Registration number 5875525 (England and Wales)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FOR

NORTH RIVER RESOURCES PLC

CONTENTS

DIRECTORS, SECRETARY AND ADVISORS

DIRECTORS:	Mark Hohnen (*Non-Executive Chairman*) David Steinepreis (*Managing Director*) Martin French (*Non-Executive Director*) Glyn Tonge (*Non-Executive Director*)
SECRETARY:	John Bottomley
COUNTRY OF INCORPORATION:	England and Wales
REGISTERED NUMBER:	5875525
REGISTERED OFFICE:	One America Square Crosswall London, EC3N 2SG
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North River Resources plc ('North River' or 'the Company') has made a great deal of progress during 2011 and post-period end with exploration activities across its portfolio of projects in Namibia. Following completion of drilling programmes, metallurgical test work and data analysis, the Company is now in a strong position to advance development activities at two of its projects, the previously producing Namib Lead-Zinc Project ('Namib Mine') and the Malachite Pan copper deposit ('Malachite Pan'), in tandem with further exploration work across its wider portfolio.

Drilling programmes have been completed on four different licence areas, including one underground programme. Soil sampling has been carried out on four targets and three geophysical investigations were completed. In addition to the exploration works the Company has advanced the rehabilitation and dewatering of the Namib Mine to the point where it is almost ready for future development, should that decision be made.

The standout progress for the year has been the continued emergence of both the Namib Mine and Malachite Pan as likely development projects. All indications, including the high grade drill intersections achieved during the year, are that the Namib Mine can be developed into a profitable and medium life mine, while preliminary results indicate that a similar situation can be achieved at Malachite Pan. The Directors view the conceptual production rates of 250,000 tonnes of ore per year from the Namib Mine and production rates of 8,000 tonnes of copper per year from Malachite Pan as credible target production levels, and planning is progressing on this basis.

The Company remains an active explorer, however, the main focus in 2012 will be the rapid advancement of both the Namib Mine and Malachite Pan. A Scoping Study for the Namib Mine is underway. A similar study on Malachite Pan is planned to commence in 2012, pending further drilling results.

Namibia

Namib Lead & Zinc Mine

Significant progress was made at the Namib Mine during the period, the most important being the drilling of high grade mineralisation from the lowest accessible point in the mine, below the base of historic mining. These intersections justified the commencement of dewatering activities.

Pumping equipment was installed in Q4 2011 and the dewatering was completed in April 2012 with a total of 14.3 million litres of water pumped from the mine. All newly accessible development areas are in good condition and support the view that the mine was closed for reasons other than ore depletion.

An underground survey was completed as far as the standing water level in 2011 and 3D scanning of all accessible underground voids was carried out. The survey of the newly dewatered areas is to commence in May 2012. The main underground roadway was partially rebuilt allowing straightforward vehicle access to the bottom of the mine.

On the basis of the very high grade drill intersections achieved in the period, the Board decided to commission an airborne electromagnetic survey of a significant portion of the licence area. The airborne survey will be flown at a 25m line spacing and it is expected that such a high resolution survey will detect any additional ore bodies in the licence area. It is hoped that the survey will indicate continuation of mineralisation at depth as well as identifying any surface targets on the Exclusive Prospecting Licence ('EPL'). The survey will be flown as soon as all local authorisations are obtained, which is anticipated to occur in Q2 2012.

Samples of both the tailings from previous operations and fresh ore samples from the dewatered areas were sent to South Africa for preliminary metallurgical investigation. The results from the fresh ore samples are as follows:

- Grab samples collected for preliminary metallurgical test work assaying 5 per cent. lead ('Pb'), 10 per cent. zinc ('Zn') and 119g/t silver ('Ag')
- First flotation testing on grab sample material yielding recoveries of over 96 per cent. Pb, over 94 per cent. Zn and over 80 per cent. Ag
- Lead flotation concentrate grades were over 50 per cent. Pb
- Zinc flotation concentrate grades were over 56 per cent. Zn
- Silver recoveries were over 80 per cent.

The Board considers these results to be excellent, and further supports our view that the mine can be brought back into production.

The geological mapping of the mine is now underway as are structural geology studies, both of which will assist with exploration target generation.

A Scoping Study at Namib Mine has commenced with results expected in two to three months. If results from the Scoping Study and exploration are in line with management expectations, the Company will plan a major new phase of excavation and drilling to move the mine towards production.

Brandberg Energy

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

In accordance with the terms of the joint venture agreement, NRR Energy Minerals Limited, a wholly owned subsidiary of North River, has acquired a 50 per cent. interest in the issued shares of Brandberg Energy (Proprietary) Limited ('Brandberg Energy') following the payment of US$800,000 by North River to Brandberg Energy in January 2012.

Brandberg Energy has completed a 1,500 metre drill programme to test two uranium targets identified by horizontal loop electromagnetic ('HLEM') surveys completed in 2011. The drilling has confirmed the existence of a significant palaeochannel, although not to the depth suggested by the modelled geophysics. While uranium bearing calcrete was intersected in the channel the extent of calcretisation was less than anticipated. The drilling typically intersected cemented calcrete in the top three to ten metres of the holes followed by inconsistent layered calcrete. The Company is awaiting results from a selection of samples submitted for laboratory analysis however results obtained electronically in the field were typically less than 300ppm. The Company does not regard the drilled targets as having significant future potential. Once the final laboratory results are delivered, the Board of Brandberg Energy will decide on the future of the projects.

Brandberg Energy was established by Extract Resources Limited to explore for uranium within EPL3327 and EPL3328. The area was identified in literature from the early 1980's as having potential to host uranium mineralisation based on historical occurrences of primary and secondary uranium in the area and a broadly defined uranium bearing palaeochannel and known as the Brandberg uranium occurrence.

David Steinepreis and Luke Bryan have joined the Board of Brandberg Energy, where they will be joining the two Extract appointed directors.

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

On 2 February 2012, North River announced a maiden JORC Compliant Resource for the Malachite Pan deposit on its Witvlei Copper Project, and an upgrade of the Koperberg deposit JORC compliant resource on its Dordabis Copper Project subsequent to the end of the period. The JORC resources were calculated by The MSA Group in South Africa.

Using a 0.5 per cent. Cu cut-off grade the current JORC compliant resources are detailed in the table below:

	Tonnes	*Cu %*	*Cu Tonnes*	*Ag g/tonne*	*Ag Oz*
Malachite Pan					
Indicated	2,625,300	1.36	35,699	7.47	631,000
Inferred	2,368,400	1.11	26,402	6.19	471,000
			62,101		1,102,000
Koperberg					
Indicated	762,600	1.14	8,718		
Inferred	617,600	0.95	5,863		
			14,581		

This maiden resource from Malachite Pan, in addition to the upgraded resource at Koperberg, provides the Company with a solid foundation for North River's copper resource inventory. Importantly, both the Malachite Pan and Koperberg deposits are open down-dip, and mineralisation at Malachite Pan is open to the south-east. A further drill programme of approximately 6,000 metres is planned at Malachite Pan and this started in April 2012 with the intention of progressing to feasibility stage by Q3 2012. The Board believes the Company has the potential to grow the current resource inventory substantially following the completion of further exploration activities on the Malachite Pan extensions.

In addition, the Company received highly encouraging results from metallurgical test work completed on samples from Malachite Pan and Koperberg. The metallurgical test work showed that excellent copper and silver recoveries are achievable at Malachite Pan using froth flotation, which the Board believes demonstrates encouraging economic potential.

For the purpose of the test work, samples from Malachite Pan were segregated into two composite samples, one representing the oxide fraction of the deposit, the other the sulphide fraction. Recoveries of 82.4 per cent. copper and 77.7 per cent. silver were achieved from the oxide sample and recoveries of 92.8 per cent. copper and 83.5 per cent. silver were achieved from the sulphide sample. At Koperberg the single sample consisted of both oxide and sulphide fractions and a recovery of 83 per cent. copper was achieved.

In 2012, the Company engaged a consultant resource geologist to assist with re-interpretation of historic results at Malachite Pan. In conjunction with this, a number of holes will be drilled which are intended to increase the resource base and a diamond drill rig is currently on site with drilling underway.

Regional Exploration Programme

Both Malachite Pan and Koperberg are located within prospective areas with numerous known prospects in close proximity. In 2012, the Company will focus primarily on the Malachite Pan Project and the wider Witvlei Licence Area. Work will be centred on extending the Malachite Pan deposit and with this in mind drilling re-commenced in April 2012. The aim of the next drilling campaign will be to deliver a resource model of sufficient detail to support a Feasibility Study. It is currently anticipated that the Feasibility Study will commence in Q4 2012.

Additionally, the Company will focus on upgrading other known copper prospects and exploring for new prospects. An airborne magnetic survey is scheduled to be completed at Witvlei in 2012, as soon as all local authorisations are obtained.

Hero

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

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

Existing regional airborne geophysical data was acquired and reinterpreted. This work resulted in two target areas being identified. These will be followed up by soil sampling in 2012.

Kamkas

The Kamkas Project, which comprises EPL4419, is located in the Maltahohe region of southern Namibia near the town of Maltahohe.

Water borehole drilling in the area in recent years indicated elevated copper-zinc-lead-silver ('Cu-Zn-Pb-Ag') values in a grab sample from the drill cuttings, but from an unknown depth within the borehole. The Company completed reconnaissance work in the area, collected drill cuttings to attempt comparison assays and completed downhole geophysics in water bore holes.

The results of these works were not encouraging and the Kamkas Project will be relinquished.

Mozambique

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

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

Following completion of a data compilation and analysis exercise, Baobab announced two drill targets, the Rio Mufa coal prospect and the more significant Monte Muande magnetite/phosphate target. Drilling was completed at both targets in 2011 with c.2,000 metres completed at the Monte Muande target.

The Monte Muande magnetite/phosphate deposit is located 25km to the northwest of the provincial capital of Tete. The international highway to Zambia passes within 3km of the project. The deposit is hosted in a carbonatite and was explored during the 1980s by the Geological Institute of Belgrade ('GIB'). GIB completed two phases of vertical diamond drilling between 1983 and 1985 totalling 5,570m, 2,960m of which falls within the Joint Venture area. The institute also completed more than 10km of trenching and bench-scale metallurgical test work.

Using the GIB data sets in conjunction with more recent soil geochemistry and aeromagnetic surveys completed by Omegacorp, consultants Coffey Mining calculated an Exploration Target of 200Mt to 250Mt to an average depth of c.40m below surface. Coffey also carried out a high level review of the GIB metallurgical data which indicated that a magnetite concentrate containing 67 per cent. iron ('Fe') could be generated via a process of coarse grinding and magnetic separation, followed by regrinding and a flotation circuit to recover a phosphate rock concentrate containing 36 per cent. phosphorus ('P_2O_5'). Total magnetite and apatite recoveries of 92 per cent. and 70 per cent. respectively were recorded.

During the latter half of 2011, Baobab completed a c.2,000m diamond drilling campaign at Monte Muande. The programme comprised 10 angled drill holes sited along a staggered traverse transecting the central portion of the deposit. Drilling has intersected broad zones of shallow dipping magnetite and apatite mineralisation. Following analysis by the ALS Chemex laboratory in Western Australia the Company announced significant drill results from magnetite rich intersections, with premium quality concentrate grades of 69 per cent. Fe at a mass recovery of 26 per cent. (weighted average). The magnetite concentrates are generally very low in deleterious elements with additional test work underway to further improve characteristics. Phosphate mineralisation is ubiquitous with bench-scale test work required to determine quality and yield of a potential concentrate product. The head grades are in line with Coffey Mining's shallow depth 200Mt to 250Mt exploration target announced in March 2011. The sizing and analysis of trench samples is on-going.

The Rio Mufa prospect includes 12 square kilometres of Lower Karoo lithologies underlying the southwestern corner of licence 1119L. Baobab conducted a scout drilling programme at the Rio Mufa coal target during late 2011, aimed at investigating the coal prospectivity of this section of the Monte Muande licence area. Whilst the scout drilling intersected minor seams of carbonaceous material, these are not deemed to be economically viable. In light of this, Baobab will continue to focus on the development of the area's magnetite/phosphorus mineralisation, which has already demonstrated potential for Direct Shipping Ore and amenity to bulk open pit mining.

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

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

During the period Jacana completed a significant data acquisition exercise and as at the year end was in the process of digitising the significant quantities of data obtained.

Jacana was purchased by Syrah Resources Limited, an Australian listed resource company, in November 2011. It is expected that Syrah will move to design and complete a drilling programme on the JV licence once the digitisation process is complete and targets have been identified.

Kalahari Minerals Plc

Kalahari Minerals Plc ('Kalahari') is North River's largest shareholder, holding approximately 38 per cent. of the Company's issued share capital.

On 8 December 2011, a recommended cash offer ('the Offer') for Kalahari by Taurus Mineral Limited ('Taurus'), a Company formed at the direction of CGNPC Uranium Resources Co Ltd and the China-Africa Development Fund, was announced, and the Offer completed on 28 February 2012.

The Board is in discussions with representatives of Taurus with regard to Taurus's long term strategic vision for the Company.

Outlook

The Company expects 2012 to be a transformational year with the expectation that two projects, the Namib Mine and Malachite Pan, will progress with significant appraisal drilling and Scoping Studies. This will see North River increase its staff levels and overall footprint in Namibia to support the increased pace of work.

North River has a comprehensive schedule of work planned for the remainder of 2012. Notable highlights include airborne surveys over two EPLs and drilling programmes and Scoping Studies at Malachite Pan and the Namib Mine. It is hoped the two Scoping Studies will lead into Feasibility Studies at both projects.

North River will likely commence mining operations at the Namib Mine in 2012 in order to conduct exploration openings for underground diamond drilling.

In addition, the Company awaits results from the joint venture with Baobab Resources in Mozambique as well as commencement of drilling on the Jacana joint venture.

The Board continues to evaluate potential acquisitions, however its primary focus will be on the development of its two near term production projects.

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

David Steinepreis
Managing Director

21 May 2012

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011.

The Company is registered in England and Wales, having been incorporated on 13 July 2006 under the Companies Act with registration number 5875525 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. The Company's shares were suspended from trading on AIM on 5 October 2009 and were re-admitted on 29 October 2009 following completion of, and the fund raising for, the acquisition of certain assets in Namibia from Kalahari Minerals plc ('Kalahari').

Principal Activity, Business Review and Future Development

A full review of the Company's performance and prospects is given in the Managing Director's Statement on pages 4 to 9.

Financial Results

During the period, the Company invested considerably in its Namibian portfolio, and increased its activity in Mozambique. In light of this, the Group is reporting a loss of £2,913,029 (2010: £7,397,418) for the year ended 31 December 2011. This loss, in line with the Directors' expectations, includes exploration and administrative expenditure of £2,743,413 (2010: £3,004,390) and a share based payment charge of £137,570 (2010: £4,392,870).

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

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

Cash balances at the period end remained healthy at £3,765,414 (2010: £3,536,920).

Principal risks and uncertainties facing North River

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

Financial instruments and financial risk management

The Group's financial instruments and financial risk management disclosures have been made in Note 19 of the financial statements.

Directors

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

David Christian Steinepreis
Martin French
Mark Hohnen
Glyn Tonge

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 2011 are as follows:

Directors	*Ordinary shares 31 December 2011*	*Ordinary shares 31 December 2010*	*Share options 31 December 2011*	*Share options 31 December 2010*	*Notes*
Mark Hohnen	–	–	4,700,000	4,700,000	1
David Christian Steinepreis	22,488,706	18,258,706	15,700,000	15,700,000	2
Martin French	13,300,000	10,000,000	11,000,000	11,000,000	3
Glyn Tonge	666,667	666,667	1,000,000	1,000,000	4

The Directors' interests in share options are disclosed in Note 16 of the financial statements.

Notes:

1. The share option holdings of Mr. Hohnen are held by Vynben Pty Ltd and are linked to a superannuation fund.
2. The share and option holdings of Mr. Steinepreis are: held directly (7,633,373 Ordinary shares and 4,700,000 Options), via his spouse (1,266,667 Ordinary shares), Ascent Capital Holdings Pty Ltd (7,658,666 Ordinary shares and 11,000,000 Options), N & J Mitchell Holdings Pty Ltd (Steinepreis Superannuation Fund) (2,000,000 Ordinary shares), N&J Mitchell Holdings Pty Ltd (Ord Street Properties) (2,930,000 Ordinary shares) and Mansmar Investments Pty Ltd (1,000,000 Ordinary shares).

   A unit trust associated with the family of Mr. Steinepreis is a 50 per cent. owner of Ascent Capital. Mr. Steinepreis is a director of N & J Mitchell Holdings Pty Ltd.
3. The shares and share options are held directly by the Director.
4. Mr. Tonge holds 566,667 shares and 1,000,000 Options directly. His wife, Mrs. Annette Tonge holds 100,000 shares.

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

Directors' remuneration and service contracts

The remuneration paid to the Directors and/or entities related to Directors during the year to 31 December 2011 was as follows:

Directors	*Directors' salary year to 31 December 2011 £*	*Directors' fees year to 31 December 2011 £*	*Consulting fees year to 31 December 2011 £*	*Employers' NI year to 31 December 2011 £*	*Share based payments year to 31 December 2011 £*	*Fees, salaries and share based payments period ended 31 December 2010 £*	*Notes*
Mark Hohnen	–	48,000	–	–	2,086	101,436	1
David Steinepreis	150,000	–	–	19,349	34,448	766,607	2
Martin French	–	24,000	12,000	–	32,806	553,966	3
Glyn Tonge	–	24,000	–	–	444	42,902	4

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

2. David Steinepreis was paid a gross salary of £150,000 (2010: £133,000) for work undertaken by him in the corporate management of the Company. The agreement continues until he is 65 years old unless it is terminated on no less than 12 months' written notice.

   Ascent Capital Holdings Pty Ltd, a company associated with David Steinepreis, was paid fees in the amount of £Nil (2010: £100,000) for the provision of the services of Mr. Steinepreis.

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

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

Pensions

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

Substantial shareholders

In accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules, the Company has been notified that as at 11 May 2012 the following interests of 3 per cent. or more existed in its Ordinary share capital.

	Number of Ordinary shares	*%*
Kalahari Gold Limited(Note)	245,000,000	34.94
TD Direct Investing Nominees (Europe) Limited	33,443,594	4.76
Barclayshare Nominees Limited	25,494,442	3.70
Investor Nominees Limited	23,134,556	3.30
David Steinepreis	22,488,706	3.20
Kalahari Diamonds Limited(Note)	21,666,667	3.09

Note:

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. Taurus therefore now has a total shareholding of 38.03 per cent.

Suppliers' payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. The Group's trade and other payables days is 52 (2010: 17).

Going concern

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

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

Internal controls

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

Audit committee

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

Remuneration committee

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

Statement of 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 as adopted by the European Union (International Accounting Standards and applicable law). 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 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 487(2) of the Companies Act 2006, a resolution proposing that UHY Hacker Young LLP be re-appointed as auditors of the Company and that the Directors be authorised to fix their remuneration will be put to the Annual General Meeting.

By order of the Board

David Steinepreis
Managing Director

21 May 2012

DIRECTORS' BIOGRAPHIES

Non-Executive Directors

Mark Ainsworth Hohnen *(Non-Executive Chairman) (Age 61)*

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

Martin Stephen French *(Non-Executive Director) (Age 49)*

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

Glyn Michael Tonge *(Non-Executive Director) (Age 65)*

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

Executive Director

David Christian Steinepreis *(Managing Director) (Age 55)*

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

We have audited the financial statements of North River Resources plc for the year ended 31 December 2011 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, 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 Directors' Responsibilities Statement set out on pages 13 and 14, 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/apb/scope/private.cfm.

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 2011 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.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Guy Swarbreck
Senior Statutory Auditor
for and on behalf of UHY Hacker Young LLP
Chartered Accountants
Statutory Auditor

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

21 May 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 DECEMBER 2011

	Note	*Year to 31 December 2011* £	*Period from 1 July 2009 to 31 December 2010* £
CONTINUING OPERATIONS			
Other operating income		4,070	6,991
Exploration expenditure		(1,705,391)	(1,393,181)
Administrative expenses before share based payments		(1,038,022)	(1,611,209)
Share based payments	16	(137,570)	(4,392,870)
Total administrative expenses		(1,175,592)	(6,004,079)
OPERATING LOSS	3	(2,876,913)	(7,390,269)
Interest payable on convertible loan notes	11	–	(30,394)
Interest payable on short term borrowings		(38)	–
Interest received on bank deposits		76,912	23,245
Share of associate's loss for the year		(112,990)	–
LOSS BEFORE TAX		(2,913,029)	(7,397,418)
Taxation	13	–	–
LOSS FOR THE PERIOD		(2,913,029)	(7,397,418)
OTHER COMPREHENSIVE INCOME:			
Currency translation (loss)/gain		(80,063)	82,643
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,993,092)	(7,314,775)
Loss per share			
Basic and diluted – pence per share	4	(0.43p)	(1.62p)

The results for 2011 and 2010 relate entirely to continuing and acquired operations.

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	*Group 31 December 2011 £*	*Company 31 December 2011 £*	*Group 31 December 2010 £*	*Company 31 December 2010 £*
NON-CURRENT ASSETS					
Goodwill	5	7,831,768	–	7,831,768	–
Intangible assets	6	76,479	66,968	202,108	237,243
Property, plant and equipment	7	230,288	13,877	184,782	–
Amounts due from subsidiary undertakings	8	–	11,642,770	–	9,251,291
Investment in associated company	14	–	56,495	–	–
Investments in subsidiary companies	15	–	472,751	–	2
		8,138,535	12,252,861	8,218,658	9,488,536
CURRENT ASSETS					
Trade and other receivables	8	335,473	189,074	108,756	37,619
Cash and cash equivalents	9	3,765,414	2,430,355	3,536,920	3,446,322
		4,100,887	2,619,429	3,645,676	3,483,941
TOTAL ASSETS		12,239,422	14,872,290	11,864,334	12,972,477
CURRENT LIABILITIES					
Trade and other payables	10	392,606	219,936	136,996	72,682
Convertible loan notes	11	–	–	–	–
		392,606	219,936	136,996	72,682
NET ASSETS		11,846,816	14,652,354	11,727,338	12,899,795
EQUITY					
Called up share capital	12	1,402,400	1,402,400	1,192,400	1,192,400
Share premium account	12	16,968,767	16,968,767	14,203,767	14,203,767
Option premium reserve		4,530,440	4,530,440	4,547,645	4,547,645
Translation reserve		2,580	–	82,643	–
Retained earnings		(11,057,371)	(8,249,253)	(8,299,117)	(7,044,017)
TOTAL EQUITY		11,846,816	14,652,354	11,727,338	12,899,795

These financial statements were approved by the Board of Directors on 21 May 2012 and signed on its behalf by:

David Steinepreis
Managing Director

Registration Number 5875525

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR TO 31 DECEMBER 2011

	Issued capital £	*Share premium* £	*Retained earnings* £	*Option reserve* £	*Translation reserves* £	*Total* £
GROUP						
At 30 June 2009	68,000	481,238	(901,699)	154,775	–	(197,686)
Loss for the period	–	–	(7,397,418)	–	–	(7,397,418)
Other comprehensive income						
Exchange gains	–	–	–	–	82,643	82,643
Total comprehensive income for the year	–	–	(7,397,418)	–	82,643	(7,314,775)
Shares issued	1,124,400	14,541,600	–	–	–	15,666,000
Share issue expenses	–	(819,071)	–	–	–	(819,071)
Share based payment charge	–	–	–	4,392,870	–	4,392,870
At 31 December 2010	1,192,400	14,203,767	(8,299,117)	4,547,645	82,643	11,727,338
Loss for the period	–	–	(2,913,029)	–	–	(2,913,029)
Other comprehensive income						
Exchange gains/(losses)	–	–	–	–	(80,063)	(80,063)
Total comprehensive income for the period	–	–	(2,913,029)	–	(80,063)	(2,993,092)
Shares issued	210,000	2,940,000	–	–	–	3,150,000
Share issue expenses	–	(175,000)	–	–	–	(175,000)
Share based payment charge	–	–	–	137,570	–	137,570
Transfer of charges on expired options to retained earnings	–	–	154,775	(154,775)	–	–
At 31 December 2011	1,402,400	16,968,767	(11,057,371)	4,530,440	2,580	11,846,816

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR TO 31 DECEMBER 2011

	Issued capital £	*Share premium* £	*Retained earnings* £	*Option reserve* £	*Total* £
COMPANY					
At 1 July 2009	68,000	481,238	(901,699)	154,775	(197,686)
Loss for the period	–	–	(6,142,318)	–	(6,142,318)
Other comprehensive income					
Exchange gains	–	–	–	–	–
Total comprehensive income for the period	–	–	(6,142,318)	–	(6,142,318)
Shares issued	1,124,400	14,541,600	–	–	15,666,000
Share issue expenses	–	(819,071)	–	–	(819,071)
Share based payment charge	–	–	–	4,392,870	4,392,870
At 31 December 2010	1,192,400	14,203,767	(7,044,017)	4,547,645	12,899,795
Loss for the period	–	–	(1,360,011)	–	(1,360,011)
Other comprehensive income					
Exchange gains	–	–	–	–	–
Total comprehensive income for the period	–	–	(1,360,011)	–	(1,360,011)
Shares issued	210,000	2,940,000	–	–	3,150,000
Share issue expenses	–	(175,000)	–	–	(175,000)
Share based payment charge	–	–	–	137,570	137,570
Transfer of charges on expired options to retained earnings	–	–	154,775	(154,775)	–
At 31 December 2011	1,402,400	16,968,767	(8,249,253)	4,530,440	14,652,354

NORTH RIVER RESOURCES PLC

CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR TO 31 DECEMBER 2011

	Note	*Group Year to 31 December 2011 £*	*Company Year to 31 December 2011 £*	*Group Period from 1 July 2009 to 31 December 2010 £*	*Company Period from 1 July 2009 to 31 December 2010 £*
Cash flows from operating activities					
Operating loss		(2,876,913)	(1,408,307)	(7,390,269)	(6,153,772)
Adjustments:					
Depreciation and amortisation charges		95,012	2,587	111,483	611
Share based payments		137,570	137,570	4,392,870	4,392,870
Loss on disposal of fixed assets		750	–	–	–
		(2,643,581)	(1,268,150)	(2,885,916)	(1,760,291)
Movement in working capital					
(Increase)/decrease in debtors		(226,717)	(151,455)	(108,756)	(37,619)
Increase/(decrease) in creditors		255,610	147,254	(95,768)	(160,082)
Net movements in working capital		28,893	(4,201)	(204,524)	(197,701)
Net cash outflow from operating activities		(2,614,688)	(1,272,351)	(3,090,440)	(1,957,992)
Cash flows from investing activities					
Purchase of intangible fixed assets		(30,233)	(7,023)	(78,530)	(71,853)
Cash gained on acquisition of subsidiaries		–	–	138,770	–
Loans to subsidiaries		–	(2,271,467)	–	(1,251,294)
Investment in subsidiary		–	(472,751)	–	–
Cash received from asset disposals		26,784	–	–	–
Purchase of property, plant and equipment		(180,142)	(15,674)	(57,524)	–
Net cash (outflow)/inflow from investing activities		(183,591)	(2,766,915)	2,716	(1,323,147)
Cash flow from financing activities					
Repayments of convertible notes		–	–	(750,000)	(750,000)
Proceeds from issue of convertible notes		–	–	600,000	600,000
Issued shares		3,150,000	3,150,000	7,500,000	7,500,000
Issue expenses		(175,000)	(175,000)	(819,071)	(819,071)
Interest paid		(38)	(15)	(30,394)	(30,394)
Interest received		76,912	48,314	23,245	18,943
Net cash inflow from financing activities		3,051,874	3,023,299	6,523,780	6,519,478
Increase/(decrease) in cash and cash equivalents		253,595	(1,015,967)	3,436,056	3,238,339
Cash and cash equivalents at beginning of the year	9	3,536,920	3,446,322	35,078	35,078
Exchange gain on cash		(25,101)	–	65,786	172,905
Cash and cash equivalents at end of the year	9	3,765,414	2,430,355	3,536,920	3,446,322

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

1. ACCOUNTING POLICIES

The Group has adopted the accounting policies set out below in preparation of the financial statements. All of these policies have been applied consistently throughout the period unless otherwise stated.

1.1 *Basis of preparation*

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

The Group's financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Directors on 21 May 2012 and the Statements of Financial Position were signed on the Board's behalf by David Steinepreis. The Group financial statements are presented in UK pounds sterling.

In accordance with the provisions of Section 408 of the Companies Act 2006, the Parent Company has not presented a Statement of Comprehensive Income. A loss for the year ended 31 December 2011 of £1,360,011 (2010: loss of £6,142,318) has been included in the Group's Statement of Comprehensive Income.

1.2 *Going concern*

During the year ended 31 December 2011 the Group made a loss of £2,913,029 (2010: a loss of £7,397,418). At the Statement of Financial Position date the Group had net assets of £11,846,816 (2010: net assets of £11,727,338) of which £3,765,414 (2010: £3,536,920) was cash at bank. The operation of the Group is currently being financed from funds which the Parent Company raised from private and public placings.

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

1.3 *Basis of consolidation*

The consolidated financial statements incorporate the accounts of the Parent 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 net assets. Goodwill is capitalised as an intangible asset and in accordance with IAS 36 'Impairments of Assets' is not amortised but tested for impairment annually and when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit and loss on sale.

1. ACCOUNTING POLICIES (continued)

1.5 ***Impairment of assets***

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

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

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

1.6 ***Property, plant and equipment***

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

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

1.7 ***Exploration and evaluation expenditure***

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

1.8 ***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 year.

1.9 ***Interest income***

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

1. ACCOUNTING POLICIES (continued)

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. Interest income and expense are reported on an accrual basis.

1.11 *Investments*

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 *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. 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. ACCOUNTING POLICIES (continued)

1.14 ***Deferred taxation***

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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.

1.15 ***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.

1.16 ***Receivables***

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

1.17 ***Trade and other payables***

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the 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.

1.18 ***Share capital***

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

1.19 ***Share based payments***

The Parent Company has granted equity settled options. The cost of equity settled transactions with employees is measured by reference to the fair value at the date on which they were granted and is recognised as an expense over the vesting period, which ends on the date the employee becomes fully entitled to the award. Fair value is determined by using the Black-Scholes option pricing model. In valuing equity settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Parent Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant value.

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

1. ACCOUNTING POLICIES (continued)

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.

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

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

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

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

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

Valuation of goodwill and investments

Management value goodwill and investments after taking into account potential ore reserves, and cash flow generated by estimated future production, sales and costs. If the assumed factors vary from actual occurrence, this will impact on the amount at which the asset should be carried on the Statement of Financial Position.

Further detailed analysis of the critical judgements and estimates relating to goodwill and investments is addressed in Note 17.

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 16.

1. ACCOUNTING POLICIES (continued)

1.21 ***Financial instruments***

IFRS7 requires information to be disclosed about the impact of financial instruments on the Group's risk profile, how the risks arising from financial instruments might affect the entity's performance, and how these risks are being managed.

Financial assets and financial liabilities are recognised on the 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 19 to the accounts.

1.22 ***Earnings per share***

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

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

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

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the company's accounting policy for the first period beginning after the effective date of the pronouncement. The new standards and interpretations are not expected to have a material impact on the Group's financial statements.

Standard	*Details of amendment*	*Annual periods beginning on or after*
IFRS 1 First-time Adoption of International Financial Reporting Standards	Standard amended to provide guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS compliant financial statements, or presenting IFRS compliant financial statements for the first time.	1 July 2011
	Standard amended to remove the fixed date of 1 January 2004 relating to the retrospective application of the de-recognition requirements of IAS 39, and relief for first-time adopters from calculating day 1 gains on transactions that occurred before the date of adoption.	1 July 2011

1. ACCOUNTING POLICIES (continued)

Standard	*Details of amendment*	*Annual periods beginning on or after*
IFRS 7 Financial Instruments: Disclosures	Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.	1 July 2011
	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations.	1 January 2013
IFRS 9 Financial Instruments	New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2015
IFRS 10 Consolidated Financial Statements	New standard that replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. Standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent Company and provides additional guidance to assist in the determination of control where this is difficult to assess.	1 January 2013
IFRS 11 Joint Arrangements	New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.	1 January 2013
IFRS 13 Fair Value Measurement	New guidance on fair value measurement and disclosure requirements.	1 January 2013
IAS 1 Presentation of Financial Statements	New requirements to group together items within OCI that may be reclassified to the profit or loss section of the Statement of Comprehensive Income in order to facilitate the assessment of their impact on the overall performance of an entity.	1 July 2012

1. ACCOUNTING POLICIES (continued)

Standard	*Details of amendment*	*Annual periods beginning on or after*
IAS 12 Income Taxes	Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.	1 January 2012
IAS 19 Employee Benefits	Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.	1 January 2013
IAS 27 Consolidated and Separate Financial Statements	Consequential amendments resulting from the issue of IFRS 10, 11 and 12.	1 January 2013
IAS 28 Investments in Associates	Consequential amendments resulting from the issue of IFRS 10, 11 and 12.	1 January 2013
IAS 32 Financial Instruments: Presentation	Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its statement of financial position and the effects of rights of set-off on the entity's rights and obligations.	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine.	1 January 2013

Based on the Group's current business model and accounting policies, management does not expect material impacts on the Group's financial statements when the new Standards and Interpretations become effective.

The Group does not intend to apply any of these pronouncements early.

2. SEGMENT REPORTING

For the purposes of segmental information, the operations of the Group are focused in the United Kingdom, Namibia and Mozambique and comprise one class of business: the exploration and evaluation of mineral resources.

The Parent Company acts as a holding company.

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

2. SEGMENT REPORTING (continued)

Geographical Segment – Group 31 December 2011

	United Kingdom	*Namibia*	*Mozambique*	*Total*
	£	£	£	£
Other income	–	4,070	–	4,070
Exploration expenditure	(133,231)	(1,547,767)	(24,393)	(1,705,391)
Administration expenses	(800,408)	(237,614)	–	(1,038,022)
Share of associate's loss	–	–	(112,990)	(112,990)
Interest paid	(15)	(23)	–	(38)
Interest received	48,314	28,598	–	76,912
Share based payments	(137,570)	–	–	(137,570)
Loss before taxation	(1,022,910)	(1,752,736)	(137,383)	(2,913,029)
Trade and other receivables	189,076	121,189	25,208	335,473
Cash and cash equivalents	2,430,355	1,322,778	12,281	3,765,414
Accrued expenditure and provisions	(219,936)	(172,670)	–	(392,606)
Goodwill	7,831,768	–	–	7,831,768
Intangible assets	968	11,993	63,518	76,479
Property, plant and equipment	13,877	216,411	–	230,288
Net assets	10,246,108	1,499,701	101,007	11,846,816

At the end of 31 December 2011, the Group had not commenced commercial production from its exploration sites and therefore had no turnover for the period.

Geographical Segment – Group 31 December 2010

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

3. OPERATING LOSS

The consolidated operating loss before tax is stated after charging:

	Year to 31 December 2011 £	*Period from 1 July 2009 to 31 December 2010* £
Depreciation and amortisation – owned assets	95,012	111,483
Parent Company auditor's remuneration	20,000	20,000
Parent Company auditor's remuneration for non-audit corporate finance work	–	43,041
Parent Company auditor's remuneration for non-audit taxation work	4,850	5,197
Subsidiary auditor's remuneration	14,802	13,589
Share based payments	137,570	4,392,870

4. LOSS PER SHARE

	Loss for the period from continuing operations £	*Weighted average number of shares*	*Loss per share Basic – pence per share*
Year ended 31 December 2011	(2,913,029)	672,065,385	(0.43) pence
Eighteen months ended 31 December 2010	(7,397,418)	455,357,377	(1.62) pence

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

5. GOODWILL AND BUSINESS COMBINATIONS

In accordance with the Share Purchase Agreement (dated 5 October 2009) entered into with Kalahari Gold Ltd, Kalahari Diamonds Ltd and Kalahari Minerals plc, the Parent Company acquired, on 20 November 2009, the entire issued share capital in, and the shareholder loans to, West Africa Gold Exploration (Namibia) (Pty) Ltd ("WAGE") and Namib Lead and Zinc Mining (Pty) Ltd ("Namib Lead"), formerly Craton Diamonds (Pty) Ltd. The consideration paid by the Parent Company for these two Namibian entities and the shareholder loans was satisfied by the allotment of 266,666,667 Ordinary shares of £0.002 ("Ordinary shares") each at 3 pence per Ordinary share.

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

5. GOODWILL AND BUSINESS COMBINATIONS (continued)

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

	Book and fair values	
	£	£
Non-current assets		
Intangible assets	62,767	
Property, plant and equipment	158,966	221,733
Current assets		
Trade and other receivables	143,582	
Cash and cash equivalents	138,770	282,352
Current liabilities		
Trade and other payables		(325,528)
Total net current assets		178,557
Non-current liabilities		
Borrowings from shareholder and related parties		(9,789,050)
Net assets acquired		(9,610,493)
Stakeholder loans acquired		9,844,725
Total assets acquired		234,232
Goodwill arising on acquisition		7,765,768
Additional goodwill from acquisition of royalty contracts (note a)		66,000
Total goodwill		7,831,768
Cost of acquiring WAGE and Namib Lead		8,000,000
Costs of acquiring royalty contracts (note a)		66,000
		8,066,000
Satisfied by:		
Shares issued as consideration shares		8,066,000

Note a:

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

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

6. INTANGIBLE ASSETS

	Exploration licences £	*Software* £	*Total* £
GROUP			
COST			
At 31 December 2010	305,087	32,436	337,523
Additions in the period	14,759	15,474	30,233
Disposals in the period	(113,709)	(18,638)	(132,347)
Effects of movement in foreign exchange	(31,289)	(7,000)	(38,289)
At 31 December 2011	174,848	22,272	197,120
DEPRECIATION			
At 31 December 2010	113,362	22,053	135,415
Charge for the period	20,002	11,040	31,042
Disposals in the period	(718)	(18,638)	(19,356)
Effects of movement in foreign exchange	(21,978)	(4,482)	(26,460)
At 31 December 2011	110,668	9,973	120,641
NET BOOK VALUE			
At 31 December 2011	64,180	12,299	76,479
At 31 December 2010	191,725	10,383	202,108

	Exploration licences & Royalty contracts £	*Software* £	*Total* £
COMPANY			
COST			
At 31 December 2010	235,485	2,368	237,853
Additions in the period	7,023	–	7,023
Disposals in the period	(176,508)	–	(176,508)
At 31 December 2011	66,000	2,368	68,368
DEPRECIATION			
At 31 December 2010	–	610	610
Charge for the period	–	790	790
At 31 December 2011	–	1,400	1,400
NET BOOK VALUE			
At 31 December 2011	66,000	968	66,968
At 31 December 2010	235,485	1,758	237,243

6. INTANGIBLE ASSETS (continued)

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

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

7. PROPERTY, PLANT AND EQUIPMENT

	Plant & machinery £	*Fixtures & fittings* £	*Motor vehicles* £	*Total* £
GROUP				
COST				
At 31 December 2010	58,019	40,298	241,609	339,926
Additions in period	58,313	33,979	87,850	180,142
Disposals in the period	–	–	(47,885)	(47,885)
Effects of movement in foreign exchange	(31,883)	(25,126)	(52,027)	(109,036)
At 31 December 2011	84,449	49,151	229,547	363,147
DEPRECIATION				
At 31 December 2010	33,217	26,190	95,737	155,144
Charge for the period	21,169	11,844	30,957	63,970
Disposals in the period	–	–	(20,351)	(20,351)
Effects of movement in foreign exchange	(24,848)	(21,518)	(19,538)	(65,904)
At 31 December 2011	29,538	16,516	86,805	132,859
NET BOOK VALUE				
At 31 December 2011	54,911	32,635	142,742	230,288
At 31 December 2010	24,802	14,108	145,872	184,782

	Plant & machinery £	*Fixtures & fittings* £	*Motor vehicles* £	*Total* £
COMPANY				
COST				
At 31 December 2010	–	–	–	–
Additions in period	–	15,674	–	15,674
Disposals in the period	–	–	–	–
At 31 December 2011	–	15,674	–	15,674
DEPRECIATION				
At 31 December 2010	–	–	–	–
Charge for the period	–	1,797	–	1,797
Disposals in the period	–	–	–	–
At 31 December 2011	–	1,797	–	1,797
NET BOOK VALUE				
At 31 December 2011	–	13,877	–	13,877
At 31 December 2010	–	–	–	–

7. PROPERTY, PLANT AND EQUIPMENT (continued)

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

8. TRADE AND OTHER RECEIVABLES

	Group 31 December 2011 £	*Company 31 December 2011* £	*Group 31 December 2010* £	*Company 31 December 2010* £
Amounts falling due within one year:				
Prepayments	90,857	64,636	45,112	19,794
Other receivable	244,616	124,438	63,644	17,825
	335,473	189,074	108,756	37,619
Amounts falling due after more than one year:				
Amounts due from subsidiary undertakings	–	11,642,770	–	9,251,291

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

9. CASH AND CASH EQUIVALENTS

	Group 31 December 2011 £	*Company 31 December 2011 £*	*Group 31 December 2010 £*	*Company 31 December 2010 £*
Cash at bank and in hand	3,765,414	2,430,355	3,536,920	3,446,322
	3,765,414	2,430,355	3,536,920	3,446,322

10. TRADE AND OTHER PAYABLES

	Group 31 December 2011 £	*Company 31 December 2011 £*	*Group 31 December 2010 £*	*Company 31 December 2010 £*
Trade payables	124,715	61,443	62,789	30,682
Other payables	267,891	158,493	74,207	42,000
	392,606	219,936	136,996	72,682

11. CONVERTIBLE LOAN NOTES

	Group 31 December 2011 £	*Company 31 December 2011 £*	*Group 31 December 2010 £*	*Company 31 December 2010 £*
At beginning of the period	–	–	150,000	150,000
New loans in the period	–	–	600,000	600,000
Loans repaid/converted in the period	–	–	(750,000)	(750,000)
At end of the period	–	–	–	–

There were no Convertible Loan Notes issued in the year to 31 December 2011. During the 18 months to 31 December 2010 Convertible Loan Notes were issued as noted below:

- In October 2009 Convertible Loan Notes totalling £100,000 were issued and subsequently converted to Ordinary shares as part of the placement of 233,333,333 Ordinary shares on 20 November 2009.

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

11. CONVERTIBLE LOAN NOTES (continued)

During the year to 31 December 2011 the Parent Company incurred no interest charge on the Convertible Loan Notes. For the 18 months to 31 December 2010 interest charges were as follows:

	Group 31 December 2011	*Company 31 December 2011*	*Group 31 December 2010*	*Company 31 December 2010*
	£	*£*	*£*	*£*
Interest on Convertible Loan Notes	–	–	30,394	30,394

12. ORDINARY SHARES

Allotted, issued and fully paid:

Number	*Class*	*Nominal value*	*At 31 December 2011*	*At 31 December 2010*
			£	*£*
701,200,000	Ordinary	0.2p	1,402,400	1,192,400

Date of issue	*Detail of issue*	*Number of Ordinary shares*	*Share capital*	*Share premium*
			£	*£*
26 August 2009	Consolidation of capital (0.002p)	34,000,000	68,000	481,238
24 September 2009	Placement to provide working capital	40,000,000	80,000	320,000
24 September 2009	Placement – Mozambique licences	10,000,000	20,000	80,000
09 October 2009	Conversion of convertible notes	10,000,000	20,000	80,000
20 November 2009	Consideration to Kalahari Diamonds	21,666,667	43,333	606,667
20 November 2009	Consideration to Kalahari Gold	245,000,000	490,000	6,860,000
20 November 2009	Placement to provide working capital	233,333,333	466,667	6,533,333
18 February 2010	Issue to purchase Royalty contracts	2,200,000	4,400	61,600
	Cost of issuing capital in the period			(819,071)
As at 31 December 2010		596,200,000	1,192,400	14,203,767
12 April 2011	Placement to provide working capital	105,000,000	210,000	2,940,000
	Cost of issuing capital in the period	–	–	(175,000)
As at 31 December 2011		701,200,000	1,402,400	16,968,767

In the period from 1 January 2011 to 31 December 2011 the following Ordinary share issues occurred:

On 12 April 2011 105,000,000 Ordinary shares were placed in the market to raise £3,150,000 in share capital. Cash placement costs were £175,000 resulting in an increase in working capital of £2,975,000. The placing increases the number of Ordinary shares in issue at 31 December 2011 to 701,200,000.

13. TAXATION

	Group 31 December 2011 £	*Group 31 December 2010 £*
Factors affecting the tax charge for the year		
Loss from continuing operations before income tax expenses	(2,913,029)	(7,397,418)
Tax at 26.5% (2010: 28%)	(771,953)	(2,071,277)
Expenses not deductible	122,245	964,963
Overseas rate differences	(158,403)	(119,235)
Excess/(shortfall) of fiscal depreciation over accounting depreciation	4,294	34,325
Other timing differences not recognised (exploration costs, leave pay)	395,071	715,379
Losses carried forward not recognised	408,746	475,845
Income tax expense	–	–

The Group has tax losses of £3.1 million and exploration costs of £12.4 million which will be available for offset against future income. No deferred tax has been reflected on these assets as the timing of their utilisation is uncertain at this stage.

The total amounts of deferred tax are:

	Group 31 December 2011 £	*Group 31 December 2010 £*
Provided for		
Accelerated capital allowances	–	–
Exploration costs	–	–
Share based payments	–	–
Unutilised losses	–	–
Total provided for	–	–
Un-provided for		
Accelerated capital allowances	62,509	28,611
Exploration costs	(4,661,301)	(5,224,077)
Share based payments	–	(248,119)
Unutilised losses	(807,633)	(464,359)
Total un-provided deferred tax	(5,406,425)	(5,907,944)
Total deferred tax		
Accelerated capital allowances	62,509	28,611
Exploration costs	(4,661,301)	(5,224,077)
Share based payments	–	(248,119)
Unutilised losses	(807,633)	(464,359)
Total deferred tax	(5,406,425)	(5,907,944)

14. 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 at 31 December 2011*
North River Resources (Murrupula) Limitada	Mozambique	40%

North River Resources (Murrupula) Limitada ('Murrupula') is a company that was registered in Mozambique on 27 January 2011. The Group's 40 per cent. interest in Murrupula is jointly held by North River Resources Plc (20 per cent.) and NRR Mozambique Limited (20 per cent.). It is also the beneficial owner of 2 exploration licences, which are in the process of being registered in the name of the company by the Ministry of Mines in Mozambique. The licences and Murrupula are the subject of a joint venture ("JV") agreement between Baobab Resources Limited ("Baobab") and North River Resources Plc. Under the JV agreement Baobab is entitled to a 60 per cent. participation interest in Murrupula on completing an agreed level of exploration expenditure before 13 November 2011. Baobab has completed the agreed exploration work and is now entitled to 60 per cent. ownership of Murrupula. Due to the fact that the exploration licences have not yet been registered in the name of Murrupula, 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:

	Year ended 31 December 2011 £
Total assets	141,939
Total liabilities	(256,696)
	(114,757)
The Group's share of net liabilities	(45,902)
Revenues	–
Loss	(659,959)
The Group's share of loss	(263,984)

Note:

No comparative information has been presented as North River Resources (Murrupula) Limitada was registered on 27 January 2011.

Carrying value of investment in associate

	Group £	*Company* £
Investment at cost	112,990	56,495
Share of associates loss for the year	(112,990)	–
Carrying value of investment at 31 December 2011	–	56,495

15. SUBSIDIARY ENTITIES

The financial statements include the following subsidiary companies:

Company	*Country of Incorporation*	*Equity holding*	*Nature of business*
NRR Energy Minerals Limited	United Kingdom	100%	Dormant
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
North River Resources Ltd[Note 1]	Isle of Man	100%	Dormant
North River Minerals Ltd[Note 1]	Isle of Man	100%	Dormant

Note 1:

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

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 14).

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

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.

	Year ended 31 December 2011	*Year ended 31 December 2010*
Carrying value of investments in subsidiaries		
Opening balance	2	2
Additions during the period	472,749	–
Closing balance	472,751	2

During the year 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.

16. SHARE BASED PAYMENTS

	Year ended 31 December 2011	*Year ended 31 December 2010*
Share options outstanding		
Opening balance	117,200,000	3,000,000
Issued in the period	–	114,900,000
Expired/cancelled during the period[Note 1]	(3,000,000)	(700,000)
Closing balance	114,200,000	117,200,000

Note 1:
3,000,000 options granted on 27 December 2006 with an exercise price of 10p expired on 27 December 2011 with no value. These options were fully expensed in prior periods. The prior period cost of these options of £154,775 has been written back to retained reserves through the statement of changes in equity.

Details of share options outstanding at 31 December 2011:

Date of grant	*Number of options*	*Option price p*	*Exercisable between*
24 September 2009	61,000,000	5p	24/09/09 – 30/06/14
24 September 2009	10,000,000	10p	24/09/09 – 30/06/14
12 October 2009	10,000,000	5p	12/10/09 – 30/06/14
23 November 2009	15,000,000	5p	23/11/09 – 23/11/14
3 February 2010	4,725,000	7.5p	03/02/10 – 01/02/13
3 February 2010	4,375,000	7.5p	01/02/11 – 01/02/13
3 February 2010	4,725,000	10p	03/02/10 – 01/02/15
3 February 2010	4,375,000	10p	01/02/11 – 01/02/15

Included within administration expenses is a charge for issuing share options of £137,570 (2010: £4,392,870) which was recognised in accordance with the Group's accounting policies.

Additional disclosure information

Weighted average exercise price of share options:	
– outstanding at the beginning of the period	6.1 pence
– granted during the period	6.1 pence
– outstanding at the end of the period	6.1 pence
– exercisable at the end of the period	6.1 pence
Weighted average remaining contractual life of share options outstanding at the end of the period	2.35 years

17. IMPAIRMENT TESTING OF GOODWILL AND ASSETS WITH INDEFINITE LIVES

Goodwill

The Directors are of the opinion that the Goodwill acquired in respect of WAGE and Namib Lead in November 2009 represents the value of the Licence Areas held by WAGE and Namib Lead at 31 December 2011. 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.

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

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

In reviewing the Goodwill value, it is noted that the commodity prices for the commodities that WAGE and Namib Lead are exploring for in Namibia have increased since November 2009. Copper prices have moved from approximately US$6,500 per tonne in November 2009 to approximately US$8,500 per tonne in January 2012 as well as the increase in gold, lead and zinc prices over that time.

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

Project	*Application name*	*Type*	*Number*	*Surface area (km^2)*	*Annual licence fees (N$)*	*Current status*	*Expiry date*
Namib Lead	Namib Lead	EPL	2902	45.23400	2,000	Renewed	17/04/2012
Ubib	Ubib	EPL	3139	545.75000	6,000	Renewed	19/04/2013
Dordabis	Kupferberg	EPL	3257	473.06900	5,000	Renewed	01/06/2012
Witvlei	Christiadore	EPL	3258	286.60800	3,000	Renewed	15/05/2012
Witvlei	Okatjirute	EPL	3261	266.27600	3,000	Renewed	25/07/2013

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

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

Goodwill ascribed to areas	*Group 31 December 2011 £*	*Group 31 December 2010 £*
WAGE		
Witvlei Copper	4,719,300	4,719,300
Dordabis Copper	1,983,634	1,983,634
	6,702,934	6,702,934
Namib Lead		
Namib Lead – mine	1,036,052	1,036,052
Ubib	92,782	92,782
	1,128,834	1,128,834
Total, as agreed to Note 5	7,831,768	7,831,768

Assets with indefinite lives

The Parent Company has receivables from Group companies, namely, from WAGE and Namib Lead (disclosed in note 8). The Directors are also of the opinion that the decision not to impair the value of the Goodwill and the reasons for that decision supports their decision not to impair the loans extended to WAGE and Namib Lead.

On acquisition of WAGE and Namib Lead the Parent Company paid £8,000,000 for the loans in WAGE and Namib Lead. Since the acquisition date a further £3,642,770 has been provided to the subsidiaries as working capital. During 2011 an amount of £472,749 was converted from a loan to WAGE into a further investment in WAGE's share capital.

18. FAIR VALUE

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

	Book Value		*Fair Value*	
	31 December 2011	*31 December 2010*	*31 December 2011*	*31 December 2010*
	£	*£*	*£*	*£*
Financial Assets				
Trade and other receivables	335,473	108,756	335,473	108,756
Cash and cash equivalents	3,765,414	3,536,920	3,765,414	3,536,920
Total	4,100,887	3,645,676	4,100,887	3,645,676
Financial Liabilities				
Trade and other payables	392,606	136,996	392,606	136,996
Total	392,606	136,996	392,606	136,996

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.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The Group does not use derivative products to hedge foreign exchange risk and has exposure to foreign exchange rates prevailing at the dates when funds are transferred into different currencies.

Cash flow interest rate risk

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

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 2011*	*Non-interest bearing 2011*	*Total*
	%	*£*	*£*	*£*	*£*
Year ended 31 December 2011					
Financial instruments					
Financial assets					
Trade and other receivables	0.00	–	–	335,473	335,473
Cash on deposit	1.79	3,765,414	–	–	3,765,414
Total financial assets		3,765,414	–	335,473	4,100,887
Financial liabilities					
Trade and other payables	0.00	–	–	392,606	392,606
Total financial liabilities		–	–	392,606	392,606
Eighteen months ended 31 December 2010					
Financial instruments					
Financial assets					
Trade and other receivables	0.00	–	–	108,756	108,756
Cash on deposit	0.50	3,536,920	–	–	3,536,920
Total financial assets		3,536,920	–	108,756	3,645,676
Financial liabilities					
Trade and other payables	0.00	136,996	–	–	136,996
Total financial liabilities		136,996	–	–	136,996

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.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 2011 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.

20. RELATED PARTY TRANSACTIONS

Ascent Capital Holdings Pty Ltd, a company associated with David Steinepreis, was paid fees in the amount of £Nil (2010: £100,000) for the provision of services provided by David Steinepreis. It was also paid £Nil (2010: £29,008) for the provision of office facilities to the Parent Company. During the year £27,241 (2010: £18,593) was charged by Ascent Capital for secretarial services. Balance owing at year end was £2,254 (2010: £2,473).

Fernan Pty Ltd, a company associated with Mark Hohnen, was paid fees in the amount of £48,000 (2010: £53,467) for the provision of services provided by Mark Hohnen.

Kalahari Minerals Plc, a major shareholder in the Parent Company received £22,420 (2010: £30,168) for the provision of office facilities to the Parent Company.

In Namibia, TLP Investments 105 (Pty) Limited, a subsidiary of Kalahari Minerals Plc, received £Nil (2010: £31,811) for the provision of office facilities to the Parent Company's Namibian subsidiaries.

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

21. EMPLOYEES' AND DIRECTORS' REMUNERATION

	Group year to 31 December 2011 £	*Group year to 31 December 2010 £*
Employee remuneration	300,227	564,510
Employee social security costs	18,254	45,464
Total	318,481	609,974

Average employee numbers	*Number*	*Number*
Exploration and expenditure	11	14
Administration and management	9	10
Total	20	24

2011 Directors	*Directors' salary year to 31 December 2011 £*	*Directors' fees year to 31 December 2011 £*	*Consulting fees year to 31 December 2011 £*	*Share based payments year to 31 December 2011 £*	*Total year to 31 December 2011 £*
Mark Hohnen	–	48,000	–	2,086	50,086
David Steinepreis	150,000	–	–	34,448	184,448
Martin French	–	24,000	12,000	32,806	68,806
Glyn Tonge	–	24,000	–	444	24,444
	150,000	96,000	12,000	69,784	327,784

21. EMPLOYEES' AND DIRECTORS' REMUNERATION (continued)

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

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

22. FINANCIAL COMMITMENTS

At 31 December 2011 the Group and Parent Company were committed to making the following payments under non-cancellable operating leases in the year to December 2012:

	Group 31 December 2011 £	*Company 31 December 2011* £	*Group 31 Dec 10 2010* £	*Company 31 December 2010* £
Operating lease which expires between two and five years	29,782	29,782	–	–

23. CONTROL

No one party is identified as controlling the Group.

24. EXPLORATION EXPENDITURE COMMITMENTS

Restoration commitments

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

JV agreement with Extract Resources Ltd

An agreement has been signed with Extract Resources Ltd ("Extract") relating to their respective wholly-owned subsidiaries, Extract Resources (Namibia) (Proprietary) Ltd ("Extract Namibia"), NRR Energy Minerals Limited ("NRR Energy") and WAGE. During 2011 Extract Resources (Namibia) (Proprietary) Ltd changed its name to Brandberg Energy (Namibia) (Proprietary) Limited ("Brandberg").

24. EXPLORATION EXPENDITURE COMMITMENTS (continued)

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

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

Existing Exploration Licences in Namibia

The Group has a number of exploration licence in Namibia. There is a commitment to spend £3,400,000 on these licences through 2012 and into 2013. 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. The commitments are based on a positive outcome for all stages of work within the period of tenure of each licence. It should also be noted that if the project has negative results in the first 6 months of the licence tenure – then the project can be terminated without further expenditure.

Existing Exploration Licences in Mozambique

The Group has 1 exploration licence in Mozambique. Under the JV agreement covering this licence our JV partner is committed to cover the cost of exploration for the foreseeable future.

The Group has a 40 per cent. interest in 2 further licences through its associated company North River Resources (Murrupula) Limitada. No significant expenditure is envisaged on these licences (see Note 14).

25. POST BALANCE SHEET EVENTS

Post period end, the Group formalised the JV with Brandberg and the 38.03 per cent. shareholding ultimately held by Kalahari Minerals Limited was acquired by Taurus Mineral Limited.

These events are covered in more detail in the Managing Director’s Statement on pages 4 to 9, the Directors’ Report and Note 24.