**Registration number 5875525 (England and Wales)**

# REPORT AND FINANCIAL STATEMENTS

# FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2010

# FOR

# NORTH RIVER RESOURCES PLC

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## DIRECTORS, SECRETARY AND ADVISORS

| | |
|---|---|
| **DIRECTORS:** | Mark Hohnen (*Chairman*)<br>David Steinepreis (*Managing Director*)<br>Martin French (*Non-Executive Director*)<br>Glyn Tonge (*Non-Executive Director*) |
| **SECRETARY:** | John Bottomley |
| **COUNTRY OF INCORPORATION:** | England and Wales |
| **REGISTERED NUMBER:** | 5875525 |
| **REGISTERED OFFICE:** | One America Square<br>Crosswall<br>London, EC3N 2SG |
| **GROUP AUDITORS:** | UHY Hacker Young<br>Quadrant House<br>4 Thomas More Square<br>London, E1W 1YW |
| **NOMINATED ADVISER:** | Strand Hanson Limited<br>26 Mount Row<br>London, W1K 3SQ |
| **SOLICITORS:** | Watson, Farley & Williams LLP<br>15 Appold Street<br>London, EC2A 2HB |
| **JOINT BROKER:** | Ambrian Partners Limited<br>Old Change House<br>128 Queen Victoria Street<br>London, EC4V 4BJ |
| **JOINT BROKER:** | Ocean Equities Limited<br>3 Copthall Avenue<br>London, EC2R 7BH |

North River Resources plc ('North River' or 'the Company') has made a great deal of progress during the period, both in terms of developing our wholly owned portfolio of assets in Namibia and securing joint venture agreements ('JVs') to rapidly advance our other interests. The Board has also identified and acquired additional licences with which to increase the Company's already significant mineral footprint and further diversify its commodity focus.

By building and developing North River's portfolio through acquisition and JVs the Company has a strong foundation for future growth. We remain focussed on evaluating additional assets for acquisition, which meet our stringent investment criteria to create value for shareholders.

## Namibia

***Namib Lead & Zinc Mine ('Namib Mine') – 100% owned***

During the period, the underground workings of the Namib Mine were made safe and surveyed. Following the survey, exploration drill positions were identified underground and work is now underway constructing drill positions and installing services. It is expected a rig will be positioned underground shortly and drilling will commence imminently.

***Nuclear Fuels – JV with Extract Resources Limited ('Extract')***

As announced on 21 September 2010, North River signed an agreement with a major Australian uranium explorer, Extract, to jointly develop three highly prospective uranium licences in Namibia.

The principal assets involved in this agreement are Exclusive Prospecting Licence ('EPL') 3327 and EPL 3328, which are located in a globally significant and highly prospective uranium district. Located west and north respectively of the historic tin mining centre of Uis in the west of the country, previous exploration activity, undertaken by Extract, has shown that these licences have the potential to host secondary uranium deposits associated with palaeodrainages of the Orawab and Ugab ephemeral river systems.

A comprehensive work programme for these nuclear fuels licences has been devised and will commence shortly.

***Witvlei and Dordabis Copper Projects ('Witvlei and Dordabis') – 100% owned***

Following a data review in 2010, North River intends to conduct diamond drilling on both Witvlei and Dordabis licence areas, in order to obtain samples for metallurgical test work.

***Ubib Copper/Gold Project ('Ubib') – 100% owned***

At Ubib, the Company completed a full data review and generated a number of exploration targets, some of which have been tested and some are ongoing. Good results were obtained at Tsabichas, with 45 out of 163 rock chip samples returning in excess of 1g/t Au with the best result being 48.9 g/t Au and the next best result being 18.9 g/t Au. A combination of ongoing rock chip sampling and ground based magnetic surveys are anticipated to commence soon.

***New Licences – 100% owned***

Post period end, the Company was granted four new EPLs covering 3,838km$^2$. The new licences cover two project areas, Kamkas and Hero, and have been granted for base, rare and precious metals, as well as industrial minerals and non-nuclear fuels, for a period of three years expiring 16 January 2013.

*Hero*

The Hero Project comprises three contiguous licences, EPL4487, EPL4488 and EPL4489, located to the east of Grootfontein and the established mining town of Tsumeb in the Grootfontein and Rundu Regions of Northern Namibia.

The geology of the area is underlain by the Cenozoic Kalahari Group and unconsolidated sands of the Kalahari Desert. The area is considered prospective for extensions of the Neoproterozoic Damara Supergroup, which host significant deposits such as the Tsumeb polymetallic deposit, the Kombat Copper Mine, the Berg Aukas Lead-Zinc Mine. These extensions continue under the Kalahari sand cover sequences and are believed to be between 50m and 200m thick.

The extension of the rocks which host these significant base and precious metals deposits are the target for future work by the Company. Existing regional airborne geophysical data will be acquired and this will be complemented with additional airborne surveys if required. Follow-up ground geophysical surveys will be followed by drilling.

*Kamkas*

The Kamkas Project, which comprises EPL4419, is located in the Maltahohe region of southern Namibia near the town of Maltahohe. The area is underlain by Nama Group rocks of Cambrian/Neoproterozoic age which cover older Basement rocks of the Mesoproterozoic Sinclair Group. The area is characterised by a prominent airborne magnetic anomaly which occurs at the intersection of several regionally significant structural lineaments. However, the source of the magnetic anomaly is not yet known and there has been no previous exploration for base and/or precious metals carried out in the area.

Water borehole drilling in the area in recent years indicated elevated copper-zinc-lead-silver ('Cu-Zn-Pb-Ag') values in a grab sample from the drill cuttings, but from an unknown depth within the borehole. The Company plans to commence initial reconnaissance work in the area with the aim of generating potential targets prior to the commencement of a drilling programme to define the source of the elevated values of Cu-Zn-Pb-Ag.

**Mozambique**

The Company recently signed two JVs in regard to its Mozambican assets in order to accelerate development of the licences and deliver value to shareholders.

***Monte Muande – JV with Baobab Resources plc ('Baobab')***

In November 2010, the Company signed a JV agreement with Baobab for the development of the Monte Muande licences in Mozambique, which are prospective for magnetite, phosphorus, uranium and gold.

Baobab immediately commenced compilation of historical exploration data, ahead of a planned drilling programme in Q2 2011. Initial results from this data compilation exercise have yielded encouraging results, underpinning the prospectivity of this multi-commodity project area. The work programme, undertaken and fully funded by Baobab, produced positive drill hole and trench results with significant magnetite/phosphorus intercepts and geochemistry results demonstrating the potential for a significant mineralised extension.

***Mavuzi – JV with Jacana Resources Limited ('Jacana')***

Post period end, the Company signed a JV agreement with Jacana over the Mavuzi licences, which cover 54,580ha in Mozambique. The licences, which include the Castro and Inhatobui targets and the previously producing Mavuzi and Castro uranium mines, are prospective for uranium and rare earth elements ('REEs').

This agreement is designed to rapidly advance the Mavuzi licence, which contains a number of historic uranium workings, the significant Inhatobui radiometric target, together with gold, base metal and rare earth prospectivity, adding value as the project advances up the development curve. We look forward to receiving regular updates from Jacana as it commences its work programme and begins the active development of the project.

**Outlook**

North River delivered a solid performance during the 18 month period to 31 December 2010 and achieved its stated goals of entering JVs on various properties and securing additional exploration licences. It now has the foundation in place to grow via its exploration efforts and to build on its position as an emerging exploration and development company.

North River looks forward to commencing drilling on four properties starting in Q1 2011 and starting exploration work on four more as well as continuing work at Ubib. In addition, it anticipates commencing drilling on three Mozambique properties via the JVs starting Q1 2011.

The Board continues to evaluate potential acquisitions, but will only enter into transactions that are clearly going to be value enhancing for the Company's shareholders. It has assessed a great many potential acquisitions but, to date, none have made a compelling investment case. The Company continues this process while increasing the level of exploration activity on its existing exploration properties.

I would like to take this opportunity to thank our shareholders and my fellow board members for their continued support.

**David Steinepreis**
*Managing Director*

4 March 2011

**DIRECTORS' REPORT**
**FOR THE PERIOD FROM 1 JULY 2009 TO 31 DECEMBER 2010**

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 18 months to 31 December 2010.

The decision to extend the Company's accounting period to 18 months was made in order to align the Company's year end with that of a substantial shareholder, Kalahari Minerals plc. As a result the amounts presented in the financial statements are not entirely comparable.

The Company is registered in England and Wales, having been incorporated on 13 July 2006 under the Companies Act with a registration number 5875525 as a public company limited by shares.

The Company was first quoted on the Alternative Investment Market ('AIM') on 27 December 2006. The Company was suspended from AIM on 5 October 2009 and was readmitted on 29 October 2009 following completion of, and the fund raising for, the acquisition of assets in Namibia from Kalahari Minerals plc ('Kalahari').

**Principal Activity, Business Review and Future Development**

***Key Points 2010***

- Joint Venture ('JV') with Extract Resources to explore for uranium over three licences in Namibia
- Four new exploration licences granted in Namibia
- JV with Baobab to explore for iron ore, phosphorus and coal over two licences in Mozambique
- JV with Jacana Resources to explore for uranium and REEs in Mozambique
- Extensive field work completed at Ubib
- Namib Lead underground mine rehabilitated and surveyed
- Namib Lead underground blasting and preparation of drill platforms ongoing
- New exploration office in Namibia

A full review of the Company's performance and prospects is given in the Managing Director's Statement on pages 4 to 6.

**Financial Results**

During the period, the Company invested considerably in its Namibian portfolio, acquired both West Africa Gold Exploration (Namibia) Pty Ltd ('WAGE') and Namib Lead and Zinc Mining (Pty) Ltd ('Namib Lead') and increased its activity in Mozambique. In light of this, the Group is reporting a loss of £7,397,418 (2009: £299,220) for the 18 months to 31 December. This loss, in line with the Directors' expectations, includes exploration and administrative expenditure of £3,004,390 and a share based payment charge of £4,392,870.

The Group's primary activity remains mineral exploration – consequently there has been no production revenue.

The Group incurred a loss for the year and has not incurred a tax charge. The Directors have not considered it appropriate to recognise a deferred tax asset to reflect the potential benefit arising from these timing differences.

Cash balances at the period end remained healthy at £3,536,920.

### Principal risks and uncertainties facing North River

North River is in the business of exploring for minerals. Accordingly the principal operational risks and uncertainties facing North River include, but are not limited to, the time and monetary costs associated with unsuccessful exploration efforts; mechanical or technical problems encountered during exploration; failure to define economic mineral resources; inability to establish an economic processing method for any mineral deposit discovered; deterioration in commodity prices or economic conditions. Pursuant to the terms of the respective joint ventures, and typical of the industry, North River is also potentially exposed to the timing, financial and operational position of those joint ventures.

### Directors

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

| | |
|---|---|
| David Christian Steinepreis | |
| Martin French | |
| Patrick Nicholas Burke | Resigned 23.11.2009 |
| Glenn Whiddon | Resigned 23.11.2009 |
| Mark Hohnen | Appointed 23.11.2009 |
| Glyn Tonge | Appointed 23.11.2009 |

### Directors' interests

The beneficial and non-beneficial interests in the Company's shares and share options of the current Directors and their families, as at 31 December 2010 are as follows:

| *Directors* | *Ordinary shares 31 December 2010* | *Ordinary shares 30 June 2009* | *Share options 31 December 2010* | *Share options 30 June 2009* | *Notes* |
|---|---|---|---|---|---|
| Mark Hohnen | – | – | 4,700,000 | – | 1 |
| David Christian Steinepreis | 18,258,706 | 2,522,001 | 15,700,000 | 1,000,000 | 2 |
| Martin French | 10,000,000 | – | 11,000,000 | – | 3 |
| Glyn Tonge | 666,667 | – | 1,000,000 | – | 4 |

The Directors' interests in share options are disclosed in note 15 of the financial statements.

**Notes:**

1. The share option holdings of Mr. Hohnen are held by Vynben Pty Ltd and are linked to a superannuation fund.
2. The share and option holdings of Mr. Steinepreis are: held directly (4,333,373 Ordinary shares and 4,700,000 Options), via his spouse (1,266,667 Ordinary shares), Ascent Capital Holdings Pty Ltd (7,658,666 Ordinary shares and 11,000,000 Options), N & J Mitchell Holdings Pty Ltd (Steinepreis Superannuation Fund) (2,000,000 Ordinary shares), N&J Mitchell Holdings Pty Ltd (Ord Street Properties) (2,000,000 Ordinary shares) and Mansmar Investments Pty Ltd (1,000,000 Ordinary shares).

   A unit trust associated with the family of Mr. Steinepreis is a 50 per cent. owner of Ascent Capital. Mr. Steinepreis is a director of N & J Mitchell Holdings Pty Ltd.
3. The shares and share options are held directly by the Director.
4. Mr. Tonge holds 566,776 shares and 1,000,000 Options directly. His wife, Mrs. Annette Tonge holds 100,000 shares.

There have been no material changes in the Directors' shareholdings between the year end and the date of this report.

### Directors' remuneration and service contracts

The remuneration paid to the Directors and/or entities related to Directors during the 18 months ending 31 December 2010 was as follows:

| *Directors* | *Directors' salary period to 31 December 2010* £ | *Directors' fees period to 31 December 2010* £ | *Consulting fees period to 31 December 2010* £ | *Employers' NI period to 31 December 2010* £ | *Share based payments period to 31 December 2010* £ | *Fees and salaries year ended 30 June 2009* £ | *Notes* |
|---|---|---|---|---|---|---|---|
| Mark Hohnen | – | 53,467 | – | – | 47,969 | – | 1 |
| David Steinepreis | 133,000 | – | 100,000 | 15,945 | 533,607 | 12,000 | 2 |
| Martin French | – | 37,722 | 20,400 | – | 495,844 | 6,645 | 3 |
| Glyn Tonge | – | 32,696 | – | – | 10,206 | – | 4 |
| Patrick Burke | – | – | 11,000 | – | 145,691 | 12,000 | 5 |
| Glenn Whiddon | – | 8,000 | – | – | 485,638 | 12,000 | 6 |
| Robert Downey | – | – | – | – | – | 5,355 | 7 |

1. On 28 October 2009, the Company entered into an agreement for services with Fernan Pty Limited which provides for Mark Hohnen to perform his services on behalf of the Company and Group as a non-executive director for a fee of £48,000 per annum. The agreement continues unless and until it is terminated on no less than 12 months' written notice.

2. David Steinepreis was paid a gross salary of £133,000 (2009: £12,000) for work undertaken by him in the corporate management of the Company.

   Ascent Capital Holdings Pty Ltd, a company associated with David Steinepreis, was paid fees in the amount of £100,000 (2009: £Nil) for the provision of the services of Mr. Steinepreis.

3. On 28 October 2009, the Company entered into a non-executive director appointment agreement with Martin French, effective as from 1 July 2009, which provides for Mr. French to serve the Company and Group as a non-executive director for a fee of £24,000 per annum plus £600 per day if directed to perform additional tasks. The agreement continues unless and until it is terminated on no less than 3 months' written notice.

4. On 28 October 2009, the Company entered into a non-executive director appointment agreement with Glyn Tonge, which provides for Mr. Tonge to serve the Company and Group as a non-executive director for a fee of £24,000 per annum. The agreement continues unless and until it is terminated on no less than 12 months' written notice.

5. Patrick Burke had fees as per his services agreement of £Nil up until he resigned on the 23 November 2009 (2009: £12,000). He was paid £11,000 (2009: £7,193) for legal services provided up until he resigned as a director.

6. Glenn Whiddon had fees as per his services agreement of £8,000 up until he resigned on the 23 November 2009 (2009: £12,000).

7. Robert Downey had fees as per his services agreement of £Nil (2009: £5,355) up until he resigned on the 11 December 2008.

### Pensions

The Group does not operate a pension scheme for Directors or employees.

**Substantial shareholders**

In accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules, the Company has been notified that as at 22 February 2011 the following interests of 3 per cent. or more existed in its Ordinary share capital.

| | *Number of Ordinary shares* | *%* |
|---|---|---|
| Kalahari Gold Limited | 245,000,000 | 41.09 |
| Kalahari Diamonds Limited | 21,666,667 | 3.63 |
| Lynchwood Nominees limited | 20,504,499 | 3.44 |
| David Steinepreis | 18,258,706 | 3.06 |

**Suppliers' payment policy and practice**

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

**Going concern**

Having made appropriate enquiries and examining those areas which could give rise to financial exposure, the Directors are satisfied that no material or significant exposures exist and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the accounts.

**Internal controls**

The Board is responsible for identifying and evaluating the major business risks faced by the Group and for determining and monitoring the appropriate course of action to manage these risks.

**Audit committee**

The Audit Committee meets to discuss the half yearly and annual results. For the annual results, the independent auditors, UHY Hacker Young LLP, are invited to discuss the results and their assessment of internal controls. The Chairman of the Audit Committee is Mark Hohnen and the other participating members of the Committee during the period were Glyn Tonge and David Steinepreis.

**Remuneration committee**

The Remuneration Committee meets on an "as required" basis and met once during the period. The Chairman of the Remuneration Committee is Mark Hohnen and the other participating member during the period was Glyn Tonge.

**Statement of responsibilities of those charged with governance**

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards. Company Law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;

(d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and hence for taking 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 the Directors are aware:

(a) there is no relevant audit information of which the Company's auditors are unaware; and

(b) all the Directors have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**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 fix their remuneration will be put to the Annual General Meeting.

By order of the board

**David Steinepreis**
*Managing Director*

4 March 2011

**Non-executive directors**

**Mark Ainsworth Hohnen** *(Non-Executive Chairman) (Age 60)*

Mr. Hohnen joined the Board in November 2009 and has been involved in the mineral business since the late 1970s and is currently Executive Chairman of AIM listed Kalahari Minerals Plc. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as the oil and coal company Anglo Pacific Resources plc.

**Martin Stephen French** *(Non-Executive Director) (Age 48)*

Martin French joined the Board in December 2008. He started his career at Merrill Lynch and has 25 years' experience in international capital markets and the junior resource sector. He was a journalist at Euromoney magazine and the launch editor of Euroweek and later Asiamoney magazine in Hong Kong. In 1991 he joined and later became a partner of Credit Lyonnais Securities Asia (CLSA) for eight years, running their operations in Thailand, Malaysia/Singapore, then Chinese Corporate Finance and launching CLSA's business in Latin America. Martin has built a career in start-up operations and raising funds.

**Glyn Michael Tonge** *(Non-Executive Director) (Age 63)*

Professor Tonge joined the Board in November 2009 and is currently on the board of Kalahari Minerals plc. and on the board of its Isle of Man subsidiaries Kalahari Uranium Limited, Kalahari Gold Limited and Kalahari Diamonds Limited. He has international business, finance and management experience across a broad range of industries and for a number of years was a director of Baring Brothers & Co Ltd where he worked in corporate finance. He was until recently Pro Chancellor at Southampton Solent University. He is also a Fellow of the Royal Institution in London, a Fellow of the Society of Biology and a Fellow of the Royal Society of Medicine.

**Executive Director**

**David Christian Steinepreis** *(Managing Director) (Age 54)*

David Steinepreis has been on the Board since 2006 and is a Chartered Accountant and former partner of an International accounting firm where he specialised in strategic corporate advice and taxation for listed companies. He entered commerce as a director, adviser and major shareholder of a number of listed companies in the gold, diamonds, oil and new mining technology sectors. Mr. Steinepreis has been a resident of the United Kingdom since 2006.

We have audited the financial statements of North River Resources plc for the period ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Responsibilities of Those Charged with Governance set out on pages 10 and 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or

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

**Michael Egan**
*Senior statutory auditor*
for and on behalf of UHY Hacker Young LLP,
*Statutory Auditor*

Quadrant House
4 Thomas More Square
London E1W 1YW

4 March 2011

**NORTH RIVER RESOURCES PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JULY 2009 TO 31 DECEMBER 2010**

| | Note | *Period from 1 July 2009 to 31 December 2010* £ | *Year from 1 July 2008 to 30 June 2009* £ |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Other operating income | | 6,991 | – |
| Exploration expenditure | | (1,393,181) | (27,700) |
| Administrative expenses before share based payments | | (1,611,209) | (267,750) |
| Share based payments | 15 | (4,392,870) | – |
| Total administrative expenses | | (6,004,079) | (267,750) |
| **OPERATING LOSS** | 3 | (7,390,269) | (295,450) |
| Interest paid on short term borrowings | 11 | (30,394) | (4,783) |
| Interest received on bank deposits | | 23,245 | 1,013 |
| **LOSS BEFORE TAX** | | (7,397,418) | (299,220) |
| Taxation | 13 | – | – |
| **LOSS FOR THE PERIOD** | | (7,397,418) | (299,220) |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| Currency translation gain/(loss) | | 82,643 | – |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | | (7,314,775) | (299,220) |
| **Loss per share** | | | |
| Basic and diluted – pence per share | 4 | (1.62p) | (0.88p) |

NORTH RIVER RESOURCES PLC

**CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010**

| | Note | *Group 31 December 2010 £* | *Company 31 December 2010 £* | *Group 30 June 2009 £* | *Company 30 June 2009 £* |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Goodwill | 5 | 7,831,768 | – | – | – |
| Intangible assets | 6 | 202,108 | 237,243 | – | – |
| Property, plant and equipment | 7 | 184,782 | – | – | – |
| Amounts due from subsidiary undertakings | 8 | – | 9,251,291 | – | – |
| Investments | 14 | – | 2 | – | – |
| | | 8,218,658 | 9,488,536 | – | – |
| **CURRENT ASSETS** | | | | | |
| Trade and other receivables | 8 | 108,756 | 37,619 | – | – |
| Cash and cash equivalents | 9 | 3,536,920 | 3,446,322 | 35,078 | 35,078 |
| | | 3,645,676 | 3,483,941 | 35,078 | 35,078 |
| **TOTAL ASSETS** | | 11,864,334 | 12,972,477 | 35,078 | 35,078 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 10 | 136,996 | 72,682 | 82,764 | 82,764 |
| Convertible loan notes | 11 | – | – | 150,000 | 150,000 |
| | | 136,996 | 72,682 | 232,764 | 232,764 |
| **NET ASSETS/(LIABILITIES)** | | 11,727,338 | 12,899,795 | (197,686) | (197,686) |
| **EQUITY** | | | | | |
| Called up share capital | 12 | 1,192,400 | 1,192,400 | 68,000 | 68,000 |
| Share premium account | 12 | 14,203,767 | 14,203,767 | 481,238 | 481,238 |
| Option premium reserve | | 4,547,645 | 4,547,645 | 154,775 | 154,775 |
| Translation reserve | | 82,643 | – | – | – |
| Retained earnings | | (8,299,117) | (7,044,017) | (901,699) | (901,699) |
| **TOTAL EQUITY** | | 11,727,338 | 12,899,795 | (197,686) | (197,686) |

These financial statements were approved by the Board of Directors on 4 March 2011 and signed on its behalf by:

**David Steinepreis**
*Managing Director*

**Reg. No. 5875525**

**NORTH RIVER RESOURCES PLC**

**CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JULY 2009 TO 31 DECEMBER 2010**

| | *Issued capital* £ | *Share premium* £ | *Retained earnings* £ | *Option reserve* £ | *Translation reserves* £ | *Total* £ |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **At 1 July 2008** | 68,000 | 481,238 | (602,479) | 154,775 | – | 101,534 |
| Loss for the period | – | – | (299,220) | – | – | (299,220) |
| **Other comprehensive income** | | | | | | |
| Exchange gains | – | – | – | – | – | – |
| **Total comprehensive income for the year** | – | – | (299,220) | – | – | (299,220) |
| Shares issued | – | – | – | – | – | – |
| Share issue expenses | – | – | – | – | – | – |
| Share based payment charge | – | – | – | – | – | – |
| **At 30 June 2009** | 68,000 | 481,238 | (901,699) | 154,775 | – | (197,686) |
| Loss for the period | – | – | (7,397,418) | – | – | (7,397,418) |
| **Other comprehensive income** | | | | | | |
| Exchange gains | – | – | – | – | 82,643 | 82,643 |
| **Total comprehensive income for the period** | – | – | (7,397,418) | – | 82,643 | (7,314,775) |
| Shares issued | 1,124,400 | 14,541,600 | – | – | – | 15,666,000 |
| Share issue expenses | – | (819,071) | – | – | – | (819,071) |
| Share based payment charge | – | – | – | 4,392,870 | – | 4,392,870 |
| **At 31 December 2010** | 1,192,400 | 14,203,767 | (8,299,117) | 4,547,645 | 82,643 | 11,727,338 |

**NORTH RIVER RESOURCES PLC**

**CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JULY 2009 TO 31 DECEMBER 2010**

| | *Issued capital* £ | *Share premium* £ | *Retained earnings* £ | *Option reserve* £ | *Total* £ |
|---|---|---|---|---|---|
| **COMPANY** | | | | | |
| **At 1 July 2008** | 68,000 | 481,238 | (602,479) | 154,775 | 101,534 |
| Loss for the period | – | – | (299,220) | – | (299,220) |
| **Other comprehensive income** | | | | | |
| Exchange gains | – | – | – | – | – |
| **Total comprehensive income for the period** | – | – | (299,220) | | (299,220) |
| Shares issued | – | – | – | – | – |
| Share issue expenses | – | – | – | – | – |
| Share based payment charge | – | – | – | – | – |
| **At 30 June 2009** | 68,000 | 481,238 | (901,699) | 154,775 | (197,686) |
| Loss for the period | – | – | (6,142,318) | – | (6,142,318) |
| **Other comprehensive income** | | | | | |
| Exchange gains | – | – | – | – | – |
| **Total comprehensive income for the period** | – | – | (6,142,318) | – | (6,142,318) |
| Shares issued | 1,124,400 | 14,541,600 | – | – | 15,666,000 |
| Share issue expenses | – | (819,071) | – | – | (819,071) |
| Share based payment charge | – | – | – | 4,392,870 | 4,392,870 |
| **At 31 December 2010** | 1,192,400 | 14,203,767 | (7,044,017) | 4,547,645 | 12,899,795 |

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS FOR THE PERIOD FROM 1 JULY 2009 TO 31 DECEMBER 2010

| | Note | *Group Period from 1 July 2009 to 31 December 2010* £ | *Company Period from 1 July 2009 to 31 December 2010* £ | *Group Year from 1 July 2008 to 30 June 2009* £ | *Company Period from 1 July 2008 to 30 June 2009* £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating loss | | (7,390,269) | (6,153,772) | (295,450) | (295,450) |
| **Adjustments:** | | | | | |
| Depreciation and amortisation charges | | 111,483 | 611 | – | – |
| Share based payments | | 4,392,870 | 4,392,870 | – | – |
| | | (2,885,916) | (1,760,291) | (295,450) | (295,450) |
| **Movement in working capital** | | | | | |
| (Increase)/decrease in debtors | | (108,756) | (37,619) | – | – |
| (Decrease)/increase in creditors | | (95,768) | (160,082) | 57,940 | 57,940 |
| Net movements in working capital | | (204,524) | (197,701) | 57,940 | 57,940 |
| Net cash outflow from operating activities | | (3,090,440) | (1,957,992) | (237,510) | (237,510) |
| **Cash flows from investing activities** | | | | | |
| Purchase of intangible fixed assets | | (78,530) | (71,853) | – | – |
| Cash gained on acquisition of subsidiaries | | 138,770 | – | – | – |
| Loans to subsidiaries | | – | (1,251,294) | – | – |
| Purchase of property, plant and equipment | | (57,524) | – | – | – |
| Net cash inflow/(outflow) from investing activities | | 2,716 | (1,323,147) | – | – |
| **Cash flow from financing activities** | | | | | |
| Repayments of convertible notes | | (750,000) | (750,000) | – | – |
| Proceeds from issue of convertible notes | | 600,000 | 600,000 | 150,000 | 150,000 |
| Issued shares | | 7,500,000 | 7,500,000 | – | – |
| Issue expenses | | (819,071) | (819,071) | – | – |
| Interest paid | | (30,394) | (30,394) | (118) | (118) |
| Interest received | | 23,245 | 18,943 | 1,013 | 1,013 |
| Net cash inflow from financing activities | | 6,523,780 | 6,519,478 | 150,895 | 150,895 |
| **Increase/(decrease) in cash and cash equivalents** | | 3,436,056 | 3,238,339 | (86,615) | (86,615) |
| **Cash and cash equivalents at beginning of the year** | 9 | 35,078 | 35,078 | 121,693 | 121,693 |
| **Exchange gain on cash** | | 65,786 | 172,905 | – | – |
| **Cash and cash equivalents at end of the year** | 9 | 3,536,920 | 3,446,322 | 35,078 | 35,078 |

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.

### 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 ("IFRSs") including IFRS 6, Exploration for and Evaluation of Mineral Resources, as adopted by the European Union ("EU") and in accordance with the provisions of the Companies Act 2006.

The Group's financial statements for the period ended 31 December 2010 were authorised for issue by the board of directors on 4 March 2011 and the balance sheets were signed on the board's behalf by David Steinepreis. The Group 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 an income statement. A loss for the eighteen months ended 31 December 2010 of £6,142,318 (year ended 2009: loss of £299,220) has been included in the income statement.

### 1.2 *Going concern*

During the period ended 31 December 2010 the Group made a loss of £7,397,418 (2009: a loss of £299,220). At the balance sheet date the Group had net assets of £11,727,338 (2009: net liabilities of £197,686) of which £3,536,920 was cash at bank. The operation of the Group is currently being financed from funds which the Company raised from private and public placings.

The Group's capital management policy is to only raise sufficient funding to finance the Group's near term exploration and development objectives. Upon completion of objectives, or identification of new projects, the Directors will seek new funding to finance the next stage of the development programme or the new projects. The Directors believe that the Group has sufficient funds for it to comply with its foreseeable commitments and, accordingly, are satisfied that the going concern basis remains appropriate for the preparation of these financial statements. The Group will need additional funding to support the next stage of its development programme.

### 1.3 *New standards and amendments*

The following amendments to standards are mandatory for the first time for the financial periods commencing on or after 1 January 2009.

IAS1 (revised) 'Presentation of financial statements' includes the requirement to present a Statement of Changes in Equity as a primary statement and introduces the possibility of either a single Statement of Comprehensive Income (combining the Income Statement and a Statement of Comprehensive Income) or to retain the Income Statement with a supplementary Statement of Comprehensive Income. The Directors have chosen the first option. As this standard is concerned with presentation only it does not have any impact on the results or net assets of the Group.

IFRS8 'Operating segments' replaces IAS 14 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Following a review of the Group's internal management information, the Group maintains that it only has one class of business, the exploration and development of mineral resources and that primary segmental reporting is determined by geography according to the location of assets, which currently are based in Namibia and Mozambique.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

1.4 ***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.

1.5 ***Goodwill***

Goodwill is the difference between the amount paid on the acquisition of the subsidiary undertakings and the aggregate fair value of their separable net assets. 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. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

1.6 ***Impairment of assets***

Where appropriate the Group reviews the carrying amounts of its tangible assets, 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.

1.7 ***Property, plant and equipment***

Property, 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 |

1.8 ***Exploration and evaluation expenditure***

The Group capitalises the fair value of the consideration paid for exploration and prospecting rights. All other costs incurred are expensed as they are incurred. The Group has taken into consideration the degree to which expenditure can be associated with finding specific mineral resources. The intangibles are amortised over the length of the mining licences and the amortisation expense is included within the Administration expenses line in the statement of comprehensive income.

1.9 ***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 year.

1.10 ***Interest income***

The only bank interest received in the year was on cash held at bank.

1.11 ***Expenses***

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin. Interest income and expense are reported on an accrual basis.

1.12 ***Investments***

The Parent Company's investments in subsidiary companies are stated at cost less provision for impairment in the Company's balance sheet.

1.13 ***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 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 balance sheet date and the gains or losses on translation are included in the profit and loss account. 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 balance sheet date. Income and expenses are translated at weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income.

1.14 ***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 balance sheet 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.

1.15 ***Cash and cash equivalents***

Cash and cash equivalents in the balance sheet 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.

1.16 ***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 income statement.

1.17 ***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 Company 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.

1.18 ***Share capital***

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

1.19 ***Share-based payments***

The Company has granted equity-settled options. 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. In valuing equity settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant value.

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 balance sheet date 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 balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of the equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if the difference is negative.

Where an equity based award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of the cancellation, and the cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

1.20 ***Critical accounting judgements and estimates***

The preparation of financial statements in conformity with International Financial Reporting Standards 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:

*Valuation of goodwill and investments*

Management value goodwill and investments after taking into account potential ore reserves, and cash-flow 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 asset should be carried on the balance sheet.

Further detailed analysis of the critical judgements and estimates relating to goodwill and investments is addressed in Note 16.

*Share based payments*

The Group records charges for share based payments.

For option based share based payments management estimate certain factors used in the option pricing model, including volatility, exercise date of options and number of options likely to be exercised. If these estimates vary from actual occurrence, this will impact on the value of the equity carried in the reserves.

Further detailed analysis of the critical judgements and estimates relating to share based payments is addressed in Note 15.

1.21 ***Financial instruments***

IFRS7 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 balance sheet when the Company 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 18 to the accounts.

1.22 ***Earnings per share***

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than dividends, by the weighted average number of Ordinary shares in issue, adjusted for any bonus elements.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential Ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential Ordinary shares.

Share options are considered anti-dilutive as the Group is in a loss making position.

As disclosed in note 12 the Company's share capital was consolidated on a two for one basis on 26 August 2009. As such, the current and comparative basic and diluted earnings per share disclosures have been prepared on the basis of the consolidated share capital.

1.23 ***New standards and interpretations not applied***

The IASB and IFRIC have issued a number of new standards, amendments and interpretations with an effective date after the date of these financial statements. Of these, only the following are expected to be relevant to the Group:

| *Standard* | *Subject* | *Effective from* |
|---|---|---|
| IFRS 2 | Share Based Payment – Amendment relating to group cash-settled share-based payment transactions | 1 January 2010 |
| IFRS 5 | Non-current assets held for sale and discontinued operations – Amendments resulting from May 2008 Annual Improvements to IFRSs | 1 January 2010 |
| IFRS 8 | Operating Segments – Amendments resulting from 2009 Annual Improvements to IFRSs | 1 January 2010 |
| IFRS 9 | Financial Instruments – Classification and Measurement | 1 January 2013 |
| IAS 5 | Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements to 1FRSs | 1 January 2010 |
| IAS 7 | Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs | 1 January 2010 |
| IAS 57 | Leases – Amendments resulting from April 2009 Annual Improvements to IFRSs | 1 January 2010 |
| IAS 24 | Related Party Disclosures – Revised definition of related parties | 1 January 2011 |
| IAS 32 | Financial Instruments: Presentation – Amendments relating to classification of rights issues | 1 February 2010 |
| IAS 36 | Impairment of Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs | 1 January 2010 |

| *Standard* | *Subject* | *Effective from* |
|---|---|---|
| IAS 38 | Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs | 1 July 2010 |
| IAS 39 | Financial Instruments: Recognition and Measurement – Amendments | 1 January 2010 |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |

None of these standards are expected to have a material impact on the Group's financial statements,

## 2. SEGMENT REPORTING

For the purposes of segmental information, the operations of the Group are focused in the United Kingdom, Namibia and Mozambique and comprise one class of business: the exploration and evaluation of mineral resources. In the year to 30 June 2009 the Group held assets in Australia but these have been divested.

The Company acts as a holding company.

The Group's operating loss for the period arose from its operations in the United Kingdom, Namibia and Mozambique. In addition, all the Group's assets are based in the United Kingdom, Namibia and Mozambique.

**Geographical Segment – Group 31 December 2010**

| | *United Kingdom* | *Namibia* | *Mozambique* | *Australia* | *Total* |
|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* |
| Other income | – | 6,991 | – | – | 6,991 |
| Exploration expenditure | – | (1,370,768) | (22,413) | – | (1,393,181) |
| Administration expenses | (1,240,161) | (371,048) | – | – | (1,611,209) |
| Interest paid | (30,394) | – | – | – | (30,394) |
| Interest received | 18,943 | 4,302 | – | – | 23,245 |
| Share based payments | (4,368,109) | (24,761) | – | – | (4,392,870) |
| **Loss before taxation** | (5,619,721) | (1,755,284) | (22,413) | – | (7,397,418) |
| Trade and other receivables | 37,619 | 71,137 | – | – | 108,756 |
| Cash and cash equivalents | 3,446,322 | 90, 598 | – | – | 3,536,920 |
| Accrued expenditure and provisions | (72,682) | (64,314) | – | – | (136,996) |
| Goodwill | 7,831,768 | – | – | – | 7,831,768 |
| Intangible assets | 1,758 | 30,865 | 169,485 | – | 202,108 |
| Property plant and equipment | – | 184,782 | – | – | 184,782 |
| **Net assets** | 11,244,785 | 313,068 | 169,485 | – | 11,727,338 |

At the end of 31 December 2010, the Group had not commenced commercial production from its explorations sites and therefore had no turnover for the period. Other income relates to the sale of scrap metal arising from the removal of the old mine head at the Namib Lead and Zinc mine in Namibia.

## 2. SEGMENT REPORTING (continued)

**Geographical Segment – Group 30 June 2009**

| | *United Kingdom* | *Namibia* | *Mozambique* | *Australia* | *Total* |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Exploration expenditure | – | – | – | (27,700) | (27,700) |
| Administration expenses | (267,750) | – | – | – | (267,750) |
| Interest paid | (4,783) | – | – | – | (4,783) |
| Interest received | 1,013 | – | – | – | 1,013 |
| **Loss before taxation** | (271,520) | – | – | (27,700) | (299,220) |
| Cash and cash equivalents | 34,666 | – | – | 412 | 35,078 |
| Accrued expenditure and provisions | (82,764) | – | – | – | (82,764) |
| Convertible loan notes | (150,000) | – | – | – | (150,000) |
| **Net assets/(liabilities)** | (198,098) | – | – | 412 | (197,686) |

## 3. OPERATING LOSS

The consolidated operating loss before tax is stated after charging:

| | *Period from 1 July 2009 to 31 December 2010* | *Period from 1 July 2008 to 30 June 2009* |
|---|---|---|
| | £ | £ |
| Depreciation – owned assets | 111,482 | – |
| Parent Company auditor's remuneration | 20,000 | 9,500 |
| Parent Company auditor's remuneration for non-audit corporate finance and other work | 48,238 | – |
| Subsidiary auditor's remuneration | 13,589 | – |
| Share based payments | 4,392,870 | – |

## 4. LOSS PER SHARE

| | *Loss for the period from continuing operations* £ | *Weighted average number of shares* | *Loss per share Basic – pence per share* |
|---|---|---|---|
| Eighteen months ended 31 December 2010 | (7,397,418) | 455,357,377 | (1.62) pence |
| Year ended 30 June 2009 | (299,220) | 34,000,000 | (0.88) pence |

Options in issue are not considered diluting to the earnings per share as the Group is currently loss making.

## 5. GOODWILL AND BUSINESS COMBINATIONS

In accordance with the Share Purchase Agreement (dated 5 October 2009) entered into with Kalahari Gold Ltd, Kalahari Diamonds Ltd and Kalahari Minerals plc, 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 ("Namib Lead"), formerly Craton Diamonds (Pty) Ltd. 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 ("Ordinary shares") each at 3 pence per Ordinary share.

| *Name of company* | *Country* | *Holding* | *Portion held* | *Nature of business* |
|---|---|---|---|---|
| West Africa Gold Exploration (Namibia) (Pty) Ltd | Namibia | Ordinary shares | 100% | Exploration and mining |
| Namib Lead and Zinc Mining (Pty) Ltd | Namibia | Ordinary shares | 100% | Exploration and mining |

The combined loss for WAGE and Namib Lead since the acquisition date and included in the Consolidated Statement of Comprehensive Income for the reporting period is £1,255,100.

If the acquisition of WAGE and Namib Lead had occurred on the first day of the reporting period the consolidated loss for the Group would be £8,063,874.

The acquisition of the two Namibian entities has been accounted for using acquisition accounting ("the purchase method"). The aggregate assets and liabilities were as follows:

| | *Book and fair values* £ | £ |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 62,767 | |
| Property, plant and equipment | 158,966 | 221,733 |
| **Current assets** | | |
| Trade and other receivables | 143,582 | |
| Cash and cash equivalents | 138,770 | 282,352 |
| **Current liabilities** | | |
| Trade and other payables | | (325,528) |
| **Total net current assets** | | 178,557 |
| **Non-current liabilities** | | |
| Borrowings from shareholder and related parties | | (9,789,050) |
| **Net assets acquired** | | (9,610,493) |
| Stakeholder loans acquired | | 9,844,725 |
| **Total assets acquired** | | 234,232 |
| Goodwill arising on acquisition | | 7,765,768 |
| Additional goodwill from acquisition of royalty contracts (note a) | | 66,000 |
| **Total goodwill** | | 7,831,768 |

## 5. GOODWILL AND BUSINESS COMBINATIONS (continued)

| | *Book and fair values* £ | £ |
|---|---|---|
| **Cost of acquiring WAGE and Namib Lead** | | 8,000,000 |
| Costs of acquiring royalty contracts (note a) | | 66,000 |
| | | 8,066,000 |
| **Satisfied by:** | | |
| Shares issued as consideration shares | | 8,066,000 |

**Note a:**

Following the acquisition of WAGE, on 2 March 2010, the Company issued 2,200,000 Ordinary shares at 3 pence per Ordinary share to two individuals in exchange for the royalty contracts of WAGE's future earnings owned by the individuals.

It is the Directors' view that whilst the acquisition of the royalty contracts increases the value of WAGE to the Group no separately identifiable asset has been created, accordingly an increase to goodwill has been recognised.

## 6. INTANGIBLE ASSETS

| | *Exploration licences* £ | *Software* £ | *Total* £ |
|---|---|---|---|
| **GROUP** | | | |
| **COST** | | | |
| **At 1 July 2008 and 30 June 2009** | – | – | – |
| Acquired with subsidiaries | 119,384 | 21,668 | 141,052 |
| Additions in the period | 170,355 | 8,175 | 178,530 |
| Disposals in the period | (1,198) | (548) | (1,746) |
| Effects of movement in foreign exchange | 16,546 | 3,141 | 19,687 |
| **At 31 December 2010** | 305,087 | 32,436 | 337,523 |
| **DEPRECIATION** | | | |
| **At 1 July 2008 and 30 June 2009** | – | – | – |
| Acquired with subsidiaries | 65,253 | 8,985 | 74,238 |
| Charge for the period | 39,803 | 11,255 | 51,058 |
| Disposals in the period | (1,198) | (548) | (1,746) |
| Effects of movement in foreign exchange | 9,504 | 2,361 | 11,865 |
| **At 31 December 2010** | 113,362 | 22,053 | 135,415 |
| **NET BOOK VALUE** | | | |
| **At 31 December 2010** | 191,725 | 10,383 | 202,108 |
| **At 30 June 2009** | – | – | – |

## 6. INTANGIBLE ASSETS (continued)

| | *Exploration licences & Royalty contracts* £ | *Software* £ | *Total* £ |
|---|---|---|---|
| **COMPANY** | | | |
| **COST** | | | |
| **At 1 July 2008 and 30 June 2009** | – | – | – |
| Additions in the period | 235,485 | 2,368 | 237,853 |
| **At 31 December 2010** | 235,485 | 2,368 | 237,853 |
| **DEPRECIATION** | | | |
| **At 1 July 2008 and 30 June 2009** | – | – | – |
| Charge for the period | – | 610 | 610 |
| **At 31 December 2010** | – | 610 | 610 |
| **NET BOOK VALUE** | | | |
| **At 31 December 2010** | 235,485 | 1,758 | 237,243 |
| **At 30 June 2009** | – | – | – |

## 7. PROPERTY, PLANT AND EQUIPMENT

| | *Plant & machinery* £ | *Fixtures & fittings* £ | *Motor vehicles* £ | *Total* £ |
|---|---|---|---|---|
| **COST** | | | | |
| **At 1 July 2008 and 30 June 2009** | – | – | – | – |
| On acquisition of subsidiary | 32,835 | 55,394 | 184,040 | 272,269 |
| Additions in period | 22,382 | 8,012 | 27,130 | 57,524 |
| Disposals in the period | (4,121) | (17,541) | – | (21,662) |
| Effects of movement in foreign exchange | 6,923 | (5,567) | 30,439 | 31,795 |
| **At 31 December 2010** | 58,019 | 40,298 | 241,609 | 339,926 |
| **DEPRECIATION** | | | | |
| **At 1 July 2008 and 30 June 2009** | – | – | – | – |
| Accumulated depreciation on acquisition of subsidiary | 16,617 | 32,575 | 55,341 | 104,533 |
| Charge for the period | 14,635 | 13,194 | 32,596 | 60,425 |
| Disposals in the period | – | (12,014) | – | (12,014) |
| Effects of movement in foreign exchange | 1,965 | (7,565) | 7,800 | 2,200 |
| **At 31 December 2010** | 33,217 | 26,190 | 95,737 | 155,144 |
| **NET BOOK VALUE** | | | | |
| **At 31 December 2010** | 24,802 | 14,108 | 145,872 | 184,782 |
| **At 30 June 2009** | – | – | – | – |

## 8. TRADE AND OTHER RECEIVABLES

| | *Group 31 December 2010 £* | *Company 31 December 2010 £* | *Group 30 June 2009 £* | *Company 30 June 2009 £* |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Prepayments | 45,112 | 19,794 | – | – |
| Other receivable | 63,644 | 17,825 | – | – |
| | 108,756 | 37,619 | – | – |
| **Amounts falling due after more than one year:** | | | | |
| Amounts due from subsidiary undertakings | – | 9,251,291 | – | – |

The loans extended to subsidiaries are issued interest free and with no fixed repayment terms.

## 9. CASH AND CASH EQUIVALENTS

| | *Group 31 December 2010 £* | *Company 31 December 2010 £* | *Group 30 June 2009 £* | *Company 30 June 2009 £* |
|---|---|---|---|---|
| Cash at bank and in hand | 3,536,920 | 3,446,322 | 35,078 | 35,078 |
| | 3,536,920 | 3,446,322 | 35,078 | 35,078 |

## 10. TRADE AND OTHER PAYABLES

| | *Group 31 December 2010 £* | *Company 31 December 2010 £* | *Group 30 June 2009 £* | *Company 30 June 2009 £* |
|---|---|---|---|---|
| Trade payables | 62,789 | 30,682 | – | – |
| Other payables | 74,207 | 42,000 | 82,764 | 82,764 |
| | 136,996 | 72,682 | 82,764 | 82,764 |

## 11. CONVERTIBLE LOAN NOTES

| | *Group 31 December 2010 £* | *Company 31 December 2010 £* | *Group 30 June 2009 £* | *Company 30 June 2009 £* |
|---|---|---|---|---|
| At beginning of the period | 150,000 | 150,000 | – | – |
| New loans in the period | 600,000 | 600,000 | 150,000 | 150,000 |
| Loans repaid/converted in the period | (750,000) | (750,000) | – | – |
| **At end of the period** | – | – | 150,000 | 150,000 |

## 11. CONVERTIBLE LOAN NOTES (continued)

The Convertible Loan Notes outstanding at 30 June 2009 were repaid in October 2009. During the 18 months to 31 December 2010 further Convertible Loan Notes were issued as noted below:

- In October 2009 Convertible Loan Notes totalling £100,000 were issued and subsequently converted to Ordinary shares as part of the placement of 233,333,333 Ordinary shares on 20 November 2009.
- Clarion Finanz AG acquired £500,000 Convertible Loan Notes on 20 October 2009. Subsequent to this Clarion Finanz AG assigned their rights to Clarion Finance Pte Ltd and White Rock Consulting Ltd equally. The terms of the notes were: repayable on 30 days' notice given by the lender at any time after 1 January 2010 (or earlier upon occurrence of usual events of default), the loan notes carried interest at 8% per annum and the principal amount of, and interest on, the loan could be converted into Ordinary shares at the Placing Price of 3 pence per share. The Loan Notes were repaid in full in June and July 2010.

During the Period the Company incurred interest charges on the Convertible Loan Notes as follows:

| | *Group 31 December 2010 £* | *Company 31 December 2010 £* | *Group 30 June 2009 £* | *Company 30 June 2009 £* |
|---|---|---|---|---|
| Interest on Convertible Loan Notes | 30,394 | 30,394 | 4,783 | 4,783 |

## 12. ORDINARY SHARES

**Authorised:**

| *Number* | *Class* | *Nominal value* | *At 31 December 2010 £* | *At 30 June 2009 £* |
|---|---|---|---|---|
| 5,000,000,000 | Ordinary | 0.2p | 10,000,000 | 10,000,000 |
| **Allotted, issued and fully paid:** | | | | |
| 596,200,000 | Ordinary | 0.2p | 1,192,400 | 68,000 |

(Note: At 30 June 2009 there were 68,000,000 Ordinary shares of 0.001p prior to the consolidation of Ordinary shares referred to below)

| *Date of issue* | *Detail of issue* | *Number of Ordinary shares* | *Share capital £* | *Share premium £* |
|---|---|---|---|---|
| 26 August 2009 | Consolidation of capital (0.002p) | 34,000,000 | 68,000 | 481,238 |
| 24 September 2009 | Placement to provide working capital | 40,000,000 | 80,000 | 320,000 |
| 24 September 2009 | Placement – Mozambique licences | 10,000,000 | 20,000 | 80,000 |
| 9 October 2009 | Conversion of convertible notes | 10,000,000 | 20,000 | 80,000 |
| 20 November 2009 | Consideration to Kalahari Diamonds | 21,666,667 | 43,333 | 606,667 |
| 20 November 2009 | Consideration to Kalahari Gold | 245,000,000 | 490,000 | 6,860,000 |
| 20 November 2009 | Placement to provide working capital | 233,333,333 | 466,667 | 6,533,333 |
| 18 February 2010 | Issue to purchase Royalty contracts | 2,200,000 | 4,400 | 61,600 |
| | Cost of issuing capital in the year | | | (819,071) |
| **As at 31 December 2010** | | 596,200,000 | 1,192,400 | 14,203,767 |

## 12. ORDINARY SHARES (continued)

**In the period from 1 July 2009 to 31 December 2010 the following Ordinary share issues occurred:**

On 26 August 2009, the Company consolidated its issued and fully paid share capital on the basis of one new Ordinary share of £0.002 each for every two existing Ordinary shares of £0.001 each and the Directors were authorised to allot Ordinary shares with a nominal value of £9,932,000 on a non-pre-emptive basis.

On 24 September 2009, the number of Ordinary shares issued and fully paid was increased from 34,000,000 Ordinary shares to 84,000,000 Ordinary shares by way of a placing and issue of Ordinary shares under the Mozambique Licences Agreement.

On 9 October 2009, the number of Ordinary shares issued and fully paid was increased from 84,000,000 Ordinary shares to 94,000,000 Ordinary shares following conversion of Convertible Loan Notes.

In accordance with the Share Purchase Agreement (dated 5 October 2009) entered into with Kalahari Gold Ltd, Kalahari Diamonds Ltd and Kalahari Minerals plc, the Company acquired, on 20 November 2009, the entire issued share capital in, and the shareholder loans to, WAGE and Namib Lead. The consideration paid by the Company for these two Namibian entities was satisfied by the allotment of 266,666,667 Ordinary shares. Following this allotment, the number of Ordinary shares issued and fully paid up was increased from 94,000,000 to 360,666,667.

Under the Share Purchase Agreement referred to above, the Company also, on 20 November 2009, raised £7m through the issue of 233,333,333 Ordinary shares. Following this issue, the number of Ordinary shares issued and fully paid up was increased from 360,666,667 to 594,000,000.

Following the acquisition of WAGE, on 2 March 2010 the Company issued 2,200,000 Ordinary shares at £0.03 each to two individuals in exchange for the royalty contracts of WAGE's future earnings owned by the individuals. Following this issue the number of Ordinary shares in issue and fully paid was increased from 594,000,000 to 596,200,000.

## 13. TAXATION

| | *Group 31 December 2010 £* | *Group 30 June 2009 £* |
|---|---|---|
| **Factors affecting the tax charge for the period** | | |
| Loss from continuing operations before income tax expenses | (7,397,418) | (299,220) |
| Tax at Company rate of 28% (2009: 28%) | (2,071,277) | (83,782) |
| Expenses not deductible | 964,963 | 83,782 |
| Overseas rate differences | (119,235) | – |
| Excess/(shortfall) of fiscal depreciation over accounting depreciation | 34,325 | – |
| Other timing differences not recognised (exploration costs, leave pay) | 715,379 | – |
| Losses carried forward not recognised | 475,845 | – |
| **Income tax expense** | – | – |

The Group has tax losses of £1.7 million and exploration costs of £13.9 million 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.

## 13. TAXATION (continued)

The total amounts of deferred tax are:

| | *Group 31 December 2010 £* | *Group 30 June 2009 £* |
|---|---|---|
| **Provided for** | | |
| Accelerated capital allowances | – | – |
| Exploration costs | – | – |
| Share based payments | – | – |
| Unutilised losses | – | – |
| Total provided for | – | – |
| **Unprovided for** | | |
| Accelerated capital allowances | 28,611 | 56,785 |
| Exploration costs | (5,224,077) | (4,238,781) |
| Share based payments | (248,119) | (15,478) |
| Unutilised losses | (464,359) | – |
| Total unprovided deferred tax | (5,907,944) | (4,197,474) |
| **Total deferred tax** | | |
| Accelerated capital allowances | 28,611 | 56,785 |
| Exploration costs | (5,224,077) | (4,238,781) |
| Share based payments | (248,119) | (15,478) |
| Unutilised losses | (464,359) | – |
| **Total deferred tax** | (5,907,944) | (4,197,474) |

## 14. SUBSIDIARY ENTITIES

The financial statements includes the following group companies:

| *Company* | *Country of Incorporation* | *Holding* | *Nature of business* |
|---|---|---|---|
| NRR Energy Minerals Limited | United Kingdom | 100% | Inactive |
| NRR Mozambique Limited | United Kingdom | 100% | Inactive |
| West Africa Gold Exploration (Namibia) (Pty) Ltd | Namibia | 100% | Exploration and mining |
| Namib Lead and Zinc Mining (Pty) Ltd | Namibia | 100% | Exploration and mining |
| North River Resources Namibia (Pty) Ltd | Namibia | 100% | Administration |
| North River Resources Pty Ltd[1] | Australia | 100% | Inactive |
| North River Resources Ltd[2] | Isle of Man | 100% | Dormant |
| North River Minerals Ltd[2] | Isle of Man | 100% | Dormant |

**Notes:**

1 Company was closed in 2010.

2 Incorporated and closed within the period 30 June 2009 to 31 December 2010 with no activity.

The acquisition of WAGE and Namib Lead is covered in detail under Note 5 'Goodwill and Business Combinations'.

### 14. SUBSIDIARY ENTITIES (continued)

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. They have not traded.

North River Resources Namibia (Pty) Limited was established in December 2009 as a wholly owned subsidiary and will act as the administration company for the Group's activities in Namibia leaving the other subsidiaries to concentrate on exploration activity.

### 15. SHARE BASED PAYMENTS

| | *Period ended 31 December 2010* | *Year ended 30 June 2009* |
|---|---|---|
| **Share options outstanding** | | |
| Opening balance | 3,000,000 | 3,000,000 |
| Issued in the period | 114,900,000 | – |
| Cancelled in the period | (700,000) | – |
| **Closing balance** | 117,200,000 | 3,000,000 |

The share capital was consolidated on a two for one basis on 26 August 2009. The options in existence at 1 July 2009 were for 6,000,000 Ordinary shares of £0.001 whereas the 3,000,000 options are for Ordinary shares of £0.002.

Details of share options outstanding at 31 December 2010:

| *Date of grant* | *Number of options* | *Option price p* | *Exercisable between* |
|---|---|---|---|
| 27 December 2006 | 3,000,000 | 10p | 27/12/06 – 27/12/11 |
| 24 September 2009 | 61,000,000 | 5p | 24/09/09 – 30/06/14 |
| 24 September 2009 | 10,000,000 | 10p | 24/09/09 – 30/06/14 |
| 12 October 2009 | 10,000,000 | 5p | 12/10/09 – 30/06/14 |
| 23 November 2009 | 15,000,000 | 5p | 23/11/09 – 23/11/14 |
| 3 February 2010 | 4,725,000 | 7.5p | 03/02/10 – 01/02/13 |
| 3 February 2010 | 4,725,000 | 7.5p | 01/02/11 – 01/02/13 |
| 3 February 2010 | 4,725,000 | 10p | 03/02/10 – 01/02/15 |
| 3 February 2010 | 4,725,000 | 10p | 01/02/11 – 01/02/15 |

The share options issued in 2006 were fully expensed in prior periods.

Included within administration expenses is a charge for issuing share options of £4,896,175 which was recognised in accordance with the Group's accounting policies.

The share options issued during the period were valued at £4,530,085 with reference to the Black-Scholes option pricing model taking into account the input assumptions as outlined below:

| | |
|---|---|
| Dates issued | ranging from 24 September 2009 to 3 February 2010 |
| Share price | ranging from 3.5 pence to 7.5 pence |
| Exercise price | ranging from 5 pence to 10 pence |
| Expected volatility – determined by reference to observed volatility during the year | ranging from 65% to 70% |
| Vesting period | ranging from 24 September 2009 to 24 September 2011 |
| Expected dividends | Nil |
| Risk free interest rate | ranging from 5.025% to 5.175% |

## 15. SHARE BASED PAYMENTS (continued)

**Addition disclosure information**

| | |
|---|---|
| Weighted average exercise price of share options: | |
| – outstanding at the beginning of the period | 10 pence |
| – granted during the period | 6.1 pence |
| – outstanding at the end of the period | 6.2 pence |
| – exercisable at the end of the period | 5.9 pence |
| Weighted average remaining contractual life of share options outstanding at the end of the period | 3.4 years |

## 16. IMPAIRMENT TESTING OF GOODWILL AND ASSETS WITH INDEFINITE LIVES

***Goodwill***

The Directors are of the opinion that the Goodwill acquired in respect of WAGE and Namib Lead in November 2009 represents the value of the Licence Areas held by WAGE and Namib Lead at 31 December 2010. At the time of the acquisition of WAGE and Namib Lead, the Licence Areas were subject to an external review by MSA Geosciences of South Africa whose employee Mike Venter acted as a Competent Person, as disclosed in the AIM re-admission document.

The continued exploration and development work within the Licence Areas since acquisition has not revealed anything that would suggest that there has been a value change to the Goodwill position set out in the AIM listing document.

In reviewing the Goodwill value, it is noted that the commodity prices for the commodities that WAGE and Namib Lead are exploring for in Namibia have increased since November 2009. Copper prices have moved from approximately US$6,500 per tonne in November 2009 to approximately US$9,500 per tonne in January 2011 as well as the increase in gold, lead and zinc prices over that time.

It is further noted that the following EPLs in the Licence Areas have been renewed since purchase thus providing additional security of tenure.

| *Project* | *Application name* | *Type* | *Number* | *Surface area (km$^2$)* | *Annual licence fees (N$)* | *Current status* | *Expiry date* |
|---|---|---|---|---|---|---|---|
| Namib Lead | Namib Lead | EPL | 2902 | 45.23400 | 2,000 | Renewed | 17/04/2012 |
| Ubib | Ubib | EPL | 3139 | 545.75000 | 6,000 | Renewal submitted | 19/04/2011 |
| Dordabis | Kupferberg | EPL | 3257 | 630.86300 | 7,000 | Renewed | 01/06/2012 |
| Witvlei | Christiadore | EPL | 3258 | 384.68200 | 4,000 | Renewed | 15/05/2012 |
| Witvlei | Okatjirute | EPL | 3261 | 266.27600 | 3,000 | Renewed | 25/07/2011 |

In accordance with the Group's accounting policies the Directors are committed to reviewing their opinion on the Goodwill annually, or in the situation where an indication of impairment arises, and impairing the goodwill where information comes to light that clarifies the size, quality and economics of the licences and ore bodies held/owned by WAGE and Namib Lead.

On the date the Licence Areas were acquired, the Goodwill was allocated to the exploration areas in proportion to the historic exploration costs associated with the areas. See below. Management consider this to be an appropriate basis on which to recognise the goodwill purchased.

## 16. IMPAIRMENT TESTING OF GOODWILL AND ASSETS WITH INDEFINITE LIVES (continued)

| | *Group* |
|---|---|
| | *31 December 2010* |
| *Goodwill ascribed to areas* | *£* |
| **WAGE** | |
| Witvlei Copper | 4,719,300 |
| Dordabis Copper | 1,983,634 |
| | 6,702,934 |
| **Namib Lead** | |
| Namib Lead mine | 1,036,052 |
| **Ubib** | 92,782 |
| | 1,128,834 |
| **Total, as agreed to Note 5** | 7,831,768 |

***Assets with indefinite lives***

The Company has receivables from Group companies, namely, from WAGE and Namib Lead. The Directors are also of the opinion that the decision not to impair the value of the Goodwill and the reasons for that decision supports their decision not to impair the loans extended to WAGE and Namib Lead.

On acquisition of WAGE and Namib Lead the Company paid £8,000,000 for the loans in WAGE and Namib Lead. Since the acquisition date a further £1,251,291 has been provided to the subsidiaries as working capital.

## 17. FAIR VALUE

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 Value* | | *Fair Value* | |
|---|---|---|---|---|
| | *31 December 2010* | *30 June 2009* | *31 December 2010* | *30 June 2009* |
| | *£* | *£* | *£* | *£* |
| **Financial Assets** | | | | |
| Trade and other receivables | 108,756 | – | 108,756 | – |
| Loans and other receivables | 136,996 | – | 136,996 | – |
| Cash and cash equivalents | 3,536,920 | 35,078 | 3,536,920 | 35,078 |
| **Total** | 3,782,672 | 35,078 | 3,782,672 | 35,078 |
| **Financial Liabilities** | | | | |
| Trade and other payables | 136,996 | 82,764 | 136,996 | 82,764 |
| Convertible loan notes | – | 150,000 | – | 150,000 |
| **Total** | 136,996 | 232,764 | 136,996 | 232,764 |

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.

## 18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

The main risk arising from the Group's financial instruments is market risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

***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 Company 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 2010* | *Non-interest bearing 2010* | *Total* |
|---|---|---|---|---|---|
| | *%* | *£* | *£* | *£* | *£* |
| **18 months ended 31 December 2010** | | | | | |
| **Financial instruments** | | | | | |
| **Financial assets** | | | | | |
| Trade and other receivables | 0.00 | – | – | 108,756 | 108,756 |
| Cash on deposit | 0.5 | 3,536,920 | – | – | 3,536,920 |
| **Total financial assets** | | 3,536,920 | – | 108,756 | 3,645,676 |

## 18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

| | *Weighted average effective interest rate* | *Floating interest rate maturing in 1 year or less* | *Fixed Interest rate 2010* | *Non-interest bearing 2010* | *Total* |
|---|---|---|---|---|---|
| | *%* | *£* | *£* | *£* | *£* |
| **Financial liabilities** | | | | | |
| Trade and other payables | 0.00 | 136,996 | – | – | 136,996 |
| Convertible loan notes | 0.00 | – | – | – | – |
| **Total financial liabilities** | | 136,996 | – | – | 136,996 |
| **Year 30 June 2009 Financial instruments** | | | | | |
| **Financial assets** | | | | | |
| Trade and other receivables | | – | – | – | – |
| Cash on deposit | 1.2 | 35,076 | 2 | – | 35,078 |
| **Total financial assets** | | 35,076 | 2 | – | 35,078 |
| **Financial liabilities** | | | | | |
| Trade and other payables | 0.00 | – | – | 82,764 | 82,764 |
| Convertible loan notes | 8.00 | – | 150,000 | – | 150,000 |
| **Total financial liabilities** | | – | 150,000 | 82,764 | 232,764 |

### *Net fair value*

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the balance sheet 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).

## 18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

***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.

Trade receivables at 31 December 2010 consist primarily of prepayments and other sundry receivables. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

***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.

## 19. RELATED PARTY TRANSACTIONS

Ascent Capital Holdings Pty Ltd, a company associated with David Steinepreis, was paid fees in the amount of £100,000 (2009: £Nil) for the provision of services provided by David Steinepreis. It was also paid £29,008 (2009: £Nil) for the provision of office facilities to the Company.

Ord Street Services, an entity associated with David Steinepreis, was reimbursed office costs incurred and paid by Ord Street Services on behalf of North River Resources Plc. in the amount of £Nil (2009: £5,937).

Fernan Pty Ltd, a company associated with Mark Hohnen, was paid fees in the amount of £53,467 (2009: £Nil) for the provision of services provided by Mark Hohnen.

Quantum Vis Pty Ltd, a company associated with a former director, Robert Downey, had fees during 2009 of £5,355, pursuant to a services agreement between Mr. Downey and the Company.

Kalahari Minerals Plc., a major shareholder in the Company received £30,168 (2009: £Nil) for the provision of office facilities to the Company.

In Namibia, TLP Investments 105 (Pty) Limited, a subsidiary of Kalahari Minerals Plc., received £31,811 (2009: £Nil) for the provision of office facilities to the Company's Namibian subsidiaries.

Full details of Directors' option holdings are included in the Directors' Report.

## 20. EMPLOYEES' AND DIRECTORS' REMUNERATION

| | *Group period to 31 December 2010* | *Group year to 30 June 2009* |
|---|---|---|
| | *£* | *£* |
| Employee remuneration | 564,510 | – |
| Employee social security costs | 45,464 | – |
| **Total** | 609,974 | – |

| *Average employee numbers* | *Number* | *Number* |
|---|---|---|
| Exploration and expenditure | 14 | – |
| Administration and management | 10 | 5 |
| **Total** | 24 | 5 |

| *2010 Directors* | *Directors' salary period to 31 December 2010* | *Directors' fees period to 31 December 2010* | *Consulting fees period to 31 December 2010* | *Share based payments period to 31 December 2010* | *Total period to 31 December 2010* |
|---|---|---|---|---|---|
| | *£* | *£* | *£* | *£* | *£* |
| Mark Hohnen | – | 53,467 | – | 47,969 | 101,436 |
| David Steinepreis | 133,000 | – | 100,000 | 533,607 | 766,607 |
| Martin French | – | 37,722 | 20,400 | 495,844 | 553,966 |
| Glyn Tonge | – | 32,696 | – | 10,206 | 42,902 |
| Patrick Burke | – | – | 11,000 | 145,691 | 156,691 |
| Glenn Whiddon | – | 8,000 | – | 485,638 | 493,638 |
| | 133,000 | 131,885 | 131,400 | 1,718,955 | 2,115,240 |

| *2009 Directors* | *Directors' salary year to 30 June 2009* | *Directors' fees year to 30 June 2009* | *Consulting fees year to 30 June 2009* | *Total year to 30 June 2009* |
|---|---|---|---|---|
| | *£* | *£* | *£* | *£* |
| David Steinepreis | 12,000 | – | – | 12,000 |
| Martin French | – | 6, 645 | – | 6,645 |
| Patrick Burke | – | 12,000 | – | 12,000 |
| Glenn Whiddon | – | 6,465 | 5,355 | 12,000 |
| Robert Downey | – | 5,355 | – | 5,355 |
| | 12,000 | 30,465 | 5,355 | 48,000 |

Full details of Directors' emoluments are disclosed in the Directors' Report.

## 21. CONTROL

No one party is identified as controlling the Company.

## 22. EXPLORATION EXPENDITURE COMMITMENTS

***Restoration commitments***

The Company has no obligations to undertake any rehabilitation or restoration activity on the licences currently held.

***JV agreement with Extract Resources Ltd***

An agreement has been signed with Extract Resources Ltd ("Extract") relating to their respective wholly-owned subsidiaries, Extract Resources (Namibia) (Proprietary) Ltd ("Extract Namibia"), NRR Energy Minerals Limited ("NRR Energy") and WAGE.

Under the Agreement, subject to the satisfaction of certain conditions, NRR Energy will subscribe US$800,000, so that each of Extract and NRR Energy will hold a 50 per cent. interest in Extract Namibia. The principal assets of Extract Namibia are EPL 3327 and EPL 3328, pursuant to which Extract Namibia has the rights to explore for nuclear fuel minerals. Located west and north respectively of the historic tin mining centre of Uis in western Namibia, previous exploration activity, undertaken by Extract Namibia, has shown that these licences have the potential to host secondary uranium deposits associated with palaeodrainages of the Orawab and Ugab ephemeral river systems. The Subscription Funds will be used by Extract Namibia to expedite further uranium exploration on these licences.

The Agreement also allows for the formation of a 50/50 unincorporated joint venture between WAGE and Extract in relation to the nuclear fuel rights (if granted) in respect of EPL 3139. WAGE is the sole legal holder of EPL 3139 in Namibia and has applied for the rights to explore for nuclear fuel minerals in respect of this licence. The nuclear fuel rights for EPL 3139 have yet to be granted. Subject to the terms of the Agreement, WAGE and Extract have agreed that if WAGE is granted the nuclear fuel rights for EPL 3139, and subject to obtaining any necessary approvals and consents required for the transaction under the Namibian Minerals Act, WAGE and Extract will form an unincorporated 50/50 joint venture in respect of these nuclear fuel rights ("Joint Venture"). Once the Joint Venture is formed, WAGE is obligated to fund the first US$500,000 exploration for nuclear fuels in relation to EPL 3139 activities.

***Existing Exploration Licences in Namibia***

The Group has a number of exploration licences in Namibia. There is a commitment to spend £3,600,000 on these licences through 2011 and into 2012. There is scope in the Mines and Minerals Act for expenditure to be altered by the Company and still keep the licences in good standing. The commitments are based on a positive outcome for all stages of work within the period of tenure of each licence. It should also be noted that if the project has negative results in the first 6 months of the licence tenure – then the project can be terminated without further expenditure.

***Existing Exploration Licences in Mozambique***

The Group has a number of exploration licences in Mozambique. Under joint venture ("JV") agreements our JV partners are committed to cover the cost of exploration for the foreseeable future.

## 23. POST BALANCE SHEET EVENTS

Post period end, the Company was granted four new Exclusive Prospecting Licences ('EPLs') covering 3,838km$^2$. The new licences cover two project areas, Kamkas and Hero, and have been granted for base, rare and precious metals, as well as industrial minerals and non-nuclear fuels, for a period of three years expiring 16 January 2013.

The Company also signed a JV agreement with Jacana over the Mavuzi licences, which cover 54,580ha in Mozambique. The licences, which include the Castro and Inhatobui targets and the previously producing Mavuzi and Castro uranium mines, are prospective for uranium and rare earth elements ('REEs').

These events are covered in more detail in the Managing Director's Statement on pages 4 to 6.