can begin to generate revenues with the inherent risk of cost overruns and delay. This indicates the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern, especially if the actual costs incurred significantly outweigh the costs that have been budgeted for. There currently are no future plans for additional fund raising to be undertaken. The financial statements do not include the adjustments that would result (such as an impairment of assets) if the Group and Company were unable to continue as a going concern.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Company, 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
- certain disclosures of directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.This description forms part of our auditor's report.

Colin Wright (Senior Statutory Auditor)

For and on behalf of
UHY Hacker Young
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London, E1W 1YW

8 May 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 Dec 2017 £	Year ended 31 Dec 2016 £
Continuing operations			
Exploration & evaluation expenditure		(674,623)	(988,861)
Administrative expenses		(465,397)	(878,529)
GROUP OPERATING LOSS	2	(1,140,020)	(1,867,390)
Finance charges	3	(3,915)	(796,743)
Interest received on bank deposits		3,403	5,265
Other income		41,050	-
LOSS BEFORE TAX		(1,099,482)	(2,658,868)
Taxation	14	-	-
LOSS FOR THE YEAR		(1,099,482)	(2,658,868)
OTHER COMPREHENSIVE INCOME / (LOSS):			
Exchange difference on subsidiary loans treated as net investments		80,559	2,081,780
Exchange differences on translating foreign operations		(80,429)	(2,089,736)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,099,352)	(2,666,824)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		(1,089,812)	(2,666,824)
Non-controlling interest		(9,540)	-
		(1,099,352)	(2,666,824)

The results for 2017 and 2016 relate entirely to continuing operations. The loss for the current and prior years and the total comprehensive loss for the current and the prior years are wholly attributable to equity holders of the parent company.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	Group 31 December 2017 £	Company 31 December 2017 £	Group 31 December 2016 £	Company 31 December 2016 £
ASSETS					
NON-CURRENT ASSETS					
Goodwill	4	1,036,052	-	1,036,052	-
Intangible assets	5	56,821	66,000	56,495	66,000
Plant and equipment	6	24,441	-	81,529	118
Investment in joint venture	7	-	-	-	-
Investment in associated company	8	113,182	56,591	113,182	56,591
Investments in subsidiaries and loans due from subsidiaries	9	-	8,798,103	-	8,006,338
		1,230,496	8,920,694	1,287,258	8,129,047
CURRENT ASSETS					
Trade and other receivables	10	78,555	24,943	172,033	32,444
Cash and cash equivalents		391,948	341,136	1,010,614	941,267
		470,503	366,079	1,182,647	973,711
TOTAL ASSETS		1,700,999	9,286,773	2,469,905	9,102,758
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	11	139,510	90,158	186,587	146,939
		139,510	90,158	186,587	146,939
NON-CURRENT LIABILITIES					
Convertible loan notes	12	348,677	348,677	-	-
TOTAL LIABILITIES		488,187	438,835	186,587	146,939
NET ASSETS		1,212,812	8,847,938	2,283,318	8,955,819
EQUITY					
Share capital	13	4,433,376	4,433,376	4,433,376	4,433,376
Share premium		25,291,384	25,291,384	25,291,384	25,291,384
Convertible loan note reserve	12	28,846	28,846	-	-
Currency translation reserve		(240,477)	-	(240,607)	-
Non-controlling interest		(9,540)	-	-	-
Retained losses		(28,290,777)	(20,905,668)	(27,200,835)	(20,768,941)
TOTAL EQUITY		1,212,812	8,847,938	2,283,318	8,955,819

These financial statements were approved by the Board of Directors on 8 May 2018 and signed on its behalf by:

James Beams
Chairman
Company Registration Number: 05875525

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED	Share capital £	Share premium £	Retained losses £	Currency translation reserve £	Convertible loan note reserve £	Non-controlling interest £	Total equity £
At 1 January 2016	4,398,183	21,258,590	(24,657,843)	(232,651)	115,876	-	882,155
Loss for the year	-	-	(2,658,868)	-	-	-	(2,658,868)
Other comprehensive income:							
Currency translation movement	-	-	-	(7,956)	-	-	(7,956)
Total comprehensive loss	-	-	(2,658,868)	(7,956)	-	-	(2,666,824)
Transactions with shareholders:							
Shares issued	35,193	4,191,942	-	-	-	-	4,227,135
Cost of raising capital	-	(159,148)	-	-	-	-	(159,148)
Extinguished convertible loan note equity	-	-	115,876	-	(115,876)	-	-
Balances at 31 December 2016	4,433,376	25,291,384	(27,200,835)	(240,607)	-	-	2,283,318
Loss for the year	-	-	(1,089,942)	-	-	(9,540)	(1,099,482)
Other comprehensive income:							
Currency translation movement	-	-	-	130	-	-	130
Total comprehensive loss	-	-	(1,089,942)	130	-	(9,540)	(1,099,352)
Transactions with shareholders:							
Issued convertible loan note equity	-	-	-	-	28,846	-	28,846
At 31 December 2017	4,433,376	25,291,384	(28,290,777)	(240,477)	28,846	(9,540)	1,212,812

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

COMPANY	Share capital £	Share premium £	Retained losses £	Convertible loan note reserve £	Total equity £
At 1 January 2016	4,398,183	21,258,590	(21,722,198)	115,876	4,050,451
Loss for the year	-	-	(1,441,565)	-	(1,441,565)
Other comprehensive income					
Currency translation movement	-	-	2,278,946	-	2,278,946
Total comprehensive loss	-	-	837,381	-	837,381
Transactions with shareholders:					
Share Issue	35,193	4,191,942	-	-	4,227,135
Cost of raising capital	-	(159,148)	-	-	(159,148)
Extinguished convertible loan note equity	-	-	115,876	(115,876)	-
At 31 December 2016	4,433,376	25,291,384	(20,768,941)	-	8,955,819
Loss for the year	-	-	(136,727)	-	(136,727)
Other comprehensive income					
Currency translation movement	-	-	-	-	-
Total comprehensive loss	-	-	(136,727)	-	(136,727)
Transactions with shareholders:					
Issued convertible loan note equity	-	-	-	28,846	28,846
At 31 December 2017	4,433,376	25,291,384	(20,905,668)	28,846	8,847,938

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Group 2017 £	Company 2017 £	Group 2016 £	Company 2016 £
Cash flows from operating activities					
Group operating (loss) / profit		(1,099,482)	(136,727)	(1,867,390)	1,633,379
Adjustments for non-cash items:					
Depreciation and amortisation charges	5&6	57,310	118	63,888	3,844
Effective interest charge of CLN	12	3,915	3,915	-	-
		(1,038,257)	(132,694)	(1,803,502)	1,637,223
Movements in working capital:					
Decrease / (Increase) in receivables		93,479	7,501	(90,108)	(3,707)
Decrease in payables		(47,078)	(56,781)	(16,310)	(11,795)
Net cash (used in) / from operating activities		(991,856)	(181,974)	(1,909,920)	1,621,721
Investing activities					
Loans to subsidiaries	9	-	(791,747)	-	(3,423,096)
Purchase of plant and equipment	6	(148)	-	(416)	-
Purchase of mine licence	5	(400)	-	-	-
Acquisition of ordinary shares in Namib Lead Zinc Mining (Pty) Ltd		-	(18)	-	-
Net cash used in investing activities		(548)	(791,765)	(416)	(3,423,096)
Financing activities					
Proceeds from issue of share capital	13	-	-	1,867,222	1,867,222
Share issue costs	13	-	-	(159,148)	(159,148)
Proceeds of convertible loan notes	12	373,608	373,608	-	-
Withholding taxes paid		-	-	(32,099)	(32,099)
Interest paid		-	-	(128,091)	(128,091)
Interest received		-	-	5,265	746
Net cash from financing activities		373,608	373,608	1,553,149	1,548,630
Decrease in cash and cash equivalents		(618,796)	(600,131)	(357,187)	(252,745)
Cash and cash equivalents at beginning of year		1,010,614	941,267	1,376,740	1,194,994
Exchange differences		130	-	(8,939)	(982)
Cash and cash equivalents at end of year		391,948	341,136	1,010,614	941,267

Cash and cash equivalents comprise cash on hand and bank balances.

1. ACCOUNTING POLICIES

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated. North River Resources Plc is incorporated in England and Wales, with registration number 05875525 and registered office address, 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

1.1 Basis of preparation

The financial statements are prepared in accordance with the historical cost convention and in accordance with the International Financial Reporting Standards, as adopted by the European Union ("IFRS"), including IFRS 6 'Exploration for and Evaluation of Mineral Resources', and in accordance with the provisions of the Companies Act 2006. The parent Company's financial statements have also been prepared in accordance with IFRS and Companies Act 2006.

The Group and Company financial statements are presented in UK pounds sterling.

In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a Statement of Comprehensive Income. The Parent Company's loss for the year ended 31 December 2017 was £136,727 (2016: £1,441,565).

Non-controlling interests in the net assets of NLZM, a consolidated subsidiary of North River Resources Plc are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of the subsidiary attributable to the non-controlling interests are allocated and recognised as such within equity.

1.2 Going concern

During the year ended 31 December 2017 the Group made a loss before tax of £1,099,482 (2016: £2,658,868). At the year end date the Group had net assets of £1,212,812 (2016: net assets of £2,283,318) of which £391,948 (2016: £1,010,614) is cash at bank. The operations of the Group are currently being financed by funds raised from private and public shareholders.

As set out in Note 4, the application for the Namib Lead Zinc Licence, ML 185, (submitted in April 2014) has been received on 29 May 2017 from the Republic of Namibia Ministry of Mines and Energy. This has allowed the Group to proceed with the next stage of the construction and development programme allowing the Company to seek additional investment to support the capital requirements of the Namib Project.

On 8 March 2018 shareholders approved the fundraising proposal for the allotment of new share capital via 24,010,037 new Ordinary Shares issued to Castlelake raising an aggregate of US$6,764,621. Additionally two working capital loans were advanced simultaneously to the Company by Greenstone Resources and Castlelake for US$6,300,000 and US$8,395,379 respectively. This raised total aggregate additional funds of US$21,460,000 net of legal fees.

At the 30 April 2018 the Group had US$20,097,227 cash balances.

First production at Namib is expected in the first quarter of 2019, with a ramp-up to design capacity and positive free cash flows by mid-2019.

Management have reviewed the forecast cash flows for 12 months from the date of the approval of the annual report and financial statements and are confident that the Group will continue to meet its significant obligations through the construction phase. Therefore Management believe that Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Basis of consolidation

The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method") which includes the results of the subsidiaries from their date of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

1.4 Goodwill

Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertakings and the aggregate fair value of their separable identifiable assets acquired and liabilities assumed. Goodwill is capitalised as an intangible asset and in accordance with IAS 36 'Impairments of Assets' is not amortised but tested for impairment annually and when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. For impairment testing purposes goodwill is allocated to cash-generating units (CGUs). If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit or loss on sale.

1.5 Impairment of assets

Where appropriate the Group reviews the carrying amounts of its goodwill, plant and equipment, intangible assets and investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

1.6 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, using the straight line method, on the following basis:

Plant and machinery	4 years
Motor vehicles	4 years
Fixtures, fittings and equipment	4 years
Computers and software	3 years

1.7 Exploration and evaluation expenditure

The Group capitalises the fair value of the consideration paid for acquiring exploration and prospecting rights as intangible assets. All other exploration and evaluation costs incurred are expensed as they are incurred and included in the consolidated statement of comprehensive income. The Group has taken into consideration the degree to which expenditure can be associated with finding specific mineral resources. The intangible assets, comprising licence costs, will be amortised over the length of the mining licence and the amortisation expense included within the administration expenses in the statement of comprehensive income.

1.8 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable from the sale of goods and services from the Group's ordinary business activities. Revenue is stated net of discounts, sales and other taxes. There was no revenue received in the current or prior year.

1.9 Interest income and expense

Interest income and expense are reported on an accrual basis.

1.10 Expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

1.11 Investments in subsidiaries

The Parent Company’s investments in subsidiary companies are stated at cost less provision for impairment in the Parent Company’s Statement of Financial Position.

1.12 Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses. The Parent Company’s investments in associated companies are stated at cost less provision for impairment in the Parent Company’s Statement of Financial Position.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investors’ share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

1.13 Interests in joint ventures

The Group had an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture company using the equity method.

Under the equity method, the investment in the venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the joint venture company. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture company is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the venture and its carrying value, then recognises the loss as ‘Impairment of investment in joint venture” in the income statement.

Upon loss of significant influence over the venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of comprehensive income.

1.14 Foreign currency translation

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in pounds sterling ("£"), which is the functional and presentational currency of the Parent Company and the presentational currency of the Group.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Statement of Financial Position date and the gains or losses on translation are included in the Statement of Comprehensive Income, with the exception of loans that are designated as part of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the original transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the Statement of Financial Position date. Income and expenses are translated at weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income.

1.15 Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

No deferred tax assets are recognised in the financial statements.

1.16 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.17 Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the Statement of Comprehensive Income.

1.18 Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1.19 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the increase of new shares are shown in equity as a deduction from the proceeds.

1.20 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder. The number of shares to be issued does not vary with changes in fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to their initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

1.21 Share-based payments
The Parent Company has granted equity settled options in the past. The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they were granted and is recognised as an expense over the vesting period, which ends on the date the employee becomes fully entitled to the award. Fair value is determined by using the Black-Scholes option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

At each Statement of Financial Position before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management’s best estimate of the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous Statement of Financial Position date is recognised in the Statement of Comprehensive Income, with a corresponding entry in equity.

When the exercise period for an option expires, the amount that has been charged through the Statement of Comprehensive Income is transferred from the share-based payments reserve to retained losses.

1.22 Critical accounting judgements and estimates
The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRSs also require management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Impairment of goodwill and investments in and loans to subsidiaries
Management assess whether goodwill and investments in and loans to subsidiaries after taking into account potential ore reserves, and cash flows expected to be generated by estimated future production, sales and costs. If the assumed factors vary from actual occurrence, this will impact on the amount at which the assets should be carried on the Statement of Financial Position.

Factors which could impact the future recoverability of these assets include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Further detailed analysis of the critical judgements and estimates relating to goodwill and investments in, and loans to, subsidiaries is in notes 4 and 9 below.

1.23 Financial instruments
IFRS 7 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

The Group's policies include that no trading in derivative financial instruments shall be undertaken.

The required disclosures have been made in Note 17 to the accounts.

1.24 Adoption of new and revised International Financial Reporting Standards

The following relevant new IFRS standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2017, but had no significant impact on the Company:

Standard	Key requirements	Effective date as adopted by the EU
Amendment to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	IAS 12, Income taxes are clarified for the following aspects: - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. - The carrying amount of an asset does not limit the estimation of probable future taxable profits. - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	1 January 2017
Amendment to IAS 7	IAS 7, Statement of cash flows provide additional disclosure to allows users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017

Standards issued but not yet effective

The following relevant new IFRS standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2017, as adopted by the European Union, and have not been early adopted:

Standard	Key requirements	Effective date as adopted by the EU
IFRS 9	Financial Instruments – Replacement to IAS 39 and is built on a single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Impairments are changing to an 'expected credit loss' model for measurement of the impairment of financial assets, it is no longer necessary for a credit event to have occurred before a credit loss. Hedge accounting, introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.	1 January 2018
IFRS 15	Revenue from contracts with customers – Introduces requirements for companies to recognise revenue, on a principle based five-step model for the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue.	1 January 2018
IFRS 16	Leases – Introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, within IFRS 16's approach to lessor accounting substantially unchanged from its predecessor.	1 January 2019

The following relevant new standards and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2017, and not yet adopted by the European Union, they have not been early adopted:

Standard	Key requirements	Effective date and not yet endorsed by the EU
Amendment to IFRS 2, Share based payments	The amendment clarifies; cash-settled share-based payment transactions that include a performance condition, share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	1 January 2018
Amendments to IAS 40, Investment property	Amendment to paragraph 57 of the standard to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.	1 January 2018
IFRS 17	Insurance contract liabilities are to be measured at current fulfilment value which will provide a uniform measurement and presentation approach for all insurance contracts.	1 January 2021

2. GROUP OPERATING LOSS

The Group's operating loss before tax is stated after charging:

	Year ended 31 Dec 17 £	Year ended 31 Dec 16 £
Depreciation and amortisation – owned assets	57,310	63,888
Parent Company auditor's remuneration	20,000	20,000
Subsidiary auditor's remuneration	8,085	8,045
Exploration & evaluation costs expensed	674,627	988,861

3. FINANCE CHARGES

	Year ended 31 Dec 17 £	Year ended 31 Dec 16 £
Convertible loan notes interest	-	175,870
Convertible loan note unwinding charge	3,915	588,744
Withholding tax charges	-	32,099
Other interest payable	-	30
	3,915	796,743

4. GOODWILL AND IMPAIRMENT REVIEW

The Company acquired, on 20 November 2009, the entire issued share capital in, and the shareholder loans to, West Africa Gold Exploration (Namibia) (Pty) Ltd ("WAGE") and Namib Lead and Zinc Mining (Pty) Ltd ("NLZM"). The consideration paid by the Company for these two Namibian entities and the shareholder loans was satisfied by the allotment of 266,666,667 Ordinary shares of £0.002 each at 3 pence per share.

Goodwill arising on the acquisitions was £7,738,986 and was allocated to cash-generating units (CGUs) by reference to the exploration areas as shown below. In 2015 the full balance of goodwill ascribed to the WAGE licences, £6,702,934, was impaired. The Directors believed that the licences held in WAGE have the potential to contain economic mineral resources supporting a development and that there is a market value for the licences. The Directors' calculation of the net present value ("NPV") of these early stage copper projects against which goodwill was allocated, is marginal using long-term consensus copper prices. During 2017 three of the exploration licence applications applied for within WAGE were declined by the Ministry of Mines and Energy, thereby leaving only two exploration licences within WAGE. As a result the Directors continue to believe that the remaining WAGE licences have little economic value and remain fully impaired.

	31 Dec 17	31 Dec 16
Goodwill balance at year end:	£	£
Namib lead-zinc mine	1,036,052	1,036,052

Goodwill impairment review

In accordance with the Group's accounting policies, and as required by IAS36 'Impairment of Assets', the Directors test each goodwill CGU for impairment annually, or sooner, where indications exist or information comes to light that clarifies the size, quality and economics of the licences and ore bodies held/owned by WAGE and NLZM.

Namib Lead and Zinc Mining (Pty) Ltd

The Namib Lead Zinc project held by NLZM is the Group's primary focus of activity. To date, significant project work has been completed resulting in the publication of a definitive feasibility study in 2014 showing an economically robust project. Further, the Group has completed the project optimisation work which embarked on a 3,800 metre resource drilling campaign targeted at increasing the resource base and mine life.

The project was approved to proceed into construction by the Board on 23 March 2018, based on a pre-production capital cost of US$17.4 million and an estimated net present value of US$34.9 million and IRR of 81%. The project economics are based on projected cash flows from the point of commencement of construction through to the end of a mine life in 2028 based on the currently defined mineral resource. A discount rate of 10% has been applied to the forecast cash flows as this was deemed an appropriate market rate for similar mining projects.

As a result of the impairment tests carried out and the resulting CGU's net present value estimated, the Directors do not believe that the goodwill of NLZM of £1,036,052 should be impaired.

Exploration licences

It is further noted that the following EPLs in the Licence Areas have been renewed, or are awaiting confirmation of renewal, since acquisition thus providing additional security of tenure. In August 2017 the renewal of 3 EPLs (3257, 3258, 3261) held within WAGE has not been accepted by the Ministry of Mines and Energy. In May 2017 the application of the Mining Licence (185) has been accepted by the Ministry of Mines and Energy with the licence being issued as of February 2016 for a period of 10 years. There is one EPL (2902) which is under renewal consideration and there remains an uncertainty whether it will be renewed.

The Directors believe that the only outstanding licence renewal will be successful and therefore the current position of the licences does not constitute an indication of further impairment of the goodwill and associated assets.

Project	**Application name**	**Type**	**Number**	**Surface area (km^2)**	**Annual licence fees (N$)**	**Current status**	**Expiry date**
Namib Lead	Namib Lead	EPL	2902	45.234	2,000	Submitted	17/04/2018
Namib Lead	Namib Lead	ML	185	5.45	5,000	Received	24/02/2026
Namib Lead South	Namib Lead South	EPL	5075	90.200	2,000	Renewed	06/05/2019
Outjo	Ekotoweni	EPL	4560	467.001	7,000	Renewed	01/08/2019
Outjo	Hopewell	EPL	4561	143.926	2,000	Renewed	01/08/2019

5. INTANGIBLE ASSETS

GROUP	Exploration licences £	Software £	Total £
COST			
At 1 January 2017	139,889	32,583	172,472
Additions	400	-	400
Effects of foreign exchange	572	-	572
At 31 December 2017	140,861	32,583	173,444
AMORTISATION			
At 1 January 2017	83,394	32,583	115,977
Charge for the year	74	-	74
Effects of foreign exchange	572	-	572
At 31 December 2017	84,040	32,583	116,623
NET BOOK VALUES			
At 31 December 2017	56,821	-	56,821
At 31 December 2016	56,495	-	56,495

On the 29 May 2017 NLZM was issued with a Mining Licence for its Namib Project from the Ministry of Mines and Energy in Namibia. The 10 year mining licence issued is effective from 25 February 2016 and amortised over the life of the licence. The total balance within Exploration Licences additions for the current year relates to the acquisition cost of the mine licence.

COMPANY	Royalty contracts £	Software £	Total £
COST			
At 1 January and 31 December 2017	66,000	15,568	81,568
AMORTISATION			
At 1 January and 31 December 2017	-	15,568	15,568
NET BOOK VALUES			
At 31 December 2017	66,000	-	66,000
At 31 December 2016	66,000	-	66,000

GROUP	**Exploration licences £**	**Software £**	**Total £**
COST			
At 1 January 2016	117,963	32,583	150,546
Effects of foreign exchange	21,926	-	21,926
At 31 December 2016	139,889	32,583	172,472
AMORTISATION			
At 1 January 2016	61,468	29,184	90,652
Charge for the year	-	3,399	3,399
Effects of foreign exchange	21,926	-	21,926
At 31 December 2016	83,394	32,583	115,977
NET BOOK VALUES			
At 31 December 2016	56,495	-	56,495
At 31 December 2015	56,495	3,399	59,894

COMPANY	**Royalty contracts £**	**Software £**	**Total £**
COST			
At 1 January and 31 December 2016	66,000	15,568	81,568
AMORTISATION			
At 1 January 2016	-	12,169	12,169
Charge for the year	-	3,399	3,399
At 31 December 2016	-	15,568	15,568
NET BOOK VALUES			
At 31 December 2016	66,000	-	66,000
At 31 December 2015	66,000	3,399	69,399

6. PLANT AND EQUIPMENT

GROUP	**Plant & machinery £**	**Fixtures & fittings £**	**Motor vehicles £**	**Total £**
COST				
At 1 January 2017	205,022	41,497	136,169	382,688
Additions in year	-	148	-	148
Disposals in year	-	(15,674)	-	(15,674)
At 31 December 2017	205,022	25,971	136,169	367,162
DEPRECIATION				
At 1 January 2017	137,806	36,634	126,719	301,159
Charge for the year	48,372	2,602	6,262	57,236
Disposals in year	-	(15,674)	-	(15,674)
At 31 December 2017	186,178	23,562	132,981	342,721
NET BOOK VALUE				
At 31 December 2017	18,844	2,409	3,188	24,441
At 31 December 2016	67,216	4,863	` 9,450	81,529

COMPANY	**Plant & machinery £**	**Fixtures & fittings £**	**Motor vehicles £**	**Total £**
COST				
At 1 January	-	17,839	-	17,839
Disposals	-	(15,674)	-	(15,674)
At 31 December 2017	-	2,165	-	2,165
DEPRECIATION				
At 1 January 2017	-	17,721	-	17,721
Charge for the year	-	118	-	118
Disposals	-	(15,674)	-	(15,674)
At 31 December 2017	-	2,165	-	2,165
NET BOOK VALUE				
At 31 December 2017	-	-	-	-
At 31 December 2016	-	118	-	118

GROUP	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
COST				
At 1 January 2016	205,022	41,081	136,169	382,272
Additions in year	-	416	-	416
At 31 December 2016	205,022	41,497	136,169	382,688
DEPRECIATION				
At 1 January 2016	93,921	33,911	112,838	240,670
Charge for the year	43,885	2,723	13,881	60,489
At 31 December 2016	137,806	36,634	126,719	301,159
NET BOOK VALUE				
At 31 December 2016	67,216	4,863	` 9,450	81,529
At 31 December 2015	111,101	7,170	` 23,331	141,602

COMPANY	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
COST				
At 1 January and 31 December 2016	-	17,839	-	17,839
DEPRECIATION				
At 1 January 2016	-	17,276	-	17,276
Charge for the year	-	445	-	445
At 31 December 2016	-	17,721	-	17,721
NET BOOK VALUE				
At 31 December 2016	-	118	-	118
At 31 December 2015	-	563	-	563

7. INVESTMENT IN JOINT VENTURE

Brandberg Energy (Proprietary) Limited ('Brandberg'), a Namibian company, was a 50:50 joint venture ("JV") with Extract Resources Ltd ('Extract') and NRR Energy Minerals Limited ("NRR Energy"), a 100% owned subsidiary. In January 2012, NRR Energy transferred US$800,000 (£509,635) to Brandberg to acquire 50% of its share capital. The principal assets of Brandberg were exploration licences, EPL 3327 and EPL 3328, pursuant to which, Brandberg had the rights to explore for nuclear fuel minerals in western Namibia. The Subscription Funds were used by Brandberg to explore for uranium on these licences.

The joint venture had no contingent liabilities or capital commitments as at 31 December 2017 and 31 December 2016. The carrying value of the investment is nil at the year end (2016: nil).

8. INVESTMENT IN ASSOCIATED COMPANY

The following entity meets the definition of an associate and has been equity accounted in the consolidated financial statements:

Company	Country of Incorporation	Group interest 31 December 2017	Group interest 31 December 2016
North River Resources (Murrupula) Limitada	Mozambique	40%	40%

North River Resources (Murrupula) Limitada ('Murrupula') is a company that was registered in Mozambique on 27 January 2011. The Group's interest in Murrupula is jointly held by North River Resources Plc and NRR Mozambique Limited. It is also the beneficial owner of an exploration licence in Mozambique. The licence and Murrupula are the subject of a Heads of Agreement between Baobab Resources Limited ("Baobab") and North River Resources Plc. Under this agreement Baobab is entitled to a 60% participation interest in Murrupula. Boabab have completed the agreed level of exploration work.

The consolidated financial statements have been prepared on the basis that control has passed and that Murrupula is treated as an associate as from 1 October 2011. Aggregate amounts relating to the associate are as follows:

	31 December 2017 £	31 December 2016 £
Total assets	138,678	138,678
Total liabilities	(25,208)	(25,208)
Net assets	113,470	113,470
Share of net assets	45,388	45,388
Goodwill on acquisition	67,794	67,794
The group's share of net assets representing the group's carrying value of investments in associate	113,182	113,182
Revenues	-	-
Losses	-	-
The Group's share of revenue / (loss)	-	-

Carrying value of investment in associate

	Group 31 December 2017 £	Company 31 December 2017 £	Group 31 December 2016 £	Company 31 December 2016 £
Cost and carrying value of investment	113,182	56,591	113,182	56,591

The financial statements as at 31 December 2011 were prepared on the assumption that Murrupula incurred exploration expenditure directly. Subsequent to the release of the 31 December 2011 financial statements, the JV partners agreed that they would account for the respective costs individually. Accordingly, Murrupula has no income or expense at either 31 December 2017 or 31 December 2016, and the disclosure above reflects this position.

On 29 January 2018 the total share capital in Murrupula transferred to the Baobab group companies including the exploration licence held within the company, see note 21 for further detail.

9. SUBSIDIARY COMPANIES

The financial statements include the following subsidiary companies:

Company	Country of Incorporation	Equity holding	Nature of business
NRR Energy Minerals Limited	United Kingdom	100%	Exploration and mining
NRR Mozambique Limited	United Kingdom	100%	Exploration and mining
West Africa Gold Exploration (Namibia) (Pty) Ltd	Namibia	100%	Exploration and mining
Namib Lead and Zinc Mining (Pty) Ltd	Namibia	90%	Exploration and mining
North River Resources Namibia (Pty) Ltd	Namibia	100%	Administration
North River Resources (Mavuzi) Limitada	Mozambique	100%	Inactive

NRR Energy Minerals Limited and NRR Mozambique Limited were established in October and December 2010 respectively as wholly owned subsidiaries of North River Resources Plc. NRR Energy Minerals Limited has not traded during the year. Similarly, NRR Mozambique Limited and its subsidiary, North River Resources (Mavuzi) Limitada and associate North River Resources (Murrupula) Limitada have not traded.

The acquisition of West Africa Exploration (Namibia) (Pty) Ltd and Namib Lead and Zinc Mining (Pty) Ltd (“NLZM”) is discussed in detail under Note 4 ‘Goodwill and Impairment Review’.

North River Resources Namibia (Pty) Limited (“NRRN”) was established in December 2009 and acts as the administration company for the Group’s activities in Namibia.

Carrying value of investments in subsidiaries

	31 December 2017 £	31 December 2016 £
At 1 January	472,991	472,991
Shares issued in Namib Lead Zinc Mining (Pty) Ltd	18	-
At 31 December	473,009	472,991

Carrying value of loans in subsidiaries

	31 December 2017 £	31 December 2016 £
Loans due from subsidiary undertakings	8,325,094	7,533,347

At the end of 2017 the Parent Company had receivables from several Group companies, namely NLZM and NRRN.

Since the acquisition of the subsidiaries the Company has provided amounts to the subsidiaries to fund the Group’s long term exploration and development activities. These receivables are interest free, unsecured and have no fixed repayment terms. These loans are considered to be long term with no repayment expected in the foreseeable future and have therefore been included in net investments in the subsidiaries.

The Directors are of the opinion that no provision for impairment is required with respect to the goodwill associated with NLZM and that the loans due from NLZM and NRRN are fully recoverable.

10. TRADE AND OTHER RECEIVABLES

	Group 31 December 2017 £	Company 31 December 2017 £	Group 31 December 2016 £	Company 31 December 2016 £
Prepayments	26,461	19,751	31,777	24,455
Other receivables	52,094	5,192	140,256	7,989
	78,555	24,943	172,033	32,444

11. TRADE AND OTHER PAYABLES

	Group 31 December 2017 £	Company 31 December 2017 £	Group 31 December 2016 £	Company 31 December 2016 £
Trade payables	55,109	28,658	45,364	25,186
Other payables	84,401	61,500	141,223	121,753
	139,510	90,158	186,587	146,939

12. CONVERTIBLE LOAN NOTES

	Group 31 December 2017 £	Company 31 December 2017 £	Group 31 December 2016 £	Company 31 December 2016 £
Amounts falling due after more than one year:				
Convertible loan notes	348,677	348,677	-	-

Greenstone Resources LP issued a convertible loan note facility of US$900,000 to North River Resources Plc on 4 December 2017, at 31 December US$500,000 has been drawn down of the facility.

Terms and debt repayment schedule

Terms and conditions of outstanding loan were as follows:

	Currency	Nominal interest rate	Year of maturity	Face Value	Carrying Amount 31 December 2017
		%		£	£
Convertible loan notes	USD	10	2019	373,608	348,677

Convertible loan note movements:	**£**
Fair value at issue date at 4 December 2017	344,762
Unwinding charge incurred on the loan note balance to conversion	3,915
Nominal 10% interest payments made to Greenstone Resources LP	-
Carrying amount of the liability at 31 December 2017	348,677
Equity component at 4 December 2017	28,846

The convertible loan bears an interest rate of 10% per annum, which is accrued on a monthly basis. Interest shall be payable on the conversion date in US Dollars. The conversion price is the price per Ordinary Share which is equal to the price per share at which Ordinary Shares are issued by the Company for the purpose of construction funding of the Namib Project. Due to the loan having a convertible option an equity element is recognised as part of equity in the Group to account for the conversion feature of the loan.

13. SHARE CAPITAL

Allotted, issued and fully paid:

	Nominal value	31 December 2017	31 December 2016
Number of ordinary shares	0.2p	26,392,596	26,392,596
Ordinary share capital		£52,785	£52,785
Number of deferred shares	0.0008p	547,573,868,907	547,573,868,907
Deferred share capital		£4,380,591	£4,380,591

The deferred share capital issued in connection with the fundraising discussed in further detail within this note has attached to no voting rights, dividend and capital distribution (including on winding up) rights and does not confer any rights of redemption.

14. TAXATION

	Group 31 December 2017 £	Group 31 December 2016 £
Tax charge for year	-	-
Factors affecting the tax charge for the year		
Loss from continuing operations before income tax expenses	(1,099,482)	(2,658,868)
Tax at 19.25% (2016: 20%)	(211,650)	(531,774)
Expenses not deductible	21,096	202,848
Overseas rate differences	(160,745)	(212,162)
Excess fiscal depreciation over accounting depreciation	21,466	21,001
Other timing differences not recognised (exploration costs, leave pay)	295,713	305,454
Losses carried forward not recognised	34,120	214,633
Income tax expense	-	-

The Group has tax losses of £9.4m (2016: £8.7m) and exploration costs of £16.9m (2016: £16m) which will be available for offset against future income. No deferred tax has been reflected on these assets as the timing of their utilisation is uncertain at this stage.

The total amounts of deferred tax are:

	Group 31 December 2017 £	Group 31 December 2016 £
Total provided for	-	-
Un-provided for		
Accelerated capital allowances	(144,270)	(121,567)
Exploration costs	(6,332,163)	(5,995,191)
Unutilised losses	(1,804,093)	(1,669,705)
Total un-provided deferred tax asset	(8,280,526)	(7,786,463)

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the Group's financial statements.

	Book Values		Fair Values	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	£	£	£	£
Financial Assets				
Trade and other receivables	26,461	25,140	26,461	25,140
Cash and cash equivalents	391,948	1,010,614	391,948	1,010,614
Total	418,409	1,035,754	418,409	1,035,754
Financial Liabilities				
Trade and other payables	139,510	186,587	139,510	186,587
Convertible loan notes	348,677	-	348,677	-
Total	488,187	186,587	488,187	186,587

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying value amounts largely due to the short-term maturities of these instruments.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables.

The main purpose of cash and cash equivalents financial instruments is to finance the Group's operations.

The Group's other financial assets and liabilities such as trade receivables and trade payables, arise directly from its operations. It is, and has been throughout the entire period, the Group's policy that no trading in financial instruments shall be undertaken.

Market risk
Market risk is the risk that changes in market prices, and market factors such as foreign exchange rates and interest rates will affect the entity's income or the value of its holdings of financial instruments.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The Group does not use derivative products to hedge foreign exchange risk and has exposure to foreign exchange rates prevailing at the dates when funds are transferred into different currencies.

Cash flow interest rate risk
The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates. The Group has no policy as to maximum or minimum level of fixed or floating instruments.

Interest rate risk is measured as the value of assets and liabilities at fixed rate compared to those at variable rate.

	Weighted average effective interest rate	Floating interest rate maturing in 1 year or less	Fixed interest rate 2017	Non-interest bearing 2017	Total
Year ended 31 December 2017	**%**	**£**	**£**	**£**	**£**
Financial assets					
Trade and other receivables			-	26,461	26,461
Cash on deposit	0.25	391,948	-	-	391,948
Total financial assets		391,948	-	26,461	418,409
Financial liabilities					
Trade and other payables	-	-	-	139,510	139,510
Total financial liabilities		-	-	139,510	139,510

	Weighted average effective interest rate	Floating interest rate maturing in 1 year or less	Fixed interest 2016	Non-interest bearing 2016	Total
Year ended 31 December 2016	**%**	**£**	**£**	**£**	**£**
Financial assets					
Trade and other receivables	-	-	-	25,140	25,140
Cash on deposit	0.25	1,010,613	-	-	1,010,613
Total financial assets		1,010,613	-	25,140	1,035,753
Financial liabilities					
Trade and other payables	-	-	-	186,587	186,587
Total financial liabilities		-	-	186,587	186,587

Net fair value
The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the Statement of Financial Position and in the related notes.

Currency risk
The functional currency for the Group's operating activities is the Pound Sterling and for exploration activities the Namibian Dollar. The Group has not hedged against currency depreciation but continues to keep the matter under review.

Financial risk management
The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to wider financial risks as the business develops.

Liquidity risk
Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The entity has established a number of policies and processes for managing liquidity risk. These include:
- Continuously monitoring actual and budgeted cash flows and longer term forecasting cash flows;
- Monitoring the maturity profiles of financial assets and liabilities in order to match inflows and outflows; and
- Monitoring liquidity ratios (working capital).

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main counterparties are the operators of the respective projects. Funds are normally only remitted on a prepayment basis a short period before the expected commencement of exploration activities. The Group has adopted a policy of only dealing with what it believes to be creditworthy counterparties and would consider obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Capital management
The Group's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitable production, while in the meantime safeguarding the Group's ability to continue as a going concern. This is aimed at enabling it, once the projects come to fruition, to provide appropriate returns for shareholders and benefits for other stakeholders. Capital will continue to be sourced from equity and from borrowings as appropriate.

17. RELATED PARTY TRANSACTIONS

Full details of Directors' remuneration is included in note 18.

Convertible loan notes

In 2017 the Group issued convertible loan notes to Greenstone Resources LP to obtain an additional working capital facility.

As part of the agreement interest is accrued monthly on the full balance of the loan notes at an annualised rate of 10%. The total interest accrued at 31 December 2017 was £3,915.

Directors' consulting fees

During the year Directors provided consulting services in addition to their directorships. An amount of £61,250 was billed from Ken Sangster and Associates Limited, a company which Ken Sangster is a Director of, these were consulting services provided to Namib Lead and Zinc Mining (Pty) Ltd on the Namib Project.

18. EMPLOYEES' AND DIRECTORS' REMUNERATION

The employee costs of the Group (including Directors' remuneration) are as follows:

Group	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Employee, Directors and Contractors remuneration	370,934	706,919
Employee, Directors and Contractors social security costs	3,468	40,027
Total	374,402	746,946

Average employee, directors and contractor numbers	**Number**	**Number**
Exploration and expenditure	7	22
Non-executive Directors	4	5
Administration and management	6	6
Total	17	33

Directors' remuneration (excluding employer's National Insurance) for the year was as follows:

2017 Directors	Directors' salary Year to 31 Dec 17 £	Directors' bonus Year to 31 Dec 17 £	Directors' fees Year to 31 Dec 17	Directors' consulting fees Year to 31 Dec 17 £	Total Year to 31 Dec 17 £
Mark Thompson	-	-	-	-	-
James Beams	26,667	-	-	-	26,667
Keith Marshall	-	-	-	-	-
Ken Sangster	-	-	-	61,250	61,250
Rodney Beddows	-	-	-	-	-
	26,667	-	-	61,250	87,917

Mark Sawyer being a representative of Greenstone Resources LP, does not receive a fee for non-executive director services.

All non-executive director service fees were put on hold from December 2016, during this period there are no accrued fees due to the non-executive directors.

2016 Directors	Directors' salary Year to 31 Dec 16 £	Directors' bonus Year to 31 Dec 16 £	Directors' fees Year to 31 Dec 16 £	Directors' consulting fees Year to 31 Dec 16 £	Total Year to 31 Dec 16 £
Mark Thompson	22,000	-	-	-	22,000
James Beams	160,000	-	-	-	160,000
Keith Marshall	22,000	-	-	-	22,000
Ken Sangster	22,000	-	-	-	22,000
Rodney Beddows	44,000	-	-	-	44,000
	270,000	-	-	-	270,000

19. CONTROL

No one party is identified as controlling the Group.

20. EXPLORATION EXPENDITURE AND RESTORATION COMMITMENTS

Restoration commitments
The Group has no obligations at 31 December 2017 to undertake any rehabilitation or restoration activity on the licences currently held.

Existing Exploration Licences in Namibia
The Group has a number of exploration licences in Namibia (see Note 4). The Group is planning to carry out minimal further exploration work on the licences, until there is further clarity around the timing of the issue of the Namib Lead Zinc mine licence.

Existing Exploration Licences in Mozambique
The Group has an effective 40% interest in a licence in Mozambique, through its associated company North River Resources (Murrupula) Limitada. The cost of maintaining this licence is not significant to the Group and will be borne by North River Resources Plc (see Note 8).

21. SUBSEQUENT EVENTS

Fundraising
On 8 March 2018 the Group successfully raised an aggregate of US$6,764,621 (before expenses) via the issue of 24,010,037 new ordinary shares of £0.2 pence each in the share capital of the Group at a price of US$0.2817 per share to Castlelake. The net proceeds of the fundraising will be used for the development of the Namib Project in Namibia.

In conjunction with the subscription of new shares it was agreed that the Greenstone convertible loan facility (US$900,000) will be converted into 4,034,537 new ordinary shares of £0.2 pence per share. Additionally, the Group has obtained two working capital facilities from Castlelake and Greenstone Resources, totalling US$8,395,379 and $6,300,000 respectively and creating a total aggregated amount of US$14,695,379.

All amounts borrowed under the working capital facilities will be drawn down and used for the Namib Project only. Each of the working capital facilities carries an interest rate of 15% per annum with interest accruing from the date of drawdown. Interest is payable monthly on a cash basis from the end of the first year following the drawdown and the facilities become repayable in full on the third anniversary of the drawdown.

North River Resources (Murrupula) Lda
On 29 January 2018 ownership of the Murrupula exploration licence in Mozambique was successfully transferred to joint venture partner Baobab, in exchange for a royalty on future revenues deriving from the licence.