Registration number 05875525 (England and Wales)

# NORTH RIVER RESOURCES PLC

# GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2015

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**DIRECTORS, SECRETARY AND ADVISORS**

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| **DIRECTORS:** | | |
| | Rodney Beddows | *(Non–Executive Chairman)* |
| | James Beams | *(Chief Executive Officer)* |
| | Mark Sawyer | *(Non–Executive Director)* |
| | Chan Ding | *(Non–Executive Director)* |
| | Keith Marshall | *(Non–Executive Director)* |
| | Kenneth Sangster | *(Non–Executive Director)* |
| | Mark Thompson | *(Non–Executive Director)* |

| | |
|---|---|
| **SECRETARY:** | Ben Harber |
| **COUNTRY OF INCORPORATION:** | England and Wales |
| **REGISTERED NUMBER:** | 05875525 |
| **REGISTERED OFFICE:** | One America Square<br>Crosswall<br>London, EC3N 2SG |
| **GROUP AUDITORS:** | UHY Hacker Young LLP<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 |
| **BROKER:** | RFC Ambrian Limited<br>Condor House<br>10 St Paul's Churchyard,<br>London, EC4M 8AL |

North River continued during the year to focus on advancing its flagship Namib Lead Zinc Project ("Namib Project" or "Namib") in Namibia towards a construction decision. Project activities focused on additional technical evaluation work required to define a mine plan and processing plant design to a level of confidence to support the project investment decision. The Company also engaged regularly and proactively with Namibia's Ministry of Mines and Energy (the "Ministry") to progress the Mining Licence application, commenced a ~3,800m resource expansion drilling campaign and completed a US$4.0 million fundraising supported by strategic shareholder, Greenstone Resources L.P.

I am very pleased that once again we recorded no lost time injuries during 2015. Whilst this demonstrates the commitment of our entire team to operate a zero harm working environment we must remain focused to ensure this unblemished track record continues.

While good progress was made on the project workstreams, the mining licence for the Namib Project remains outstanding. The uncertainty around timing and conditions to be attached to the issue of the licence has been a source of frustration for the Company and its shareholders and has led to repeated changes in the pre-construction work programme and has made longer term planning for taking the project forward to an investment decision very difficult. In early 2016, we were issued with a Notice of Preparedness to Grant the Mining Licence for the Namib Project (the "Notice") subject to reaching agreement on various additional conditions to the mining licence (the "Supplementary Conditions"). The Notice set out a process and timeline for discussions with the Ministry to reach agreement on the Supplementary Conditions and in accordance with this process, we submitted a formal proposal to the Ministry on the Supplementary Conditions in late April 2016.

I am very encouraged by the receipt of the Notice in that it confirms there are no technical issues with the application, but remain cautious on the timeframe and extent to which agreement can be reached on the issue of the licence. Separately, the Government of the Republic of Namibia recently published a draft bill on proposed broad based economic empowerment in the country (the National Equitable Economic Empowerment Bill, the "Draft Bill"). The Draft Bill covers a number of obligations which would, if enacted into law, be inconsistent with those laid down under the Supplementary Conditions for the mining licence. Achieving further clarity in this area will be critical to advancing the project to a construction decision.

**Outlook**

We remain committed to bringing the Namib Project into production. We believe it is an economically robust, technically straightforward project with real potential to deliver benefits to both its shareholders and wider stakeholders in Namibia. The targeted increase in mineral resource, and consequent potential for a longer life of the mine will further enhance the economics of Namib and its funding options.

Whilst the average prices for zinc and lead in 2015 were lower than for the prior period, recent market developments indicate that the supply and demand balance is tightening which augurs well for the price outlook.

In light of the uncertain timeframe for securing the mining licence and gaining clarity on the implications of the proposed broad based economic empowerment legislation, we are focusing our immediate efforts in two areas: completing the resource expansion drilling campaign and progressing the mining licence application. Initial results from the resource drilling campaign have been encouraging and have confirmed mineralization 80 metres below the existing northern resource. Certain holes have achieved outstanding intersections, such as NLDD067 (57.1m, true width of 8.5 metres, at 28.6% zinc) and NLDD069 (35.7 metres, true width of 9 metres, at 33.8% zinc), providing increasing confidence that an enlarged resource supporting a longer life of mine will be delineated in due course.

Pending clarity on the timing for receiving the mining licence and taking the project forward, we are redoubling our efforts to conserve cash and identify further cost savings. In light of this, the Project Director has left the Company, and a number of project work streams, including the Front End Engineering and Design work ("FEED") continue to be deferred. The Company will nonetheless need to undertake a working capital fundraising in the short term, in order to continue to fund the work programme over a longer period than envisaged at the time of the placing and open offer completed in October 2015, and we are in the process of evaluating funding options and the structure under which funds may be raised.

## CHAIRMAN'S STATEMENT

This is my first Chairman's statement. As we all know this is a very difficult period for commodity producers and project developers. I joined the board because I am convinced of the emerging physical deficit of zinc in world markets and was attracted by the quality of the North River team. I remain so convinced. We all expect to make substantial progress in 2016/2017.

Rod Beddows
**Chairman**

31 May 2016

**The Namib Project**

*Overview*

The Namib Project entails re-opening a previously producing mine and the construction of a new plant to process 250,000 tonnes of ore per annum. The currently defined JORC resource supports an initial 3.5 year mine life although we are confident that this will be extended through the ongoing resource drilling campaign. Located 20km inland from Swakopmund in Namibia, the project benefits from being well located, with excellent surrounding infrastructure. Namibia has a well established mining industry and good access to local mining suppliers and support services.

*Geology*

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

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

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

**Minerals Resource Estimate as at 29 August 2014**
**Reported at a lower cut-off grade of 1% Pb% + Zn%**

| | | Tonnes | Density t/m$^3$ | Zinc % | Lead % | Silver g/t |
|---|---|---|---|---|---|---|
| Indicated | North | 730,000 | 3.65 | 6.2% | 2.8% | 45.1 |
| | South | 147,000 | 3.61 | 5.3% | 2.1% | 40.5 |
| Inferred | North | 121,000 | 3.63 | 9.3% | 0.7% | 29.6 |
| | South | 251,000 | 3.69 | 6.6% | 2.7% | 48.2 |
| **Total** | | **1,250,000** | **3.65** | **6.5%** | **2.5%** | **43.7** |

*Tonnages have been rounded to the nearest 1,000t to reflect that this is an estimate. Apparent differences may occur due to rounding.*

*Definitive Feasibility Study ('DFS')*

A DFS was completed in November 2014 and the highlights include:

- Maiden Mineral Ore Reserve of 585,000 tonnes at 6.2% zinc, 2.9% lead, and 46ppm silver
- Annual throughput of 250,000 tonnes at an average grade of 9% (Pb+Zn) producing 19,100 tonnes of metal in concentrate
- 280,000 ounces per annum silver by-product
- Initial mine life of 3.5 years (including ramp up and ramp down) and resources equivalent to five years of mine life
- Capital cost of US$27.8 million
- Robust project economics with a 12 month payback, post-tax NPV10 of $24.7 million and post tax IRR of 52% at consensus metal prices (assuming the resource base utilized)

*Project optimisation and resource expansion*

Following completion of the DFS in November 2014, a number of areas were identified where additional technical evaluation work was required to define a mine plan and processing plant design to a level of confidence to support a project investment decision.

*Metallurgical testwork*

North River appointed ALS Laboratories ('ALS') to conduct a detailed supplementary testwork programme supervised by Ken Sangster. ALS was selected for their relevant experience and knowledge of similar milling operations. The work was conducted to address the inconsistent grade recoveries experienced via processing routes proposed as part of the DFS which referred to a 'lack of agreement' on the performance of different samples.

The lack of a definitive processing solution in the DFS derives from the fact that the mineralisation at Namib contains the iron sulphide mineral, pyrrhotite, which responds to flotation in a similar manner to the minerals, sphalerite and marmatite which are the primary zinc ore minerals at Namib. This response can lead to a build-up of pyrrhotite, and consequently iron, in the zinc cleaner circuit. While iron is common in lead-zinc deposits, it is normally present as pyrite, which can be more easily depressed during flotation than pyrrhotite.

The implications of the presence of pyrrhotite were experienced first-hand in the previous operation and, as a result, intermediate products had to be dumped to tailings in order to maintain saleable concentrate quality, but at the sacrifice of zinc recovery during processing.

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

*Metallurgical optimisation work*
To properly liberate the generally finer zinc minerals, a separate zinc regrind circuit is required to optimise the overall zinc recovery and concentrate grade. Extensive mineralogy was conducted as a precursor to flotation testwork to determine the most effective grind size. A primary grind of around 80% passing 100 micron level has been selected and this is also a practically achievable level within the proposed processing system.

Following this, the fundamental issue in improving the differential flotation performance was the selection of an optimal reagent regime. The use of zinc sulphate as a reagent, commonly used in other lead/zinc operations, was identified as a major contributor to slowing down the sphalerite recovery rate making effective separation from the pyrrhotite more difficult. Consequently, testwork was necessary to eliminate zinc sulphate from the flowsheet and identify a more selective lead collector. These newer collectors, replacing the more traditional xanthates and zinc sulphate, have proved successful in the testwork.

Using the optimised grind and new reagent regime, the Company has developed a robust processing methodology which can operate with consistent results with a wide range of mineral composition and particularly with the variable pyrite and pyrrhotite content.

This different regime has given reproducible results using locked cycle tests conducted to complete equilibrium. Overall the reproducible results, from the five different composites tested, gave the following results:

- Lead: 62.2%Pb at 91.1% Pb recovery
- Zinc: 52.4%Zn at 89.2% Zn recovery (optimum Zinc grades limited by the zinc mineral Marmatite which has a high iron content)

These are actual results with the top and bottom values discarded from compatible locked cycle tests. This has obviated the previous problem of using batch data when the concentrate grade and associated recoveries can be mutually unsustainable.

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

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

*Resource expansion*
In addition to the project development activities, we view the increase of the Mineral Resource at Namib as a key component to unlocking project financing in a challenged commodity price environment and delivering overall shareholder value.

*Drilling campaign from August 2014 to November 2015*
Following the last Mineral Resource Estimate of August 2014, the Company completed 4,828 of drilling in 66 holes in the period to November 2015. Of these, 52% (34 holes) had significant intercepts. A summary of the intercepts can be found in Table 1.

The drilling campaign focussed primarily on targeting both new extensions of known mineralised shoots, as well as infill drilling to potentially convert Inferred Mineral Resources into the Indicated Mineral Resource category. Drilling was undertaken mainly in the top half of the North Orebody and also below the historic South Mine, which is around 200m below surface. The majority of the current Inferred Mineral Resources lie below the South Mine, which is also referred to as the Southern orebody. In general, the drilling results in both areas met management's expectations and increased its confidence in the Mineral Resource.

Drilling below the Junction stope, and between the Junction and the Central stopes of the Southern orebody targeting resource expansion, has yielded encouragingly high grade results:

- NLDDK070: 3.6m @ 15.6% Zn, 1.0% Pb
- NLDDK071: 7.3 @ 14.9% Zn, 3.2% Pb & 4.5m @ 9.3% Zn, 13.6% Pb
- NLDD062: 3.8m @ 10.9% Zn, 8.7% Pb
- NLDD061: 5.7m @ 16.8% Zn, 6.9% Pb
- NLDD056: 8.7m @ 9.6% Zn, 3.7% Pb

*Ongoing resource expansion drilling campaign*
Encouraged by these results, we embarked on a 3,800m expansion drilling campaign below the current North resource in late 2015, to test the extensions at depth of these ore envelopes. The drilling campaign also envisages infill and extension drilling in the existing Southern resource. The Company is confident that this campaign will result in an enlarged resource supporting a longer mine life.

To access sufficient underground drilling locations, a 300 metre drive underneath the existing North resource has been developed (the "5 Level Drive"). The 5 Level Drive was successfully completed in March 2016. As the mine moves into an operational phase, the development drive will be incorporated into the mine plan as an access road.

As at 26 April 2016, 18 holes totalling 1,767 metres had been drilled by the Company's own Kempe U3-9BQ together with a larger Diamec 262 rig under contract. Eleven holes have been reported and the summary results can be seen in Table 2 below with the remaining holes awaiting sampling or assay results. The Kempe is being used to search for shallower targets up to ~80m below the modelled envelopes while the more powerful Diamec rig is used for drill holes up to 200m deep. The drilling campaign is targeted for completion by end of June 2016.

Significant mineralisation has been intersected in six holes:

- NLDD067: 57.1m (true width of 8.5 metres) at 28.6% zinc and 33g/t silver*;
- NLDDK074: 3.0m (true width of 1.5 metres) at 35.0% zinc and 11.9m (true width of 6.0 metres) at 20.8% zinc;
- NLDDK075: 8.7m (true width of 4.0 metres) at 19.5% zinc and 3.0m (true width of 2.0 metres) at 12.2% zinc; and
- NLDDK076: 3.6m (true width of 1.3 metres) at 9.8% zinc, 2.6% lead and 42g/t silver, plus 8.1m (true width of 2.5 metres) at 6.7% zinc, 7.6% lead and 101g/t silver
- NLDD069: 35.7m (true width of 9 metres) at 33.8% zinc
- NLDDK077: 3.8m (true width of 1.5 metres) at 10.6% zinc and 5.8m (true width of 2 metres) at 12.2% zinc and 10.9% lead

** Silver results are provisional, awaiting QAQC checks*

The early results from the drilling campaign indicate the continuation of mineralisation 80 metres below the existing Northern part of the orebody, providing support for the Company's confidence in delivering an increased resource estimate for the Namib Project following completion of the drilling campaign. As would be standard practice, all grade intercepts will be critically evaluated as part of the update to the Mineral Resource Estimate in due course, to ensure that lower angle drill intercepts returned (those with very high intercept lengths relative to true widths) do not bias the resulting grade estimation.

**Figure 1: Plan view of the mine**

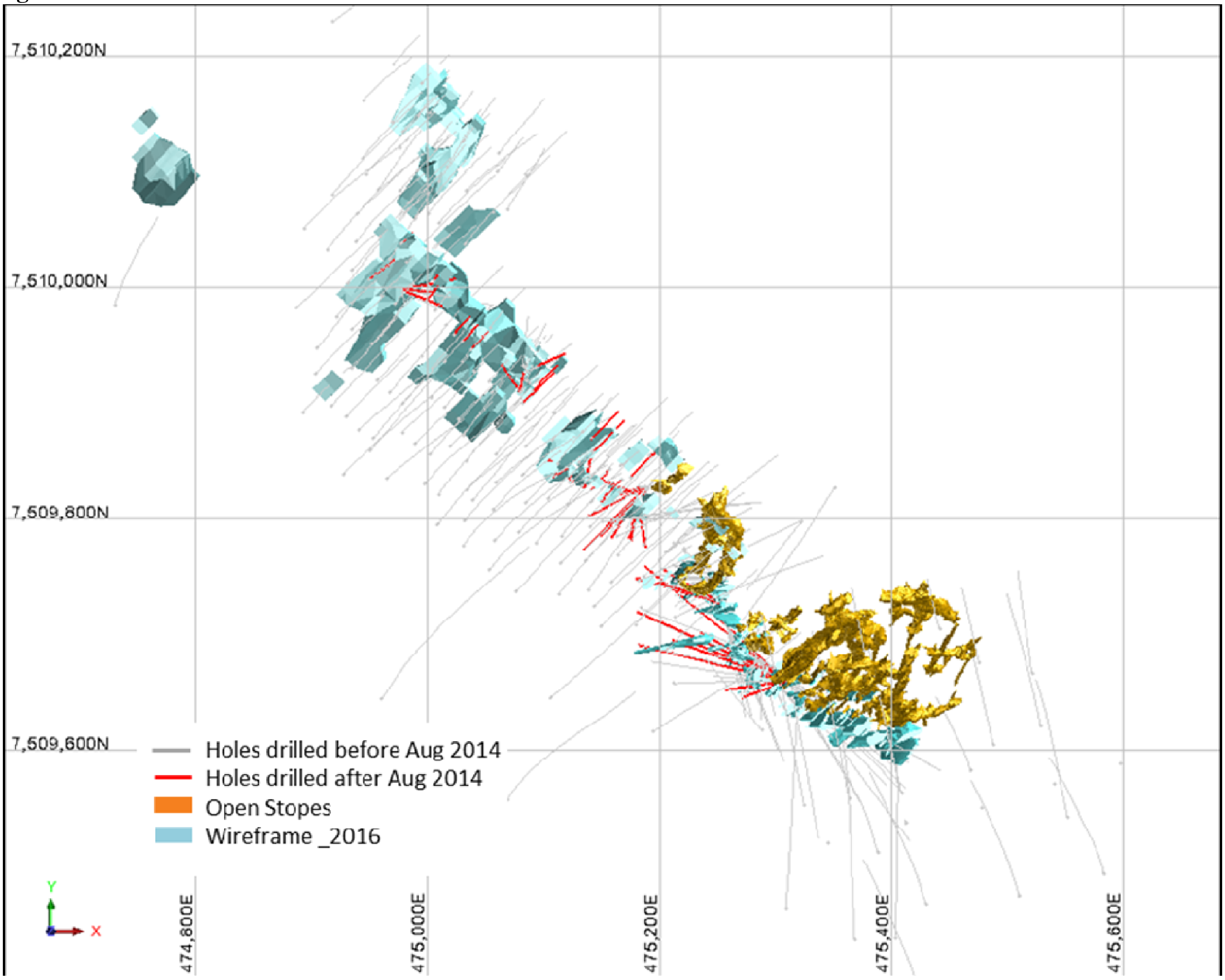


**Figure 2: Long section looking NE of the mine**

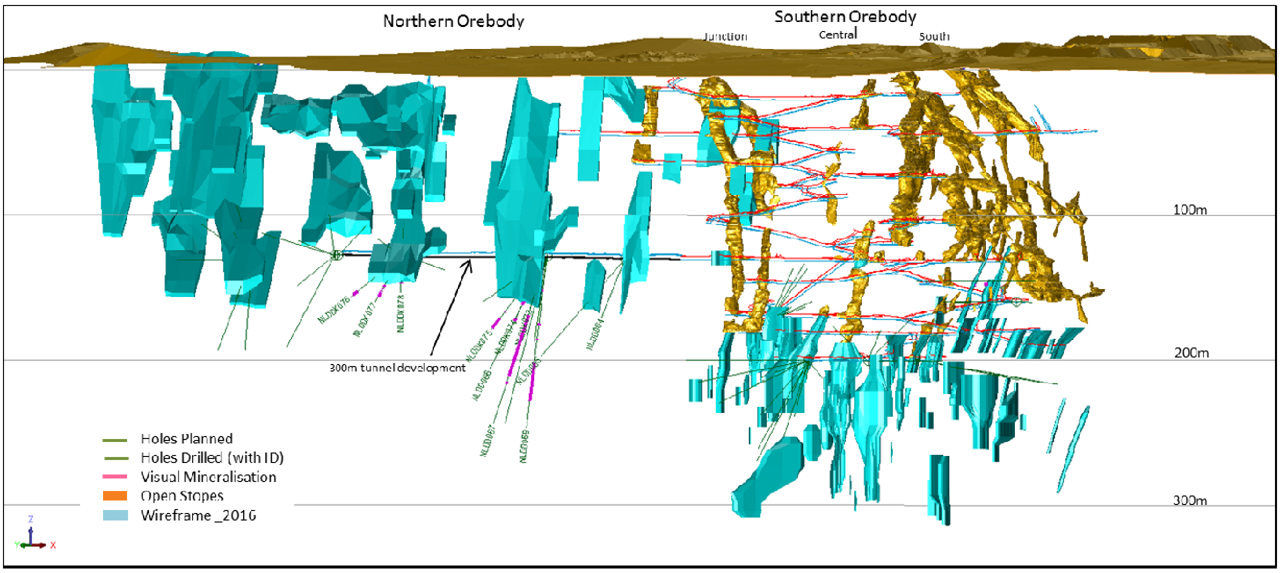

**Table 1: Significant intercepts table from drilling August 2014 to November 2015**

| Hole_ID | Interval Width (m) | True Width (m) | Zinc % | Lead % | Hole_ID | Interval Width (m) | True Width (m) | Zinc % | Lead % |
|---|---|---|---|---|---|---|---|---|---|
| NLDD048* | 4.83 | 3.00 | 2.24 | 2.48 | NLRC110 | 4.00 | 3.10 | 1.61 | 0.06 |
| NLDD048* | 4.32 | 2.00 | 2.77 | 0.55 | NLRC111 | 4.00 | 3.90 | 6.50 | 0.79 |
| NLDD049* | 3.40 | 3.40 | 9.20 | 9.74 | NLRC112 | 3.00 | 2.85 | 3.04 | 0.03 |
| NLDD049* | 4.12 | 4.10 | 10.34 | 0.58 | NLRC113 | 13.00 | 13.00 | 8.55 | 4.41 |
| NLDD050* | 3.15 | 2.00 | 3.96 | 0.04 | NLRC114 | 10.00 | 9.90 | 9.22 | 0.43 |
| NLDD050* | 7.61 | 2.00 | 2.76 | 0.50 | NLRC115 | 3.00 | 3.00 | 4.27 | 0.93 |
| NLDD051* | 5.33 | 2.00 | 18.60 | 0.59 | NLRC120 | 7.00 | 7.00 | 2.09 | 4.57 |
| NLDD051* | 10.09 | 6.50 | 15.52 | 0.41 | NLRC121 | 5.00 | 4.80 | 5.44 | 2.31 |
| NLDD052* | 3.46 | 2.10 | 3.82 | 1.08 | NLDDK036** | No Significant Intercepts | | | |
| NLDD053* | 3.06 | 2.15 | 7.33 | 3.79 | NLDDK037** | No Significant Intercepts | | | |
| NLDD053* | 31.62 | 6.85 | 12.37 | 0.35 | NLDDK038 | No Significant Intercepts | | | |
| NLDD054 | 5.05 | 3.80 | 6.08 | 7.20 | NLDDK039 | No Significant Intercepts | | | |
| NLDD054 | 9.35 | 5.50 | 12.85 | 2.96 | NLDDK040 | No Significant Intercepts | | | |
| NLDD055 | 9.70 | 3.70 | 10.03 | 1.31 | NLDDK041 | No Significant Intercepts | | | |
| NLDD055 | 3.17 | 2.15 | 1.90 | 2.95 | NLDDK042 | No Significant Intercepts | | | |
| NLDD056 | 10.00 | 8.00 | 13.46 | 5.90 | NLDDK044 | No Significant Intercepts | | | |
| NLDD056 | 6.12 | 5.00 | 3.40 | 0.82 | NLDDK045 | No Significant Intercepts | | | |
| NLDD056 | 18.16 | 8.70 | 9.63 | 3.74 | NLDDK046 | No Significant Intercepts | | | |
| NLDD057 | 5.00 | 2.00 | 11.18 | 0.04 | NLDDK047 | No Significant Intercepts | | | |
| NLDD058 | 4.38 | 3.30 | 2.68 | 1.93 | NLDDK048 | No Significant Intercepts | | | |
| NLDD058 | 9.33 | 6.50 | 7.78 | 0.75 | NLDDK051 | No Significant Intercepts | | | |
| NLDD058 | 8.65 | 6.80 | 6.30 | 0.58 | NLDDK052 | No Significant Intercepts | | | |
| NLDD059 | 5.06 | 2.20 | 4.98 | 0.14 | NLDDK056 | No Significant Intercepts | | | |
| NLDD060 | 11.63 | 3.80 | 5.95 | 7.34 | NLDDK057 | No Significant Intercepts | | | |
| NLDD061 | 13.96 | 5.70 | 16.79 | 6.93 | NLDDK059 | No Significant Intercepts | | | |
| NLDD062 | 5.02 | 3.75 | 2.87 | 0.06 | NLDDK060 | No Significant Intercepts | | | |
| NLDD062 | 11.24 | 3.80 | 10.90 | 8.69 | NLDDK061 | No Significant Intercepts | | | |
| NLDD063 | 10.31 | 5.50 | 12.51 | 2.59 | NLDDK062 | No Significant Intercepts | | | |
| NLDD063 | 6.87 | 2.90 | 5.78 | 0.48 | NLDDK063 | No Significant Intercepts | | | |
| NLDDK034* | 4.41 | 3.70 | 13.88 | 1.33 | NLDDK064 | No Significant Intercepts | | | |
| NLDDK035* | 4.65 | 4.10 | 8.98 | 5.86 | NLDDK065 | No Significant Intercepts | | | |
| NLDDK043 | 4.69 | 3.45 | 17.28 | 0.00 | NLDDK066 | No Significant Intercepts | | | |
| NLDDK053 | 4.77 | 4.30 | 32.85 | 0.09 | NLDDK067 | No Significant Intercepts | | | |
| NLDDK054 | 4.56 | 4.55 | 1.83 | 0.27 | NLDDK068 | No Significant Intercepts | | | |
| NLDDK055 | 4.98 | 3.85 | 19.83 | 0.03 | NLDDK069 | No Significant Intercepts | | | |
| NLDDK058 | 8.00 | 3.75 | 9.59 | 3.01 | NLRC116 | No Significant Intercepts | | | |
| NLDDK070 | 3.55 | 3.55 | 15.63 | 1.01 | NLRC117 | No Significant Intercepts | | | |
| NLDDK071 | 12.46 | 7.30 | 14.91 | 3.18 | NLRC118 | No Significant Intercepts | | | |
| NLDDK071 | 5.00 | 4.50 | 9.31 | 13.59 | NLRC119 | No Significant Intercepts | | | |
| NLDDK072 | 4.66 | 4.60 | 2.33 | 3.87 | NLRC122 | No Significant Intercepts | | | |
| NLDDK072 | 11.37 | 9.30 | 2.56 | 1.99 | | | | | |

* *Holes reported in MRE update of 19 September 2014, but true widths have been updated to reflect the current geological interpretation*
*** Geotechnical holes drilled and not sampled.*

Significant Intercepts are based on the following criteria:

- Minimum intercept length: 3 m
- Maximum internal waste: 1 m
- Cutoff Pb/Zn combined: 1 %
- True thickness lengths were obtained by measuring intercepts manually from a perpendicular-to-dip sectional review. Lengths are approximate due to the variable nature of the lodes.

Full details of the intercepts, QAQC and JORC Table 1 disclosure can be found in the Company's press release "*Drilling campaign successfully delineated additional extensions of known lodes and identified additional high grade targets*" dated 12 February 2016.

**Table 2: Significant intercepts table from drilling December 2015 to April 2016**

| Hole_ID | Interval Width (m) | True Width (m) | Zinc % | Lead% | Silver ppm | Iron % |
|---|---|---|---|---|---|---|
| NLDD067 | 57.1 | 8.5 | 28.6 | 0.07 | 33* | 24.0 |
| NLDDK074 | 3.0 | 1.5 | 35.3 | 0.13 | ** | 22.8 |
| NLDDK074 | 11.9 | 6.0 | 20.8 | 0.04 | ** | 18.4 |
| NLDDK075 | 8.7 | 4.0 | 19.5 | 0.87 | ** | 18.9 |
| NLDDK075 | 3.0 | 2.0 | 12.2 | 0.10 | ** | 39.1 |
| NLDDK076 | 3.6 | 1.3 | 9.8 | 2.60 | 42 | 14.7 |
| NLDDK076 | 8.1 | 2.5 | 6.7 | 7.59 | 100 | 33.9 |
| NLDD069 | 35.7 | 9.0 | 33.8 | 0.1 | 46 | 20.3 |
| NLDDK077 | 3.8 | 1.5 | 10.6 | 0.2 | 10 | 18.6 |
| NLDDK077 | 5.8 | 2.0 | 12.2 | 10.9 | 157 | 28.3 |
| NLDD068 | | | No significant intercepts | | | |
| NLDD064 | | | No significant intercepts | | | |
| NLDD065 | | | No significant intercepts | | | |
| NLDD066 | | | No significant intercepts | | | |
| NLDDK073 | | | No significant intercepts | | | |

** Provisional results for silver as being re-assayed due to laboratory CRMs under reporting by approximately 5%*
*** Ag results not available (pending)*

Significant Intercepts are based on the following criteria:

- Minimum intercept length: 3 metres
- Maximum internal waste: 1 metres
- Cut-off lead/zinc combined: 1 %
- True thickness lengths were obtained by measuring intercepts manually from a perpendicular-to-dip sectional review. Lengths are approximate due to the variable nature of the lodes.

Full details of the intercepts, QAQC and JORC Table 1 disclosure can be found in the Company's press release "*Drilling update*" dated 21 March 2016 and 26 April 2016.

*Mining licence*
Receipt of the mining licence for Namib remains a key outstanding permit. The mining licence application was filed in April 2014 and the Company has since then been actively and constructively engaged with the Ministry of Mines and Energy ("Ministry") in Namibia.

On 28 January 2016 the Company received from the Ministry a Notice of Preparedness to Grant the mining licence ("Notice") for the Namib Lead-Zinc Project. The Notice contained a number of supplementary terms and conditions relating to matters including, inter alia, the work programme, production, environment and Namibian participation in the Project that will apply to the mining licence (the "Supplementary Conditions").

North River sought clarification from the Ministry on certain aspects of the Supplementary Conditions and its interpretation of them, and pending this clarification, accepted the Notice on 26 February 2016. In accordance with the process set out in the Notice, the Company then submitted a proposal to the Ministry on 25 April 2016, covering local ownership of the Namib Project, participation by historically disadvantaged Namibians in management of the Namib Project, and the Company's corporate social responsibility strategy. The supplementary terms and conditions and the proposal must be agreed between the Company and the Ministry before the mining licence is issued. The Notice sets out a further process and timeline through to mid-2016 for these discussions.

*National Equitable Economic Empowerment Bill*
In conjunction with assessing the Supplementary Conditions, the Company has been examining the implications of the Government of Namibia's proposed broad based empowerment legislation. A draft bill (the National Equitable Economic Empowerment Bill, the "Draft Bill") has been published and a period of public consultation is open until 29 April 2016. If enacted, the Draft Bill will set out obligations for companies, irrespective of sector, in respect of, inter alia, ownership and management participation by previously disadvantaged Namibians. Certain obligations under the Draft Bill are inconsistent with those laid down under the Supplementary Conditions to the Notice. The extent to which the Draft Bill would place obligations on the Namib Project and the timeframe for finalising and enacting the Draft Bill is not clear at this stage, but will undoubtedly be an area on which the Company will need further clarity in due course.

## Corporate and financial review

*Board of directors*
During the year we strengthened the board of directors. The new appointments bring extensive technical, commercial and funding experience to support the next phase of development at Namib.

I joined the company in January 2015 replacing Martin French as Chief Executive Officer and was appointed to the board in July 2015. A wealth of technical experience has been added by the appointment of two new independent non-executive directors: Keith Marshall, a mining engineer who has previously held senior mine leadership roles with Rio Tinto PLC; and Ken Sangster, a metallurgist with 49 years' experience in the mining industry.

This was followed by the appointment of new independent non-executive Chairman, Dr Rod Beddows in December 2015. Dr Beddows has over 35 years of experience as a strategy consultant and corporate finance adviser, specialising in the metals sector. Dr Beddows replaced Brett Richards who had been serving as interim Chairman.

Ms Ding Chan (Tina) was appointed to the Board as a non-executive Director representing the interests of China General Nuclear Power Company (CGNPC), a 12.1 per cent shareholder in North River, replacing non-executive Chairman Mr. Zuayuan.

*Financial review*
The Group is reporting a loss before taxation for the year of £9,797,691 (2014: loss of £3,320,477).

This loss includes exploration and administrative expenditure of £3,026,451 (2014: £3,326,325) with the exploration and evaluation costs accounting for £1,142,851 (2014: £2,178,666). The exploration and administrative expenditure costs were lower than 2014 despite an increase in site based project activities as we benefited from a weakening Namibian dollar (2015 average GBP:NAD 1:19.47; 2014 average GBP:NAD 1:17.84) and a continued focus on minimising overheads leading to a series of cost saving initiatives.

Given our continued primary focus on developing the Namib zinc-lead project and a softening in long term copper prices, we deemed it prudent to impair the goodwill related to our early stage Namibian copper exploration licences. This has resulted in a provision for impairment of £6,702,934 (EPL 3257 £1,983,634 and EPL 3258 £4,719,300). No impairment has been recorded against our flagship Namib project.

The Group's cash position as at 31 December 2015 was £1,376,740 (2014: £1,904,860).

During the year, the Independent Directors concluded that a number of project milestones required under the July 2014 Investment Agreement with Greenstone Resources L.P. were no longer achievable before the long-stop date in that agreement of 4 October 2015. As a result, the Company and Greenstone agreed in July 2015 to terminate the July 2014 Investment Agreement. Greenstone remains a committed shareholder and supportive of the Company's revised plans for the Namib Project.

In September 2015 we completed a US$4.0 million fundraising which we effected through an Open Offer and Placing. The Open Offer and Placing were both priced at 0.2p per Ordinary Share and under the Open Offer each shareholder was entitled to subscribe for 2 new shares for every 3 existing Ordinary Shares. Greenstone committed to follow its rights in the Open Offer and fully underwrote the balance of the fundraising with funds provided via the underwriting provided via convertible loan notes.

The Open Offer and Placing raised an aggregate £377,135 (approximately US$581,000) from non-Greenstone shareholders. This figure includes £133,627 placed with certain directors of the Company. The shortfall in the funds raised via the Open Offer and Placing required the Company to utilize the underwriting facility and Greenstone was issued with convertible loan notes with an aggregate principal of $3,127,126.

- Tranche one: $908,291 maturing 8 September 2018
- Tranche two: $2,218,835 maturing 22 October 2018

Both tranches of convertible loan notes bear interest at 10% per annum payable quarterly in arrears and are convertible at 0.2p per share with a fixed exchange rate of 1:1.541 (GBP:USD). The loan notes are subject to certain conditions including adherence to an agreed work programme and budget for the Namib project. The conditions are disclosed in the Open Offer circular.

James Beams
**Chief Executive Officer**

31 May 2016

The Directors of the Company and its subsidiary undertakings (which together comprise 'the Group') present their Strategic Report for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES AND STRATEGY

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

The North River Group is engaged in the exploration and development of mineral resources. The Group's activities are focussed in Africa and its main project, the Namib lead zinc mine is located in Namibia.

The Namib lead/zinc deposit has been mined successfully in the past and the Group has completed a feasibility study into the restart of commercial mining operations. The Group, as well as continuing exploration drilling, will focus on raising funding to redevelop the mine. The objective is to restore Namib to a profitable and cash generative operation which in turn will fund the Group's further exploration and expansion plans.

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

## FINANCIAL RESULTS

During the year, the Company invested considerably in its Namibian portfolio. In light of this, the Group is reporting a loss of £9,797,691 (2014: £3,320,477) for the year ended 31 December 2015. This loss is in line with the Directors' expectations and includes exploration and administrative expenditure of £3,026,451 (2014: £3,326,325) with the exploration and evaluation costs being £1,142,851 (2014: £2,178,666). The loss also includes a £6,702,934 provision for impairment of goodwill (2014: nil) relating to a number of the early stage exploration concessions held by the Group.

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

Cash balances at the year-end were at £1,376,740 (2014: £1,904,860).

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

## ORGANISATION OVERVIEW

The Group's management is based in London, but it operates in Namibia and elsewhere through UK and foreign subsidiaries. The corporate structure of the Group reflects the historical pattern of acquisition by the Group and the need where appropriate, for fiscal and other reasons, to have incorporated entities in particular territories.

The Group's main exploration and development activity is managed through a Namibian subsidiary North River Resources Namibia (Pty) Limited but carried out by Namib Lead and Zinc Mining (Pty) Limited.

The Board of Directors comprises the Chief Executive Officer, an independent Non-Executive Chairman, three independent Non-Executive Directors, a Non-Executive Director appointed by Greenstone Resources LLP and a Non-Executive Director who is a representative of Taurus Minerals Limited. Their profiles are provided on page 24.

The Group is run on a very low cost base with expenditure tightly controlled and targeted on preparing the Company for the transition into full development of the Namib project.

## PRINCIPAL RISKS AND UNCERTAINTIES

Mining and exploration have inherent risks and the main risks to which the Group could be exposed are listed below:

**Exploration Risk**
The Company's business includes mineral exploration and evaluation which are speculative activities and whilst the directors are satisfied that good progress is being made, there is no certainty that the Group will be successful in the definition of new or additional economic mineral deposits, or that it will successfully proceed into development of any of its projects or otherwise realise their potential value.

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

**Development Risk**
Delays in permitting, financing, constructing and commissioning a project may result in delays to the Group meeting future production targets.

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

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

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

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

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

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

The recently released draft Bill on the Namibian Government's proposed New Equitable Economic Empowerment Framework (NEEEF) Legislation, could, if enacted into law, have material consequences on the operations of the group. Depending on final terms and conditions, there is a risk that such legislation could have a significant impact on the development of the group's projects in the country.

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

**Financial Instruments and financial risk management**
Details of risks associated with the Group's Financial Instruments and financial risk management disclosures are given in Note 20 to the financial statements.

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

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

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

By order of the Board

James Beams
**Chief Executive Officer**

31 May 2016

The Directors present their report, together with the audited financial statements for North River Resources plc ('North River' or 'the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 December 2015.

The Company is registered in England and Wales, having been incorporated on 13 July 2006 under the Companies Act with registration number 05875525 as a public company limited by shares.

The Company was first admitted to trading on the AIM Market of the London Stock Exchange plc on 27 December 2006.

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

| | |
|---|---|
| James Beams | (Appointed 30.06.2015) |
| Rodney Beddows | (Appointed 16.12.2015) |
| Chan Ding | (Appointed 10.07.2015) |
| Keith Marshall | (Appointed 20.01.2015) |
| Ken Sangster | (Appointed 20.01.2015) |
| Mark Sawyer | |
| Mark Thompson | |
| Zuyuan He | (Resigned 10.07.2015) |
| Brett Richards | (Resigned 09.12.2015) |
| Martin French | (Resigned 20.01.2015) |

**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 2015 are as follows:

| **Directors** | **Ordinary shares 31 December 2015** | **Ordinary shares 31 December 2014** | **Share options 31 December 2015** | **Share options 31 December 2014** |
|---|---|---|---|---|
| Ken Sangster | 5,000,000 | - | - | - |
| Keith Marshall | 10,000,000 | - | - | - |
| James Beams | 48,575,130 | - | - | - |
| Mark Thompson | 28,571,429 | 28,571,429 | - | - |

During the year Director's shareholdings increased as a result of the open offer to the market in September 2015.

The previous Managing Director, Martin French, held 500,000 share options with an exercise price of £0.10. All existing share options including Martin French's expired during 2015.

### Directors' remuneration and service contracts

Directors' remuneration for the year to 31 December 2015 is set out below:

| Directors | Salary Year to 31 December 2015 | Bonus Year to 31 December 2015 | Fees Year to 31 December 2015 | Consulting fees Year to 31 December 2015 | Employers' NI Year to 31 December 2015 | Total Year to 31 December 2015 | Fees and salary Year ended 31 December 2014 | Notes |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | |
| Martin French | 159,980 | - | - | 6,000 | 22,118 | 188,098 | 324,311 | 1 |
| Zuyuan He | - | - | - | - | - | - | (8,000) | 2 |
| Zhiping Yu | - | - | - | - | - | - | (4,000) | 2 |
| Ms. Qi Yu | - | - | - | - | - | - | (4,000) | 2 |
| Chan Ding | - | - | - | - | - | - | - | 2 |
| Brett Richards | - | - | 24,000 | - | - | 24,000 | 24,000 | 3 |
| Mark Thompson | - | - | 24,000 | - | 2,192 | 26,192 | 26,766 | 3 |
| Keith Marshall | - | - | 28,000 | - | 2,259 | 30,259 | - | 3 |
| Ken Sangster | - | - | 28,000 | - | 2,259 | 30,259 | - | 3 |
| Mark Sawyer | - | - | - | - | - | - | - | 4 |
| James Beams | 142,692 | 22,500 | - | 7,661 | 18,760 | 191,613 | - | 5 |
| Rodney Beddows | - | - | 1,935 | - | 276 | 2,211 | - | 6 |
| **Total** | 302,672 | 22,500 | 105,935 | 13,661 | 47,864 | 492,632 | 359,077 | |

*Notes:*

1 Martin French was appointed Managing Director on 20 May 2013 and was paid an annual salary of £150,000. In January 2015 Martin French resigned and received a one off payment of £159,980 for his services. He received a second amount of £6,000 during his handover period when he was not a Director of the company.

2 No agreements have been entered into with Zuyuan He, Zhiping Yu, Qi Yu and Chan Ding, for the provision of their services. The amounts in brackets for 2014 are a reversal of accruals made in 2013 that have not become payable.

3 Brett Richards, Mark Thompson, Keith Marshall and Ken Sangster are independent non-executive directors and receive fees of £24,000 per annum. Ken Sangster and Keith Marshall received additional director's fees of £4,000 each in relation to work undertaken for the optimisation of the Feasibility Study. Ken Sangster and Associates Ltd, a company of which Ken Sangster is also a Director, was engaged to provide additional consultancy work in respect of metallurgical testwork amounting to £8,500 during the year.

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

5 James Beams was appointed as a Director on 30 June 2015 and is paid an equivalent annual salary of £150,000. While he was appointed as a director in June 2015 he worked for the company from mid-January 2015. He also received a contractual bonus of £22,500 for work carried out in the current year.

6 Rodney Beddows was appointed on 11 December 2015 as a non-executive director and receives an annual fee of £48,000.

### Pensions

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

**Substantial shareholders**
In accordance with Chapter 5 of the FCA Disclosure and Transparency Rules, the Company has been notified that as at 20 April 2016 the following interests of 3% or more existed in its Ordinary share capital:

| Shareholder | Number of Ordinary Shares held | Shareholding (%) |
|---|---|---|
| Greenstone Resources LP | 659,507,644 | 29.99 |
| Taurus Mineral Limited (Note 1) | 266,666,667 | 12.13 |
| TD Direct Investing Nominees Limited | 132,037,606 | 6.00 |
| Hargreaves Lansdowne Nominees Limited | 121,563,168 | 5.53 |
| Investor Nominees Limited | 113,559,745 | 5.16 |
| HSBC Global Custody Nominee (UK) Limited | 90,671,473 | 4.12 |
| HSDL Nominees Limited | 90,624,525 | 4.12 |
| Barclayshare Nominees Limited | 80,524,862 | 3.66 |
| Imperial Minerals Limited (Note 2) | 75,894,812 | 3.45 |

*Note 1:*
Taurus Mineral Limited, a company formed at the direction of CGNPC Uranium Resources Co Ltd and the China-Africa Development Fund, acquired the shareholdings of both Kalahari Gold Limited and Kalahari Diamonds Limited, as a result of their acquisition of Kalahari Minerals on 28 February 2012. Through these two subsidiaries, Taurus had a total shareholding of 12.13% as at 31 December 2015.

*Note 2:*
Imperial Minerals Limited holds these shares through WB Nominees Limited.

The Company has no Ordinary Shares held in treasury.

**Subsequent events**
On 28 January 2016 the Company received from Ministry a Notice of Preparedness to Grant the mining licence (the "Notice") for the Namib Lead-Zinc Project. The Notice contained a number of supplementary terms and conditions relating to matters including, inter alia, the work programme, production, environment and Namibian participation in the Project that will apply to the mining licence. North River sought clarification from the Ministry on certain aspects of the supplementary conditions and its interpretation of them. Pending this clarification, the Company accepted the Notice on 26 February 2016 based on its understanding of the Supplementary Conditions.

In accordance with the process set out in the Notice, the Company submitted a proposal to the Ministry on 25 April 2016, covering local ownership of the Namib Project, participation by historically disadvantaged Namibians in management of the Namib Project, and the Company's corporate social responsibility strategy. The supplementary terms and conditions and the proposal must be agreed between the Company and the Ministry before the mining licence is issued. The Notice sets out a further process and timeline through to mid-2016 for these discussions.

On 12 February 2016, drill results were announced 4,828 metres of drilling (66 holes) which had been completed subsequent to the last Mineral Resource Estimate of August 2014. Of these, 52% (34 holes) had significant intercepts. Drilling was undertaken mainly in the top half of the North Orebody and also below the historic South Mine, which is around 200m below surface. In general, the drilling results in both areas met management's expectations and increased its confidence in the Mineral Resource.

On 21 March 2016, initial drilling results from the ongoing ~3,800 metre resource expansion drilling campaign were announced. 14 holes totalling 1,472 metres had been drilled and the early results indicate the continuation of mineralisation 80 metres below the existing Northern part of the orebody. This provides support for the Company's confidence in delivering an increased resource estimate for the Namib project following completion of the drilling campaign. Of the eight holes reported, significant mineralisation was intersected in four holes:

- NLDD067: 57.1m (true width of 8.5 metres) at 28.6% zinc and 33g/t silver*;
- NLDDK074: 3.0m (true width of 1.5 metres) at 35.0% zinc and 11.9m (true width of 6.0 metres) at 20.8% zinc;
- NLDDK075: 8.7m (true width of 4.0 metres) at 19.5% zinc and 3.0m (true width of 2.0 metres) at 12.2% zinc; and

- NLDDK076: 3.6m (true width of 1.3 metres) at 9.8% zinc, 2.6% lead and 42g/t silver, plus 8.1m (true width of 2.5 metres) at 6.7% zinc, 7.6% lead and 101g/t silver

** Silver results are provisional, awaiting QAQC checks*

On 26 April 2016, further three drill hole results were announced, with significant mineralisation intersected in two of the holes:

- NLDD069: 35.7m (true width of 9 metres) at 33.8% zinc, and
- NLDDK077: 3.8m (true width of 1.5 metres) at 10.6% zinc and 5.8m (true width of 2 metres) at 12.2% zinc and 10.9% lead

**Going concern**

During the year ended 31 December 2015 the Group made a loss of £9,797,691 (2014: a loss of £3,320,477) which includes a goodwill impairment charge of £6,702,934. At the year end date the Group had net assets of £882,155 (2014: net assets of £10,083,685) of which £1,376,740 (2014: £1,904,860) was cash at bank. The operations of the Group are currently being financed from funds which the Parent Company raised from private and public share placings.

The Group's capital management policy is to 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 Group had a cash balance of £330,578 at 31 May 2016.

As set out in Note 24, the Group has estimated possible exploration expenditure of up to £0.6 million for its Namibian licences through 2016. Total capital cost, that is still under review, for the life of the mine, as announced on 26 November 2014 in the Definitive Feasibility Study on Namib, is estimated as $27.8 million (£17.9 million). The Group will therefore need to raise or obtain additional cash funding to support both working capital requirements and the next stage of its exploration and development programme.

As set out in Note 6, applications for the Namib Lead Zinc Mining Licence (submitted in April 2014) and the renewal of several EPLs in the Licence Areas have been made and are awaiting confirmation. If the Mining Licence is not received or the EPLs are not renewed, the Directors would have to reconsider the position of the Group and the resulting ability to continue operations as planned. The Directors believe that all outstanding licence confirmations will be received but the requirement to reach agreement on additional conditions to be attached to licences, means the timeframe is uncertain..

Subject to receiving the Namib Mining Licence, the Directors believe that the Group will be able to raise as required, sufficient cash to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed exploration and development activities and liabilities for at least the next twelve months from the date of approval of these financial statements. The Company is currently evaluating funding options and the structure under which such funds may be raised. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe or that the mining and EPL licences will be renewed. Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

**Corporate Governance**

Significant progress is being made in developing the Company's corporate governance structure and culture. The Board is aware of the importance of good corporate governance and is committed to following the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Code"), to the full extent considered appropriate at the current size and stage of maturity of the Company.

The Board has not formally adopted performance evaluation procedures for Directors. However, the Board takes the effectiveness and efficiency of its Directors seriously and will continue to review its own performance and effectiveness.

Attendance at Board, Audit Committee and Remuneration Committee Meetings in 2015 was as follows:

| | **Board** *Attended/Eligible to attend* | **Audit Committee** *Attended/Eligible to attend* | **Remuneration Committee** *Attended/Eligible to attend* |
|---|---|---|---|
| Rodney Beddows | 2/2 | - | - |
| Brett Richards | 7/7 | 1/1 | 2/2 |
| Zuyuan He | 1/4 | - | - |
| James Beams | 4/4 | - | - |
| Mark Thompson | 7/8 | 1/1 | 1/2 |
| Mark Sawyer | 8/8 | 1/1 | 2/2 |
| Keith Marshall | 6/8 | - | 2/2 |
| Kenneth Sangster | 8/8 | 1/1 | 1/1 |
| Chan Ding | 3/4 | - | - |
| **Total No. of meetings** | **8** | **1** | **2** |

A Governance and Nominating Committee and a Health, Safety and Environment Committee were formally formed by the Board on 15 October 2014 (see below). The Board will continue to review the composition of the Committees annually.

**Internal controls**

As a fundamental step in the process of defining the business strategy, 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 through effective internal controls. The internal controls systems are designed to safeguard the assets of the Group, ensure compliance with applicable laws and regulations and internal policies with respect to the conduct of business and the reliability of financial information for both internal and external publication.

A budgeting process is in place for all material items of expenditure, with an annual budget approved by the Board and cash flow forecasts reviewed regularly. All expenditure requires senior management approval in line with the appropriate Board approved delegations of authority.

Actual versus budgeted levels of expenditure, the Group's cash position, and the projected cash flow forecast are all monitored on a monthly basis.

**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 Thompson and following changes to the Board the other participating members of the Committee are Rodney Beddows, Mark Sawyer and Ken Sangster.

The Audit Committee is responsible for:

a) considering the appointment of the auditors of the Group, their fees, any questions relating to the resignation or removal of the auditors and their objectivity and independence in the conduct of the audit;
b) agreement with the auditors on the nature and scope of the audit and subsequently reviewing the audit process;
c) monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them, including reviewing the interim and annual financial statements before submission to the Board;
d) reviewing the Company's internal control systems;

e) an ongoing review of the risks that the Group is exposed to and how best to monitor and mitigate them; and
f) considering such other matters that the Board may from time to time refer to it.

The Audit Committee circulates meetings minutes and reports its findings including identifying any matters which it considers that action or improvement is required to the Board.

**Remuneration Committee**
The Remuneration Committee meets on an "as required" basis and met once during the year. The Chairman of the Remuneration Committee is Rodney Beddows and the other participating members are Mark Thompson, Mark Sawyer and Keith Marshall.

The Remuneration Committee seeks to align the interests of senior management with the interests of shareholders through evaluation of the scale and structure of remuneration for senior management and where appropriate overview of the broad issues of salary levels for all employees. The Company's Remuneration policy is to facilitate the recruitment, retention and motivation of employees through appropriate remuneration in line with those prevailing in the market of similar positions and responsibilities taking into consideration qualifications and skills possessed in order to implement the Company's strategy and effective risk management. The Committee also considers and recommends to the Board employee incentives and rewards with respect to any share incentive schemes.

The committee also reviews and recommends a framework for the remuneration of Directors. Currently £24,000 per annum is paid on a monthly basis for the services of each Independent Non-Executive Director, whereas the Non-Executive Directors who are a shareholder representative receive no fees. See Note 22 for further information.

**Governance and Nominating Committee**
The Governance and Nominating Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and makes recommendations to the Board with regard to any changes. In addition, it gives full consideration to succession planning for Directors and other senior executives, and is responsible for identifying, evaluating and nominating Board candidates. It also reviews annually the time required from non-executive directors. The Governance and Nominating Committee is comprised of Mark Thompson, Mark Sawyer, Keith Marshall, Ken Sangster and Rodney Beddows as Chairman.

**Health, Safety and Environment Committee**
The Board established the Health Safety and Environment Committee, which is comprised of Mark Sawyer, Keith Marshall and Ken Sangster for the following purposes:

a) assist the Board's assessment of the Company's health, safety, environment and sustainability programmes and initiatives;
b) assist the Board's oversight of matters relating to protecting and/ or enhancing the Company's reputation of responsible corporate stewardship, conscientious corporate social responsibility and sustainability.

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

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

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

a) select suitable accounting policies and then apply them consistently;
b) make judgements and accounting estimates that are reasonable and prudent;
c) state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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

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

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

**Statement of disclosure to the auditors**

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

**Auditors**

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

By order of the Board

James Beams
**Chief Executive Officer**

31 May 2016

**Rodney Beddows (Independent Non-Executive Chairman) (Age 71)**
Dr. Rodney Graham Beddows, also known as Rod, serves as a Senior Adviser for the Global Steel industry at RBC Capital Markets LLC since October 2014. Dr. Beddows served as a Co-Founder and President at HCF International Advisers Limited. He is now a Senior Adviser for the Mining industry at HCF. He founded Beddows and Co. and served as its Chief Executive. Dr. Beddows has spent most of his professional career as a strategy consultant then financial adviser to mining and metals companies. He is the Non-Executive Chairman and Non-Executive Director of Zincox Resources plc since 7 July 2014 and 25 February 2008 respectively. Dr. Beddows was for several years a main board director of Hatch Associates, after selling Beddows & Co to Hatch in 1998. Dr. Beddows has co-authored a book entitled 'Managing Large Research and Development Programs'. During a 25 year career as a Strategy Consultant, he has held Director level appointments at two international consultancies and in a number of innovative technology based metals companies. He is now on the board of Albion Steel Ltd, a start up seeking to bring a steel making technology to Europe. Dr. Beddows has a B.A. in Philosophy and Politics from the University of Bristol, a M.Sc. in Management Studies from the University of Durham, and a D.B.A. in Administrative Systems from Harvard Business School. He has been a Senior Visiting Research Fellow at HBS. In 2014 he published Ace Steel 2050; How steel transformed the world and now must transform itself.

**James Beams (Chief Executive Officer) (Age 52)**
James Beams joined North River having previously spent 14 years with Anglo American plc. For his final five years at Anglo American he was the Chief Financial Officer for the Copper division, and prior to that served in several senior management positions within the company. Prior to his time at Anglo American, he held senior finance roles at Minorco and Commercial Union.

**Chan Ding (Tina) (Non-Executive Director) (Age 29)**
Tina has a Masters degree in Law and gained investment banking experience in Beijing and Singapore before joining CGNPC as Mining Investment Manager in 2014.

**Keith Marshall (Independent Non-Executive Director) (Age 57)**
Keith is a mining engineer and has over 35 years' experience in the mining industry and has worked for extended periods of time in every continent specialising in underground mining. Keith has developed a wealth of technical and managerial experience and has spent the last 15 years in senior mine leadership roles with Rio Tinto PLC as Managing Director of the Palabora Mining Company (copper) in South Africa, and President of the Oyu Tolgoi Project in Mongolia (copper/gold).

**Kenneth John Sangster (Independent Non-Executive Director) (Age 71)**
Ken was trained as a metallurgist and has 49 years' experience in the mining industry in a number of highly successful project development / project management roles ranging in project size from US$20M to US$600M. He previously worked in numerous senior roles for Rio Tinto plc for over 15 years, as well having metallurgy focused project development roles for Anglo American PLC, Consolidated Gold Fields, Outokumpu Metals and Resources, TVX Gold and Ivernia plc. He is also a Fellow of the Institute of Directors.

**Mark Raymond Sawyer (Non-Executive Director) (Age 46)**
Mark is a Senior Partner at Greenstone Capital LLP and a co-founder of Greenstone Resources LP ('Greenstone'), the private equity fund. Mark co-founded Greenstone in 2013 after a 18 year career in the mining sector including as co-head of group business development at Xstrata plc, and senior roles at Rio Tinto plc and Cutfield Freeman & Co Ltd. Together with Greenstone's co-founder, Mark oversees all aspects of the management of the business. He serves as a director of Greenstone Management Ltd, the fund's General Partner, and is a member, and co-Chairman, of the Investment Committee.

**Mark Edward Thompson (Independent Non-Executive Director) (Age 43)**
Mark is the Head of Base Metals trading at ICBC Standard Bank, one of the leading commodity banks in the World. He is also a non-executive Director of TSX-V listed Margaret Lake Diamonds Inc as well as holding a number of other directorships in private companies engaged in mineral exploration. He is a former Chief Investment Officer and co-founder of Galena Asset Management Ltd, the fund management arm of Trafigura Beheer b.v., and partner at Apollo Management, one of the world's largest alternative asset managers. Mark holds a bachelor's degree in Physics from Oxford University.

**INDEPENDENT AUDITORS' REPORT**
**TO THE MEMBERS OF NORTH RIVER RESOURCES PLC**
**FOR THE YEAR ENDED 31 DECEMBER 2015**

We have audited the financial statements of North River Resources plc for the year ended 31 December 2015 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flow, the Group 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

**Opinion on financial statements**
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Going concern and licence renewals**
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of £9.7 million during the year ended 31 December 2015 and is still incurring losses. Along with similar sized exploration and mining companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As discussed in note 1.2 the Company will need to raise further funds in order to meet its budgeted operating, exploration and planned project development costs for the next year.

The Group has also applied for the Namib Lead Mining Licence and the renewal of several exploration licences where the Group operates and is awaiting confirmation of the renewals and issue of the Mining Licence. If the Mining Licence is not received or the EPLs are not renewed then the Directors would have to reconsider the position of the Group and the resulting ability or otherwise to continue operations as planned.

These conditions, along with other matters disclosed in note 1.2, indicate the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result (such as impairment of assets) if the Group and Company were unable to continue as a going concern or if licences were not renewed.

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion the information given in the Strategic Report and 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Colin Wright**
(Senior Statutory Auditor)

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

31 May 2016

**UHY Hacker Young LLP**
Quadrant House
4 Thomas More Square
London, E1W 1YW

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Notes | 2015 £ | 2014 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Other operating income | | - | 189 |
| Exploration & evaluation expenditure | | (1,142,851) | (2,178,666) |
| Administrative expenses | | (1,883,600) | (1,147,659) |
| Impairment of goodwill (related to copper exploration licences) | 6 | (6,702,934) | - |
| **GROUP OPERATING LOSS** | 3 | (9,729,385) | (3,326,136) |
| Finance charges | 4 | (82,777) | (267) |
| Interest received on bank deposits | | 14,471 | 5,926 |
| **LOSS BEFORE TAX** | | (9,797,691) | (3,320,477) |
| Taxation | 14 | - | - |
| **LOSS FOR THE YEAR** | | (9,797,691) | (3,320,477) |
| **OTHER COMPREHENSIVE LOSS:** | | | |
| Exchange difference on subsidiary loans treated as net investments | | (2,847,677) | (4,568,609) |
| Exchange differences on translating foreign operations | | 2,761,529 | 4,525,039 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | (9,883,839) | (3,364,047) |
| **Loss per share** | | | |
| Basic and diluted – pence per share | 5 | (0.49p) | (0.22p) |

The results for 2015 and 2014 relate entirely to continuing operations. The loss for the current and prior years and the total comprehensive loss for the current and the prior years are wholly attributable to equity holders of the parent company.

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

| | Notes | Group 31 December 2015 £ | Company 31 December 2015 £ | Group 31 December 2014 £ | Company 31 December 2014 (restated) £ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Goodwill | 6 | 1,036,052 | - | 7,738,986 | - |
| Intangible assets | 7 | 59,894 | 69,399 | 64,938 | 73,755 |
| Plant and equipment | 8 | 141,602 | 563 | 143,857 | 2,754 |
| Investment in joint venture | 15 | - | - | - | - |
| Investment in associated company | 16 | 113,182 | 56,591 | 113,182 | 56,591 |
| Investments in subsidiaries and loans due from subsidiaries | 17 | - | 4,583,242 | - | 11,534,770 |
| | | 1,350,730 | 4,709,795 | 8,060,963 | 11,667,870 |
| **CURRENT ASSETS** | | | | | |
| Trade and other receivables | 9 | 81,925 | 28,737 | 444,817 | 217,988 |
| Cash and cash equivalents | 10 | 1,376,740 | 1,194,994 | 1,904,860 | 1,762,632 |
| | | 1,458,665 | 1,223,731 | 2,349,677 | 1,980,620 |
| **TOTAL ASSETS** | | 2,809,395 | 5,933,526 | 10,410,640 | 13,648,490 |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 11 | 202,897 | 158,732 | 326,955 | 220,409 |
| Convertible loan notes | 12 | 150,238 | 150,238 | - | - |
| | | 353,135 | 308,970 | 326,955 | 220,409 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Convertible loan notes | 12 | 1,574,105 | 1,574,105 | - | - |
| **TOTAL LIABILITIES** | | 1,927,240 | 1,883,075 | 326,955 | 220,409 |
| **NET ASSETS** | | 882,155 | 4,050,451 | 10,083,685 | 13,428,081 |
| **EQUITY** | | | | | |
| Share capital | 13 | 4,398,183 | 4,398,183 | 3,831,750 | 3,831,750 |
| Share premium | 13 | 21,258,590 | 21,258,590 | 21,258,590 | 21,258,590 |
| Convertible loan note reserve | 12 | 115,876 | 115,876 | - | - |
| Share-based payments reserve | | - | - | 115,645 | 115,645 |
| Currency translation reserve | | (232,651) | - | (146,503) | - |
| Retained losses | | (24,657,843) | (21,722,198) | (14,975,797) | (11,777,904) |
| **TOTAL EQUITY** | | 882,155 | 4,050,451 | 10,083,685 | 13,428,081 |

These financial statements were approved by the Board of Directors on 31 May 2016 and signed on its behalf by:

James Beams
**Chief Executive Officer**
Company Registration Number: 05875525

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

| CONSOLIDATED | Share capital £ | Share premium £ | Retained losses £ | Share- based payment reserve £ | Currency translation reserve £ | Convertible loan note reserve £ | Total equity £ |
|---|---|---|---|---|---|---|---|
| **At 1 January 2014** | 2,240,495 | 17,875,349 | (15,984,120) | 4,444,445 | (102,933) | - | 8,473,236 |
| Loss for 2014 | - | - | (3,320,477) | - | - | - | (3,320,477) |
| **Other comprehensive income:** | | | | | | | |
| Currency translation movement | - | - | - | - | (43,570) | - | (43,570) |
| **Total comprehensive loss** | - | - | (3,320,477) | - | (43,570) | - | (3,364,047) |
| **Transactions with shareholders:** | | | | | | | |
| Shares issued | 1,591,255 | 3,458,832 | - | - | - | - | 5,050,087 |
| Share issue expenses | - | (75,591) | - | - | - | - | (75,591) |
| Transfer of expired share options | - | - | 4,328,800 | (4,328,800) | - | - | - |
| **Balances at 31 December 2014** | 3,831,750 | 21,258,590 | (14,975,797) | 115,645 | (146,503) | - | 10,083,685 |
| Loss for 2015 | - | - | (9,797,691) | - | - | - | (9,797,691) |
| **Other comprehensive income:** | | | | | | | |
| Currency translation movement | - | - | - | - | (86,148) | - | 86,148 |
| **Total comprehensive loss** | - | - | (9,797,691) | - | (86,148) | - | (9,883,839) |
| **Transactions with shareholders:** | | | | | | | |
| Shares issued | 566,433 | - | - | - | - | - | 566,433 |
| Convertible loan note equity element | - | - | - | - | - | 115,876 | 115,876 |
| Transfer of expired share options | - | - | 115,645 | (115,645) | - | - | - |
| **At 31 December 2015** | 4,398,183 | 21,258,590 | (24,657,843) | - | (232,651) | 115,876 | 882,155 |

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

| COMPANY | Share capital £ | Share premium £ | Retained losses £ | Share-based payment reserve £ | Convertible loan note reserve £ | Total equity £ |
|---|---|---|---|---|---|---|
| **At 1 January 2014** | 2,240,495 | 17,875,349 | (10,494,124) | 4,444,445 | - | 14,066,165 |
| Loss for 2014 – as previously stated | - | - | (1,043,971) | - | - | (1,043,971) |
| Correction of prior period error | - | - | (4,568,609) | - | - | (4,568,609) |
| **Restated total comprehensive loss** | - | - | (5,612,580) | - | - | (5,612,580) |
| **Transactions with shareholders:** | | | | | | |
| Shares issued | 1,591,255 | 3,458,832 | - | - | - | 5,050,087 |
| Share issue expenses | - | (75,591) | - | - | - | (75,591) |
| Transfer on expired share options | - | - | 4,328,800 | (4,328,800) | - | - |
| **Restated balances at 31 December 2014** | 3,831,750 | 21,258,590 | (11,777,904) | 115,645 | - | 13,428,081 |
| Loss for 2015 | - | - | (10,059,939) | - | - | (10,059,939) |
| **Total comprehensive loss** | - | - | (10,059,939) | - | - | (10,059,939) |
| **Transactions with shareholders:** | | | | | | |
| Shares issued | 566,433 | - | - | - | - | 566,433 |
| Convertible loan note equity element | - | - | - | - | 115,876 | 115,876 |
| Transfer on expired share options | - | - | 115,645 | (115,645) | - | - |
| **At 31 December 2015** | 4,398,183 | 21,258,590 | (21,722,198) | - | 115,876 | 4,050,451 |

## CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | Group 2015 £ | Company 2015 £ | Group 2014 £ | Company 2014 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Group operating loss | | (9,729,385) | (7,130,324) | (3,326,136) | (1,045,594) |
| **Adjustments for non-cash items:** | | | | | |
| Depreciation and amortisation charges | 7&8 | 69,833 | 6,547 | 62,551 | 9,090 |
| Goodwill impairment | 6 | 6,702,934 | - | - | - |
| Impairment of subsidiary loans | 17 | - | 5,690,956 | - | - |
| | | (2,956,618) | (1,432,821) | (3,263,585) | (1,036,504) |
| **Movements in working capital:** | | | | | |
| Decrease/(increase) in receivables | | 239,466 | 151,973 | (287,284) | (187,205) |
| (Decrease)/increase in payables | | (124,061) | (61,677) | 13,675 | (52,641) |
| **Net cash used in operating activities** | | (2,841,213) | (1,342,525) | (3,537,194) | (1,276,350) |
| **Investing activities** | | | | | |
| Loans to subsidiaries | 17 | - | (1,587,106) | - | (2,456,502) |
| Purchase of plant and equipment | 8 | (82,340) | - | (77,462) | (1,332) |
| **Net cash used in investing activities** | | (82,340) | (1,587,106) | (77,462) | (2,457,834) |
| **Financing activities** | | | | | |
| Proceeds from issue of share capital | 13 | 566,433 | 566,433 | 5,050,087 | 5,050,087 |
| Share issue costs | 13 | - | - | (75,591) | (75,591) |
| Proceeds of convertible loan notes | 12 | 2,218,583 | 2,218,583 | - | - |
| Repayment of loan notes via share issue | 12 | (189,298) | (189,298) | - | - |
| Convertible notes issue costs | | (171,266) | (171,266) | - | - |
| Interest paid | | (63,296) | (63,177) | (267) | - |
| Interest received | | 14,471 | 718 | 5,926 | 1,623 |
| **Net cash from financing activities** | | 2,375,627 | 2,361,993 | 4,980,155 | 4,976,119 |
| **(Decrease)/increase in cash and cash equivalents** | | (547,926) | (567,638) | 1,365,499 | 1,241,935 |
| Cash and cash equivalents at beginning of year | 10 | 1,904,860 | 1,762,632 | 577,551 | 520,697 |
| Exchange differences | | 19,806 | - | (38,190) | - |
| **Cash and cash equivalents at end of year** | 10 | 1,376,740 | 1,194,994 | 1,904,860 | 1,762,632 |

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

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

In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a Statement of Comprehensive Income. The Parent Company's loss for the year ended 31 December 2015 was £10,059,939 (2014: restated loss of £5,612,580).

### 1.2 Going concern

During the year ended 31 December 2015 the Group made a loss of £9,797,691 (2014: a loss of £3,320,477). At the year end date the Group had net assets of £882,155 (2014: net assets of £10,083,685) of which £1,376,740 (2014: £1,904,860) was cash at bank. The operations of the Group are currently being financed from funds which the Parent Company raised from private and public share placings.

The Group's capital management policy is to 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 Group had a cash balance of £330,578 at 31 May 2016.

As set out in Note 24, the Group has estimated possible exploration expenditure of up to £0.6 million for its Namibian licences through 2016. Total capital cost, that is still under review, for the life of the mine, as announced on 26 November 2014 in the Definitive Feasibility Study on Namib, is estimated as $27.8 million (£19.4 million). The Group will therefore need to raise or obtain additional cash funding to support both working capital requirements and the next stage of its exploration and project development programme.

As set out in Note 6, applications for the Namib Lead Mining Licence (submitted in April 2014) and the renewal of several exploration and prospective licences ("EPLs") in the Licence Areas have been made and are awaiting confirmation. If the Mining Licence is not received or the EPLs are not renewed then the Directors would have to reconsider the position of the Group and the resulting ability to continue operations as planned. The Directors believe that all outstanding licence confirmations will be received within the normal timeframe for these applications.

Subject to receiving the Mining Licence, the Directors believe that the Group will be able to raise as required, sufficient cash to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed exploration and development activities and liabilities for at least the next twelve months from the date of approval of these financial statements. The Company is currently evaluating funding options and the structure under which such funds may be raised. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe or that the mining and EPL licences will be renewed. Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

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

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

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

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

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

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

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

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

**1.8 Revenue recognition**

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

**1.9 Interest income and expense**

Interest income and expense are reported on an accrual basis.

**1.10 Expenses**

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

**1.11 Investments in subsidiaries**

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

**1.12 Associates**

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

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

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

**1.13 Interests in joint ventures**

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

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

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

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

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

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

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

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

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

No deferred tax assets are recognised in the financial statements.

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

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

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

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

**1.20 Compound financial instruments**

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

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

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

**1.21 Share-based payments**

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

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

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

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

**1.22 Critical accounting judgements and estimates**

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

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

*Impairment of goodwill and investments in and loans to subsidiaries*

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

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

Further detailed analysis of the critical judgements and estimates relating to goodwill and investments in, and loans to, subsidiaries is in notes 6 and 17 below.

*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 18.

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

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

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

The required disclosures have been made in Note 20 to the accounts.

**1.24 Adoption of new and revised International Financial Reporting Standards**

The following relevant new IFRS standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2015, but had no significant impact on the Company:

| Standard | Key requirements | Effective date as adopted by the EU |
|---|---|---|
| Amendment to IAS 19, ‘Employee benefits’ | The amendments address updates on employee contributions. | 1 February 2015 |
| IFRIC Interpretation 21 Levies | The interpretation clarifies recognition a liability for a levy. | 17 June 2014 |

**Standards issued but not yet effective**

The following relevant new IFRS standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2015, and have not been early adopted:

| Standard | Key requirements | Effective date as adopted by the EU |
|---|---|---|
| Amendment to IFRS 11, 'Accounting for Acquisitions of Interests in Joint Operations' | Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:<br>• apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11<br>• disclose the information required by IFRS 3 and other IFRSs for business combinations.<br><br>The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). | 1 January 2016 |
| Amendments to IAS 16 and IAS 38 | Clarifies of acceptable methods of depreciation and amortisation. | 1 January 2016 |
| Amendments to IAS 16 and IAS 41 | Update on Agriculture: Bearer Plants. | 1 January 2016 |
| Amendments to IAS 27 | Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. | 1 January 2016 |
| Amendments to IAS 1 | Disclosure amendments | 1 January 2016 |

## 2. SEGMENTAL REPORTING

For the purposes of segmental reporting, the operations and assets 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. The Parent Company acts as a holding company. At the end of 31 December 2015, the Group had not commenced commercial production from its exploration sites and therefore had no revenue for the year.

| **Group**<br>**31 December 2015** | **United Kingdom** | **Namibia** | **Mozambique** | **Total** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Exploration & evaluation expenditure | - | (1,142,851) | - | (1,142,851) |
| Administration expenses | (1,078,093) | (805,507) | - | (1,883,600) |
| Interest paid | (82,657) | (120) | - | (82,777) |
| Interest received | 718 | 13,753 | - | 14,471 |
| Impairment of goodwill | - | (6,702,934) | - | (6,702,934) |
| **Loss before taxation** | (1,160,032) | (8,637,659) | - | (9,797,691) |
| | | | | |
| Trade and other receivables | 28,737 | 28,074 | 25,114 | 81,925 |
| Cash and cash equivalents | 1,194,994 | 169,465 | 12,281 | 1,376,740 |
| Accrued expenditure and provisions | (158,732) | (44,165) | - | (202,897) |
| Convertible loan notes | (150,238) | - | - | (150,238) |
| Non-current convertible loan notes | (1,574,105) | - | - | (1,574,105) |
| Goodwill | - | 1,036,052 | - | 1,036,052 |
| Investment in associate company | - | - | 113,182 | 113,182 |
| Intangible assets | 3,399 | - | 56,495 | 59,894 |
| Plant and equipment | 563 | 141,039 | - | 141,602 |
| **Net assets** | (655,382) | 1,330,465 | 207,072 | 882,155 |

| **Group**<br>**31 December 2014** | **United Kingdom** | **Namibia** | **Mozambique** | **Total** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| Other income | - | 189 | - | 189 |
| Exploration & evaluation expenditure | - | (2,178,666) | - | (2,178,666) |
| Administration expenses | (940,861) | (206,798) | - | (1,147,659) |
| Interest paid | - | (267) | - | (267) |
| Interest received | 1,623 | 4,303 | - | 5,926 |
| **Loss before taxation** | (939,238) | (2,381,239) | - | (3,320,477) |
| | | | | |
| Trade and other receivables | 217,988 | 201,715 | 25,114 | 444,817 |
| Cash and cash equivalents | 1,762,632 | 129,947 | 12,281 | 1,904,860 |
| Accrued expenditure and provisions | (220,409) | (106,546) | - | (326,955) |
| Goodwill | - | 7,738,986 | - | 7,738,986 |
| Investment in associate company | - | - | 113,182 | 113,182 |
| Intangible assets | 7,755 | 688 | 56,495 | 64,938 |
| Plant and equipment | 2,755 | 141,102 | - | 143,857 |
| **Net assets** | 1,770,721 | 8,105,892 | 207,072 | 10,083,685 |

## 3. GROUP OPERATING LOSS

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

| | Year ended 31 Dec 15 £ | Year ended 31 Dec 14 £ |
|---|---|---|
| Depreciation and amortisation – owned assets | 69,833 | 62,551 |
| Parent Company auditor's remuneration | 29,448 | 22,000 |
| Subsidiary auditor's remuneration | 7,448 | 8,000 |
| Employee costs | 902,488 | 605,528 |
| Impairment of goodwill (note 6) | 6,702,934 | - |
| Exploration & evaluation costs expensed | 1,142,851 | 2,178,666 |

## 4. INTEREST PAYABLE

| | Year ended 31 Dec 15 £ | Year ended 31 Dec 14 £ |
|---|---|---|
| Convertible loan notes interest | 70,224 | - |
| Withholding tax charges | 12,433 | - |
| Other interest payable | 120 | 267 |
| | 82,777 | 267 |

## 5. LOSS PER SHARE

| | Loss for the period from continuing operations £ | Weighted average number of shares | Loss per share Basic (pence per share) |
|---|---|---|---|
| Year ended 31 December 2015 | (9,797,691) | 1,981,829,845 | (0.49) pence |
| Year ended 31 December 2014 | (3,320,477) | 1,499,075,167 | (0.22) pence |

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued and has been kept the same as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

## 6. GOODWILL AND IMPAIRMENT REVIEW

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

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 dated 28 November 2009.

Goodwill arising on the acquisitions was £7,738,986 and was allocated to cash-generating units (CGUs) by reference to the exploration areas as shown below.

| | |
|---|---|
| **Goodwill ascribed to CGUs:** | |
| **WAGE** | **£** |
| Witvlei Copper (EPL 3258) | 4,719,300 |
| Dordabis Copper (EPL 3257) | 1,983,634 |
| | 6,702,934 |
| **Namib Lead** | |
| Namib lead-zinc mine | 1,036,052 |
| | 1,036,052 |
| **Goodwill carrying values before 2015 impairment** | **7,738,986** |

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

**West Africa Gold Exploration (Namibia) (Pty) Ltd**
In testing for goodwill impairment of WAGE, it is noted that copper prices have been declining in recent years. The copper price fell from approximately \$2.50/lb in January 2015 to approximately \$2.10/lb by the end of December 2015.

The Directors believe that the licences held in WAGE have the potential to contain economic mineral resources supporting a development and that there is a market value for the licences. The Directors' calculation of the net present value ("NPV") of these early stage copper projects against which goodwill has been allocated, is marginal using long-term consensus copper prices. Further, the early stage nature of the WAGE projects and due to current fund raising constraints, the Company's primary focus is on the Namib Lead Project and the numerous renewals already granted against these EPLs have resulted in the Directors deeming it prudent to fully impair the goodwill for the WAGE CGU. Consequently, an impairment charge of £6,702,934 has been made at 31 December 2015 (2014: nil).

**Namib Lead and Zinc Mining (Pty) Ltd ("NLZ")**
The Namib Lead-Zinc project held by NLZ is the Group's flagship asset and is the primary focus of activity. To date, significant project work has been completed resulting in the publication of a definitive feasibility study in late 2014 showing an economically robust project. The feasibility study and the impairment testing of the goodwill has a calculated net present value of \$24.7 million and an IRR of 52%. To further enhance the value of the project, the Group has undertaken project optimisation work and has embarked on a 3,800 metre resource drilling campaign targeted at increasing the resource base and mine life. As a result of the impairment tests carried out and the resulting CGU's net present value estimated, the Directors do not believe that the goodwill of NLZ's Namib Lead of £1,036,052 should be impaired.

**Goodwill balances at the year end**
The goodwill balances at each year end were as follows:

| **Goodwill ascribed to CGUs:** | **2015** | **2014** |
|---|---|---|
| **WAGE** | **£** | **£** |
| Witvlei Copper | - | 4,719,300 |
| Dordabis Copper | - | 1,983,634 |
| | - | 6,702,934 |
| **Namib Lead** | | |
| Namib Lead – mine | 1,036,052 | 1,036,052 |
| **Goodwill carrying values** | 1,036,052 | 7,738,986 |

**Exploration licences**
It is further noted that the following EPLs in the Licence Areas have been renewed, or are awaiting confirmation of renewal, since acquisition thus providing additional security of tenure. As discussed in note 1.2, the renewal of seven EPLs (2902, 5075, 3257, 3258, 3261, 4560 and 4561) and the application of the Mining Licence (185) have not yet been confirmed which indicates an uncertainty over their renewal. If the pending EPLs are not renewed, or if the Mining Licence is not granted then the Directors would have to reconsider the position of the Group and the resulting ability to continue operations as planned. The Directors believe that all outstanding licence renewals and applications will be successful and therefore the current position of the licences does not constitute an indication of further impairment of the goodwill and associated assets.

| **Project** | **Application name** | **Type** | **Number** | **Surface area (km$^2$)** | **Annual licence fees (N$)** | **Current status** | **Expiry date** |
|---|---|---|---|---|---|---|---|
| Namib Lead | Namib Lead | EPL | 2902 | 45.2340 | 2,000 | Submitted | 17/04/2016 |
| Namib Lead | Namib Lead | ML | 185 | 5.45 | 5,000 | Submitted | - |
| Namib Lead South | Namib Lead South | EPL | 5075 | 123.9515 | 2,000 | Submitted | 06/05/2016 |
| Dordabis | Kupferberg | EPL | 3257 | 473.0690 | 7,000 | Submitted | 01/06/2016 |
| Witvlei | Christiadore | EPL | 3258 | 214.6016 | 4,000 | Submitted | 15/05/2016 |
| Witvlei | Okatjirute | EPL | 3261 | 266.2760 | 3,000 | Submitted | 25/07/2015 |
| Outjo | Ekotoweni | EPL | 4560 | 692.1918 | 7,000 | Submitted | 01/08/2015 |
| Outjo | Hopewell | EPL | 4561 | 197.9399 | 2,000 | Submitted | 01/08/2015 |

## 7. INTANGIBLE ASSETS

| GROUP | Exploration licences £ | Software £ | Total £ |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2015 | 134,464 | 37,151 | 171,615 |
| Effects of foreign exchange | (16,501) | (4,568) | (21,069) |
| At 31 December 2015 | 117,963 | 32,583 | 150,546 |
| **AMORTISATION** | | | |
| At 1 January 2015 | 77,969 | 28,708 | 106,677 |
| Charge for the year | - | 5,043 | 5,043 |
| Effects of foreign exchange | (16,501) | (4,567) | (21,068) |
| At 31 December 2015 | 61,468 | 29,184 | 90,652 |
| **NET BOOK VALUES** | | | |
| At 31 December 2015 | 56,495 | 3,399 | 59,894 |
| At 31 December 2014 | 56,495 | 8,443 | 64,938 |

| COMPANY | Royalty contracts £ | Software £ | Total £ |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2015 and 31 December 2015 | 66,000 | 15,568 | 81,568 |
| **AMORTISATION** | | | |
| At 1 January 2015 | - | 7,813 | 7,813 |
| Charge for the year | - | 4,356 | 4,356 |
| At 31 December 2015 | - | 12,169 | 12,169 |
| **NET BOOK VALUES** | | | |
| At 31 December 2015 | 66,000 | 3,399 | 69,399 |
| At 31 December 2014 | 66,000 | 7,755 | 73,755 |

| GROUP | Exploration licences £ | Software £ | Total £ |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2014 | 137,605 | 38,021 | 175,626 |
| Effects of foreign exchange | (3,141) | (870) | (4,011) |
| At 31 December 2014 | 134,464 | 37,151 | 171,615 |
| **AMORTISATION** | | | |
| At 1 January 2014 | 81,110 | 22,094 | 103,204 |
| Charge for the year | - | 7,366 | 7,366 |
| Effects of foreign exchange | (3,141) | (752) | (3,893) |
| At 31 December 2014 | 77,969 | 28,708 | 106,677 |
| **NET BOOK VALUES** | | | |
| At 31 December 2014 | 56,495 | 8,443 | 64,938 |
| At 31 December 2013 | 56,495 | 15,927 | 72,422 |

| COMPANY | Royalty contracts £ | Software £ | Total £ |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2014 and 31 December 2013 | 66,000 | 15,568 | 81,568 |
| **AMORTISATION** | | | |
| At 1 January 2014 | - | 3,457 | 3,457 |
| Charge for the year | - | 4,356 | 4,356 |
| At 31 December 2014 | - | 7,813 | 7,813 |
| **NET BOOK VALUES** | | | |
| At 31 December 2014 | 66,000 | 7,755 | 73,755 |
| At 31 December 2013 | 66,000 | 12,111 | 78,111 |

## 8. PLANT AND EQUIPMENT

| GROUP | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2015 | 163,452 | 39,483 | 172,724 | 375,659 |
| Additions in year | 76,162 | 6,178 | - | 82,340 |
| Effects of foreign exchange | (34,592) | (4,580) | (36,555) | (75,727) |
| At 31 December 2015 | 205,022 | 41,081 | 136,169 | 382,272 |
| **DEPRECIATION** | | | | |
| At 1 January 2015 | 73,045 | 33,302 | 125,455 | 231,802 |
| Charge for the year | 42,977 | 5,330 | 16,483 | 64,790 |
| Effects of foreign exchange | (22,101) | (4,721) | (29,100) | (55,922) |
| At 31 December 2015 | 93,921 | 33,911 | 112,838 | 240,670 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2015 | 111,101 | 7,170 | ` 23,331 | 141,602 |
| At 31 December 2014 | 90,407 | 6,181 | 47,269 | 143,857 |

| COMPANY | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January and 31 December 2015 | - | 17,839 | - | 17,839 |
| **DEPRECIATION** | | | | |
| At 1 January 2015 | - | 15,085 | - | 15,085 |
| Charge for the year | - | 2,191 | - | 2,191 |
| At 31 December 2015 | - | 17,276 | - | 17,276 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2015 | - | 563 | - | 563 |
| At 31 December 2014 | - | 2,754 | - | 2,754 |

| GROUP | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2014 | 94,511 | 36,137 | 179,681 | 310,329 |
| Additions in year | 73,328 | 4,134 | - | 77,462 |
| Effects of foreign exchange | (4,387) | (788) | (6,957) | (12,132) |
| At 31 December 2014 | 163,452 | 39,483 | 172,724 | 375,659 |
| **DEPRECIATION** | | | | |
| At 1 January 2014 | 50,565 | 24,830 | 108,093 | 183,488 |
| Charge for the year | 24,683 | 9,076 | 21,426 | 55,185 |
| Effects of foreign exchange | (2,203) | (604) | (4,064) | (6,871) |
| At 31 December 2014 | 73,045 | 33,302 | 125,455 | 231,802 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2014 | 90,407 | 6,181 | 47,269 | 143,857 |
| At 31 December 2013 | 43,946 | 11,307 | 71,588 | 126,841 |

| COMPANY | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2014 | - | 16,507 | - | 16,507 |
| Additions in the year | - | 1,332 | - | 1,332 |
| At 31 December 2014 | - | 17,839 | - | 17,839 |
| **DEPRECIATION** | | | | |
| At 1 January 2014 | - | 10,351 | - | 10,351 |
| Charge for the year | - | 4,734 | - | 4,734 |
| At 31 December 2014 | - | 15,085 | - | 15,085 |
| **NET BOOK VALUE** | | | | |
| At 31 December 2014 | - | 2,754 | - | 2,754 |
| At 31 December 2013 | - | 6,156 | - | 6,156 |

## 9. TRADE AND OTHER RECEIVABLES

| | Group 31 December 2015 £ | Company 31 December 2015 £ | Group 31 December 2014 £ | Company 31 December 2014 £ |
|---|---|---|---|---|
| **Amounts falling due within one year**: | | | | |
| Prepayments | 28,267 | 20,932 | 32,273 | 25,445 |
| Other receivables | 53,658 | 7,805 | 412,544 | 192,543 |
| | 81,925 | 28,737 | 444,817 | 217,988 |

## 10. CASH AND CASH EQUIVALENTS

| | Group 31 December 2015 £ | Company 31 December 2015 £ | Group 31 December 2014 £ | Company 31 December 2014 £ |
|---|---|---|---|---|
| Cash at bank and in hand | 1,376,740 | 1,194,944 | 1,904,860 | 1,762,632 |

## 11. TRADE AND OTHER PAYABLES

| | Group 31 December 2015 £ | Company 31 December 2015 £ | Group 31 December 2014 £ | Company 31 December 2014 £ |
|---|---|---|---|---|
| Trade payables | 59,419 | 36,427 | 148,537 | 72,889 |
| Other payables | 143,478 | 122,305 | 178,418 | 147,520 |
| | 202,897 | 158,732 | 326,955 | 220,409 |

## 12. CONVERTIBLE LOAN NOTES

| | Group 31 December 2015 £ | Company 31 December 2015 £ | Group 31 December 2014 £ | Company 31 December 2014 £ |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Convertible loan notes | 150,238 | 150,238 | - | - |
| **Amounts falling due after more than one year:** | | | | |
| Convertible loan notes | 1,574,105 | 1,574,105 | - | - |

Greenstone Resources LP issued convertible loan notes to North River Resources Plc as part of the contracted subscription agreement in the Open Offer placed on the market in September 2015.

The US Dollars notes are convertible into new ordinary shares at the Open Offer Price (0.02p per Ordinary Share). The Offer Price is converted into US Dollars applying the Financial Times Exchange rate on the date before the Open Offer (14 September 2015 $1: £0.6489).

The notes are convertible into ordinary shares at the option of the holder at the loan note completion date. Unconverted loan notes must be re-paid in cash within 12 business days after the loan note completion date.

Transaction costs directly associated with the issue of Convertible loan notes have been allocated to the liability and equity components in accordance with IAS 32 'Financial Instruments: Presentation'. They are recognised against the outstanding loan balance and included in the discounting calculation used to calculate the fair value of the loan notes. The loan notes are unwound over the loan period until maturity, at this point the loan liability will be equal to the face value notes issued in October 2015 of $3,418,355.

**Terms and debt repayment schedule**

Terms and conditions of outstanding loan were as follows:

| | Currency | Nominal interest rate | Year of maturity | Face Value 31 December 2015 | Carrying Amount 31 December 2015 |
|---|---|---|---|---|---|
| | | % | | £ | £ |
| Convertible loan notes | USD | 10 | 2018 | 2,029,285 | 1,724,343 |

| **Convertible loan note movements:** | **£** |
|---|---|
| Proceeds from the issue of USD convertible loan notes ($3,418,355) | 2,218,583 |
| Share placement to Greenstone Resources LP of 94,649,189 new ordinary shares (see note 13) | (189,298) |
| Net convertible loan note proceeds | 2,029,285 |
| | |
| Amount classified as equity | (115,876) |
| Discounted amount | (189,066) |
| Carrying amount of the liability at 31 December 2015 | 1,724,343 |

| **Split showing the maturity of the convertible loan notes:** | |
|---|---|
| Liability due in <1 year at 31 December 2015 | 150,238 |
| Liability due in >1 year at 31 December 2015 | 1,574,105 |

## 13. SHARE CAPITAL

**Allotted, issued and fully paid:**

| | Nominal value | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| Number of Ordinary shares | | 2,199,091,843 | 1,915,875,310 |
| Ordinary share capital | 0.2p | £4,398,183 | £3,831,750 |

| Date of issue | Detail of issue | Number of Ordinary shares | Share capital £ | Share premium £ |
|---|---|---|---|---|
| At 1 January 2014 | | 1,915,875,310 | 3,831,750 | 21,258,590 |
| 7 October 2015 | Open Offer and Placing | 283,216,533 | 566,433 | - |
| As at 31 December 2015 | | 2,199,091,843 | 4,398,183 | 21,258,590 |

In the year ended 31 December 2015 the following Ordinary share issues occurred:

On 7 October 2015 the Company raised gross proceeds of £377,135 through a placing of 188,567,335 new Ordinary Shares in the market. Additional proceeds of £189,298 were raised through a placement of 94,649,198 new Ordinary Shares to Greenstone Resources LP (note 12).

## 14. TAXATION

| | Group 31 December 2015 £ | Group 31 December 2014 £ |
|---|---|---|
| Tax charge for year | - | - |
| **Factors affecting the tax charge for the year** | | |
| Loss from continuing operations before income tax expenses | (9,797,691) | (3,320,477) |
| Tax at 20.25% (2014: 21.50%) | (1,984,032) | (713,903) |
| Expenses not deductible | 784,095 | 13,156 |
| Overseas rate differences | (271,398) | (364,241) |
| Excess / (shortfall) of fiscal depreciation over accounting depreciation | 21,922 | 20,250 |
| Other timing differences not recognised (exploration costs, leave pay) | 521,465 | 788,035 |
| Losses carried forward not recognised | 927,949 | 256,702 |
| **Income tax expense** | - | - |

The Group has tax losses of £15.3m (2014 (restated): £11.0m) and exploration costs of £11m (2014: £12.4m) which will be available for offset against future income. No deferred tax has been reflected on these assets as the timing of their utilisation is uncertain at this stage.

The total amounts of deferred tax are:

| | Group 31 December 2015 £ | Group 31 December 2014 £ |
|---|---|---|
| **Total provided for** | - | - |
| **Un-provided for** | | |
| Accelerated capital allowances | (70,246) | (63,847) |
| Exploration costs | (4,142,240) | (4,655,584) |
| Unutilised losses | (2,860,325) | (1,382,246) |
| Total un-provided deferred tax asset | (7,072,811) | (6,101,677) |

## 15. INVESTMENT IN JOINT VENTURE

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

The joint venture had no contingent liabilities or capital commitments as at 31 December 2015 and 31 December 2014.The carrying value of the investment is nil at the year end (2014: nil)

## 16. INVESTMENT IN ASSOCIATED COMPANY

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

| Company | Country of Incorporation | Group interest 31 December 2015 | Group interest 31 December 2014 |
|---|---|---|---|
| North River Resources (Murrupula) Limitada | Mozambique | 40% | 40% |

North River Resources (Murrupula) Limitada (‘Murrupula’) is a company that was registered in Mozambique on 27 January 2011. The Group’s interest in Murrupula is jointly held by North River Resources plc and NRR Mozambique Limited. It is also the beneficial owner of an exploration licence in Mozambique. The licence and Murrupula are the subject of a Heads of Agreement between Baobab Resources Limited (“Baobab”) and North River Resources plc. Under this agreement Baobab is entitled to a 60% participation interest in Murrupula. Boabab have completed the agreed level of exploration work. Legal control over Murrupula has not yet passed to Baobab, however, effective control has passed.

Accordingly, these consolidated financial statements have been prepared on the basis that control has passed and that Murrupula is treated as an associate as from 1 October 2011.

Aggregated amounts relating to the associate are as follows:

| | 31 December 2015 £ | 31 December 2014 £ |
|---|---|---|
| Total assets | 138,678 | 138,678 |
| Total liabilities | (25,208) | (25,208) |
| Net assets | 113,470 | 113,470 |
| Share of net assets | 45,388 | 45,388 |
| Goodwill on acquisition | 67,794 | 67,794 |
| The group's share of net assets representing the group's carrying value of investments in associate | 113,182 | 113,182 |
| Revenues | - | - |
| Losses | - | - |
| The Group's share of loss | - | - |

**Carrying value of investment in associate**

| | Group 31 December 2015 £ | Company 31 December 2015 £ | Group 31 December 2014 £ | Company 31 December 2014 £ |
|---|---|---|---|---|
| Cost and carrying value of investment | 113,182 | 56,591 | 113,182 | 56,591 |

The financial statements as at 31 December 2011 were prepared on the assumption that Murrupula incurred exploration expenditure directly. Subsequent to the release of the 31 December 2011 financial statements, the JV partners agreed that they would account for the respective costs individually. Accordingly, Murrupula has no income or expense either at 31 December 2014 or 31 December 2015, and the disclosure above reflects this position.

## 17. SUBSIDIARY COMPANIES

The financial statements include the following subsidiary companies:

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

NRR Energy Minerals Limited and NRR Mozambique Limited were established in October and December 2010 respectively as wholly owned subsidiaries of North River Resources plc. NRR Energy Minerals Limited has not traded during the year. NRR Mozambique Limited has not traded however, it has provided financial support to its subsidiary, North River Resources (Mavuzi) Limitada and to its associate North River Resources (Murrupula) Limitada (see note 16).

The acquisition of West Africa Gold Exploration (Namibia) (Pty) Ltd ('WAGE') and Namib Lead is discussed in detail under Note 6 'Goodwill and Impairment Review'.

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

**Carrying value of investments in subsidiaries**

| | 31 December 2015 £ | 31 December 2014 £ |
|---|---|---|
| At 1 January and 31 December | 472,991 | 472,991 |

During the year ended 31 December 2011 North River Resources plc capitalised £472,749 of an outstanding loan due from WAGE into share capital by obtaining a further 600,000 shares in WAGE. The capitalisation was undertaken to improve the relative weighting between the share capital and loan value invested by North River Resources plc in its Namibian subsidiary to comply with exchange control requirements in Namibia.

**Carrying value of loans in subsidiaries**

| | 31 December 2015 £ | (Restated) 31 December 2014 £ |
|---|---|---|
| Loans due from subsidiary undertakings | 4,110,251 | 11,061,779 |

At the end of 2015 the Parent Company had receivables from several Group companies, namely West Africa Gold Exploration (Namibia) (Pty) Ltd ("WAGE"), Namibia Lead Zinc Mining (Pty) Ltd ("NLZ") and North River Resources Namibia (Pty) Ltd ("NRRN").

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

As disclosed in note 6, the Directors have made an impairment of the goodwill associated with WAGE. As a consequence of this goodwill impairment, a provision against the recoverability of the loan to WAGE of £5,690,956 has also been made in the Company's accounts (2014: nil). This subsidiary loan impairment does not impact the consolidated income statement or net assets.

The Directors are of the opinion that no provision for impairment is required with respect to the goodwill associated with Namibia Lead Zinc Mining (Pty) Ltd (NLZ) and that the loans due from NLZ and NRRN are fully recoverable.

**2014 Prior Year Restatement**

In 2015 the calculation of the loan balances due from Namibia have been materially restated to more appropriately classify exchange rate fluctuations and to align with the accounting policies of the company. The original loan agreements dated in 2011 were with the following subsidiaries: West Africa Gold Exploration (Namibia) (Pty) Ltd ("WAGE"), Namibia Lead Zinc Mining (Pty) Ltd, North River Resources Namibia (Pty) Ltd.

The subsidiaries' loan balances are denominated in their local currency (Namibian Dollars) per the original loan agreements. However, in prior years the loans were accounted for as balances denominated in the parent Company's functional currency (GBP).

In 2014 the foreign currency exchange variance between the Namibian denominated loans and the GBP equivalent had not been included as an expense in the Company's accounts. At 31 December 2014, the GBP values of the subsidiary loan balances were therefore overstated and there was an accumulated foreign exchange difference between the Namibian and Company balances of £4,568,609. This arose due to the weakening of the Namibian Dollar currency against GBP over several years. This is shown as a prior year adjustment in the Company's accounts for 2014 as a write down of the subsidiary loans recoverable and an increase in the retained losses of the Company at 31 December 2014 by £4,568,609. As these loans are part of the Company's net investment in the subsidiaries, the above adjustment does not affect the Group's results, loss per share or net assets.

## 18. SHARE-BASED PAYMENTS

**Share options outstanding**

| | 31 December 2015 Number | 31 December 2014 Number |
|---|---|---|
| Opening balance | 9,100,000 | 105,100,000 |
| Expired/cancelled during the year [Note 1] | (9,100,000) | (96,000,000) |
| Closing balance | - | 9,100,000 |

Note 1:
4,725,000 options granted on 3 March 2010 with an exercise price of 10p expired on 01 February 2015.
4,375,000 options granted on 1 February 2011 with an exercise price of 10p expired on 01 February 2015.
These options were fully expensed in prior periods. The prior period cost of these options of £115,645 was transferred to retained losses from the share-based payment reserve during the year ended 31 December 2015.

## 19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

| | **Book Values** | | **Fair Values** | |
|---|---|---|---|---|
| | **31 December 2015** | **31 December 2014** | **31 December 2015** | **31 December 2014** |
| | **£** | **£** | **£** | **£** |
| **Financial Assets** | | | | |
| Trade and other receivables | 25,767 | 444,817 | 25,767 | 444,817 |
| Cash and cash equivalents | 1,376,740 | 1,904,860 | 1,376,740 | 1,904,860 |
| **Total** | 1,402,507 | 2,349,677 | 1,402,507 | 2,349,677 |
| **Financial Liabilities** | | | | |
| Trade and other payables | 202,897 | 326,955 | 202,897 | 326,955 |
| Convertible loan notes | 2,305,680 | - | 1,724,344 | - |
| **Total** | 2,508,577 | 326,955 | 1,927,241 | 326,955 |

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.

## 20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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.

**Greenstone funding**
On 10 August 2015 the Group entered a new Investment Agreement with Greenstone Resources LP ("Greenstone").

Under the Investment Agreement a Placing and Open Offer ("Open Offer") would be offered to the market for New Shares at the Offer Price to raise a total amount of $4,000,000 before expenses. Greenstone underwrote the Open Offer to subscribe for New Shares and/or Notes under the terms and conditions of the Agreement, see note 13 for the Open Offer details.

The Board reviews and agrees policies for managing key risks to the business and these are summarised below.

**Market risk**
Market risk is the risk that changes in market prices, and market factors such as foreign exchange rates and interest rates will affect the entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return. The Group does not use derivative products to hedge foreign exchange risk and has exposure to foreign exchange rates prevailing at the dates when funds are transferred into different currencies.

**Cash flow interest rate risk**
The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. The convertible loan notes (details in note 12) bear a fixed annual rate of interest until maturity. 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** | **Non-interest bearing 2015** | **Total** |
|---|---|---|---|---|---|
| **Year ended 31 December 2015** | **%** | **£** | **£** | **£** | **£** |
| **Financial assets** | | | | | |
| Trade and other receivables | - | - | - | 25,767 | 25,767 |
| Cash on deposit | 0.5 | 1,376,740 | - | - | 1,376,740 |
| **Total financial assets** | | 1,376,740 | - | 25,767 | 1,402,507 |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 202,897 | 202,897 |
| Convertible loan notes (fixed interest rate) | 10.00 | - | 1,724,343 | - | 1,724,343 |
| **Total financial liabilities** | | - | 1,724,343 | 202,897 | 1,927,240 |

| | Weighted average effective interest rate | Floating interest rate maturing in 1 year or less | Fixed interest rate 2014 | Non-interest bearing 2014 | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2014** | % | £ | £ | £ | £ |
| **Financial assets** | | | | | |
| Trade and other receivables | - | - | - | 444,817 | 444,817 |
| Cash on deposit | - | 1,904,860 | - | - | 1,904,860 |
| **Total financial assets** | | 1,904,860 | - | 444,817 | 2,349,677 |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 326,955 | 326,955 |
| **Total financial liabilities** | | - | - | 326,955 | 326,955 |

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

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

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

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

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

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

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

Trade receivables at 31 December 2015 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.

## 21. RELATED PARTY TRANSACTIONS

Full details of Directors' remuneration are included in the Directors' Report.

**Convertible loan notes**

During the year the Group was issued convertible loan notes by Greenstone Resources LP as part of the contracted subscription agreement in the Open Offer to the market in September 2015. The total value of the US Dollar loan notes issued at 31st December 2015 is £2,305,680 ($3,418,355). As part of the agreement interest is due quarterly in arrears on the full balance of the loan notes at an annualised rate of 10%. The total interest paid up to the 31st December 2015 was £50,698.

As part of the contractual agreement a sum of £129,786 ($200,000) was paid in consideration for underwriting the Open Offer to Greenstone Resources LP. A further amount of £41,480 ($63,120) was paid to Greenstone Resources LP for professional fees incurred by the company in the set up costs of the Open Offer, see note 12 for further details.

**Directors’ consulting fees**

During the year several Directors provided consulting services in addition to their directors’ fees.

- Martin French received £6,000 during for consulting services during the handover period to James Beams.
- Ken Sangster and Associates Limited, a Company of which Ken Sangster is also a Director, were engaged for additional consultancy work relating to metallurgical testwork during the year and received a fee of £8,500.
- James Beams received £7,661 of consulting fees prior to becoming an employee and director.

## 22. EMPLOYEES' AND DIRECTORS' REMUNERATION

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

| Group | Year ended 31 December 2015 | Year ended 31 December 2014 |
|---|---|---|
| | £ | £ |
| Employee, Directors and Contractors remuneration | 901,418 | 564,840 |
| Employee, Directors and Contractors social security costs | 51,605 | 40,688 |
| Total | 953,023 | 605,528 |
| **Average employee, directors and contractor numbers** | **Number** | **Number** |
| Exploration and expenditure | 28 | 20 |
| Non-executive Directors | 6 | 4 |
| Administration and management | 6 | 5 |
| Total | 40 | 29 |

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

| 2015<br>Directors | Directors' salary Year to 31 Dec 15 | Directors' bonus Year to 31 Dec 15 | Directors' fees Year to 31 Dec 15 | Directors' consulting fees Year to 31 Dec 15 | Total Year to 31 Dec 15 |
|---|---|---|---|---|---|
| | £ | £ | | £ | £ |
| Martin French | 159,980 | - | - | 6,000 | 165,980 |
| Brett Richards | - | - | 24,000 | - | 24,000 |
| Mark Thompson | - | - | 24,000 | - | 24,000 |
| James Beams | 142,692 | 22,500 | - | 7,661 | 172,853 |
| Keith Marshall | - | - | 28,000 | - | 28,000 |
| Ken Sangster | - | - | 28,000 | - | 28,000 |
| Rodney Beddows | - | - | 1,935 | - | 1,935 |
| | 302,672 | 22,500 | 105,935 | 13,661 | 444,768 |

| 2014<br>Directors | Directors' salary Year to 31 Dec 14 | Directors' bonus Year to 31 Dec 14 | Directors' fees Year to 31 Dec 14 | Directors' consulting fees Year to 31 Dec 14 | Total Year to 31 Dec 14 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Martin French | 150,000 | 150,000 | (14,000) | - | 286,000 |
| Zuyuan He | - | - | (8,000) | - | (8,000) |
| Zhiping Yu | - | - | (4,000) | - | (4,000) |
| Ms. Qi Yu | - | - | (4,000) | - | (4,000) |
| Brett Richards | - | - | 24,000 | - | 24,000 |
| Mark Thompson | - | - | 24,000 | - | 24,000 |
| | 150,000 | 150,000 | 18,000 | - | 318,000 |

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

## 23. CONTROL

No one party is identified as controlling the Group.

## 24. EXPLORATION EXPENDITURE AND RESTORATION COMMITMENTS

**Restoration commitments**
The Group has no obligations at 31 December 2015 to undertake any rehabilitation or restoration activity on the licences currently held.

**Existing Exploration Licences in Namibia**
The Group has a number of exploration licences in Namibia (see Note 6). The Group plans to carry out further exploration work on the licences, the amount of work being dependant on success at each stage. Estimated exploration expenditure, based on success, could be up to £0.6 million on these licences through 2016. There is scope in the Mines and Minerals Act for expenditure to be altered by the Group and still keep the licences in good standing. 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 an effective 40% interest in a licence in Mozambique, through its associated company North River Resources (Murrupula) Limitada. The cost of maintaining this licence is not significant to the Group and will be borne by North River Resources plc (see Note 16).

## 25. SUBSEQUENT EVENTS

On 28 January 2016 the Company received from Ministry a Notice of Preparedness to Grant the mining licence (the "Notice") for the Namib Lead-Zinc Project. The Notice contained a number of supplementary terms and conditions relating to matters including, inter alia, the work programme, production, environment and Namibian participation in the Project that will apply to the mining licence. North River sought clarification from the Ministry on certain aspects of the supplementary conditions and its interpretation of them. Pending this clarification, the Company accepted the Notice on 26 February 2016 based on its understanding of the Supplementary Conditions.

In accordance with the process set out in the Notice, the Company submitted a proposal to the Ministry on 25 April 2016, covering local ownership of the Namib Project, participation by historically disadvantaged Namibians in management of the Namib Project, and the Company's corporate social responsibility strategy. The supplementary terms and conditions and the proposal must be agreed between the Company and the Ministry before the mining licence is issued. The Notice sets out a further process and timeline through to mid-2016 for these discussions.

On 12 February 2016, drill results were announced 4,828 metres of drilling (66 holes) which had been completed subsequent to the last Mineral Resource Estimate of August 2014. Of these, 52% (34 holes) had significant intercepts. Drilling was undertaken mainly in the top half of the North Orebody and also below the historic South Mine, which is around 200m below surface. In general, the drilling results in both areas met management's expectations and increased its confidence in the Mineral Resource.

On 21 March 2016, initial drilling results from the ongoing ~3,800 metre resource expansion drilling campaign were announced. 14 holes totalling 1,472 metres had been drilled and the early results indicate the continuation of mineralisation 80 metres below the existing Northern part of the orebody. This provides support for the Company's confidence in delivering an increased resource estimate for the Namib project following completion of the drilling campaign. Of the eight holes reported, significant mineralisation was intersected in four holes:

- NLDD067: 57.1m (true width of 8.5 metres) at 28.6% zinc and 33g/t silver*;
- NLDDK074: 3.0m (true width of 1.5 metres) at 35.0% zinc and 11.9m (true width of 6.0 metres) at 20.8% zinc;

- NLDDK075: 8.7m (true width of 4.0 metres) at 19.5% zinc and 3.0m (true width of 2.0 metres) at 12.2% zinc; and
- NLDDK076: 3.6m (true width of 1.3 metres) at 9.8% zinc, 2.6% lead and 42g/t silver, plus 8.1m (true width of 2.5 metres) at 6.7% zinc, 7.6% lead and 101g/t silver

* Silver results are provisional, awaiting QAQC checks

On 26 April 2016, further three drill hole results were announced, with significant mineralisation intersected in two of the holes:

- NLDD069: 35.7m (true width of 9 metres) at 33.8% zinc, and
- NLDDK077: 3.8m (true width of 1.5 metres) at 10.6% zinc and 5.8m (true width of 2 metres) at 12.2% zinc and 10.9% lead