# Report and Financial Statements
# 28 February 2008

GOLDSTONE
RESOURCES LTD.

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## DIRECTORS

N P J van der Hoven
Dr W E L Minter
J H Wessels
Sir J M Y Oliver
Dr H Schloemann

## REGISTERED OFFICE

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# CHIEF EXECUTIVE OFFICER'S REPORT

I am setting out below a review of GoldStone's activities during the year ended 28 February 2008, which incorporates an update on the current status of the Company's projects.

## BAUXITE

Detailed sampling was undertaken during the first quarter of 2007 on the Company's bauxite interests in Guyana, South America. GoldStone has since received all the results from this completed programme. During July 2007 BHP Billiton elected not to exercise its option over the bauxite interests and subsequently made available to the Company all information in its possession relating to the exploration programme, as well as a summarising geological report. GoldStone has, after a thorough review of all the BHP Billiton information, exercised its right to apply for eleven prospecting licences within the area of the reconnaissance permission.

The Company is in continuing discussions with participants in the bauxite industry with the objective of commercialising these interests.

## SWARTDORING DIAMOND PROJECT

In January 2008 the Company appointed Snowden Mining Industry Consultants (Pty) Ltd ("Snowden") to oversee its planned exploration programme for the Swartdoring Diamond Project, with the objective of generating a Snowden-endorsed bankable feasibility study on the project.

Snowden recommended that the planned programme be redesigned so that the exploration be undertaken initially on only part of the Inferred Resource in order to maximise the value of the drilling and sampling programme while minimising risk. Such a programme would have been designed to provide an Indicated Resource in compliance with JORC standards of up to 1.9 million tonnes, out of the total 12 million tonne Inferred Resource, in an area of approximately 250m by 1,000m with mining commencing in 12 to 18 months.

The Board anticipated that the revised exploration programme would require an investment substantially in excess of US$500,000. The increase in exploration costs coupled with the substantial reduction in the potentially Indicated Resource, led the Board to conclude that the criteria set for the acquisition of the project were no longer satisfied. GoldStone accordingly decided early in March 2008 to terminate the acquisition and this was accepted by the vendor, GeoQuest Holdings Limited.

## DR3-EAST URANIUM PROJECT

In line with GoldStone's policy of searching for sediment hosted minerals, the Company commenced an investigation during January 2008 into a uranium deposit in South Africa. The conclusion of this process led to GoldStone conditionally agreeing to acquire a 100 per cent. interest in a uranium exploration project from Hymrai Properties 1 (Pty) Ltd which is known as the DR3-East Uranium Project.

The area held under the prospecting permit occupies 43 $km^2$ and is adjacent to Areva's DR3 uranium resource, some 55km north of the town of Laingsburg in the Western Cape Province of South Africa. An examination and re-interpretation of the historical exploration data obtained by GoldStone is ongoing.

## GOLD

Since March 2008 the Board has focused particularly on palaeoplacer and hydrothermal gold prospects, in order to leverage the Company's expertise in this field. The Company has consequently been assessing and reviewing international opportunities in this field.

Positive results of research completed into the prospectivity, political stability and mining legislation of certain of the selected countries have led to applications for and/or the granting of the following gold exploration permits:

### Mali

In June 2008 the Company was granted two gold exploration permits in Mali, West Africa. The Baroya and Metedia permit areas (the "Permit Areas") are contiguous and occupy a total area of 15 $km^2$, close to the international border with Senegal in the south-western gold belt of Mali. The granted permits are within 8 km of the Tabakoto/Segala gold mine, which went into production during 2006 and was recently acquired by Avion Resources. The permits grant the Company exclusive exploration rights for a period of three months. At the end of this period the Company may elect to renew the permits for a second evaluation period of three months or apply for a prospecting licence valid for a period of two years. A further area adjacent to the Permit Areas is still under application with the Malian Director of Geology and Mines (" DNGM ").

The Permit Areas have previously been explored by various Malian and international companies. The most recent report available from the DNGM for the Permit Areas is dated 2003 and indicates that exploration was discontinued on the Permit Areas during 2003 when the gold price was approximately US$350 per ounce and also before the Tabakoto gold mine entered into production.

### Senegal

The Company has lodged applications for three gold exploration permits in Senegal, West Africa.

The Sangola (471 $km^2$), Dindefelou (280 $km^2$) and Velingara (575 $km^2$) licences applied for all lie within the prospective Kenieba inlier of the Birimian Formation and are close to the border of Guinea. Two of the permit areas in question contain potential hydrothermal gold mineralization, whilst the third may contain palaeoplacer gold mineralization. The Directors believe that these areas have not been explored using modern techniques and accordingly may hold the potential for new gold discoveries. Senegalese mining legislation provides for a processing period of six months from the date an exploration application is lodged.

### India

GoldStone has applied to the Foreign Investment Promotion Board ("FIPB") of India to establish a subsidiary company in order to explore for gold, diamond and uranium mineral resources. Following the FIPB's approval for gold and diamonds and further investigations by the Company, GoldStone has submitted an application to explore an identified basin in one of the states of India where Witwatersrand type palaeoplacer sedimentation has been described in a publication by the Geological Society of India. During previous exploration by the Government of India, a basal quartz-pebble conglomerate unit was found to have been invariably mineralised with pyrite and uranium, a well known characteristic of Witwatersrand palaeoplacers. GoldStone has visited this site and the Board is of the opinion that the deposits deserve detailed exploration.

## LISTING ON ALT$^X$

The Directors are of the opinion that a listing on the Alternative Exchange of the JSE Limited ("ALT$^X$") would raise the Company's profile, open new avenues for fund raising for the Company, if required, and will provide improved liquidity for the Company's shareholders at a relatively low cost. In addition an ALT$^X$ listing will allow GoldStone to invest in the South African Development Community ("SADC"), a region that is well-known for its exploration opportunities.

## FINANCING

The Company's cash resources are currently approximately US$2 million.

## BOARD

We were pleased to welcome Dr. Hendrik Schloemann to the Board as Director of Exploration and New Business Development during April 2008.

The Board believes that his appointment to the portfolio of Exploration and Business Development will further the expansion of the Company's gold exploration horizons. Dr. Schloemann's focus will be on hydrothermal gold deposits.

## OUTLOOK

The Board looks forward to completing the acquisition of the DR3-East Uranium Project, which has the potential to provide near-term revenue for the Company and to rebuild value for shareholders. The listing of GoldStone on the ALT$^X$ is progressing and the Board expects that this process will be concluded during the current calendar year in order to enable the completion of the acquisition of the DR3-East Uranium Project.

The Board took a decision during March 2008 to focus the Company's principal activities on the exploration for palaeoplacer and hydrothermal gold mineralization as well as associated minerals, such as silver, copper and uranium. As a consequence the Board is investigating and reviewing other potential exploration projects in this area.

## APPROVAL

Dr. Lawrie Minter, who holds a PhD in palaeoplacer sedimentology, has reviewed and approved the content of this announcement.

**Chief Executive Officer**
Nico van der Hoven
24 July 2008

# DIRECTORS' REPORT

The Directors submit their report and financial statements for the year ended to 28 February 2008.

## INCORPORATION

The company was incorporated in Jersey as a private company under the Companies (Jersey) Law 1991 on 17 April 1998. The company was changed from a private company to a public company on 16 March 2004. The company was successfully admitted to AIM on 25 March 2004 with a placing of 22,400,000 ordinary 1p shares at 25p per share which raised £5.6 million, primarily from institutional investors. A further placing of 68,083,330 ordinary shares at 3p per share occurred on 12 October 2005, which raised £2,042,500. This money is used to continue the company's activities in Guyana and to progress the company's current gold and uranium prospects.

## PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company's principal activity is exploration and mining of sediment hosted minerals, which include precious stones and metals. With the cessation of the gold exploration programme in Guyana, the Directors are active in seeking new gold and possibly associated uranium exploration opportunities internationally. A review of the company's performance and indications of likely future development is included in the Chief Executive Officer's report on page 2.

## RESULTS AND DIVIDENDS

The loss for the financial year is set out in the profit and loss account on page 7.

The Directors do not recommend a dividend for the year ended 28 February 2008 (year ended 28 February 2007: $Nil).

## Directors

The present Directors of the company who served throughout the year and subsequently are set out on page 1.

## CORPORATE GOVERNANCE

The company's share capital is listed on the Alternative Investment Market ("AIM") and as such the company can, if it chooses, comply with the terms of the Code of Best Practice on the Financial Aspects of Corporate Governance, although neither compliance nor a statement on the degree of compliance is a requirement of AIM.

The Directors will, in the following financial year, consider the application and the company's compliance with these principles, taking account of the fact that as an AIM company they are not required to provide such disclosures.

## AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office.

Approved by the Board of Directors
and signed on behalf of the Board

**Secretary**
JH Wessels
24 July 2008

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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 and in pursuance of regulatory requirements for AIM Companies, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board
**Secretary**
JH Wessels
24 July 2008

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOLDSTONE RESOURCES LIMITED

We have audited the financial statements of Goldstone Resources Limited for the year ended 28 February 2008 which comprise the statement of operations, the balance sheet, the statement of changes in equity, the cash-flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

The Directors responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as issued by the International Accounting Standards Board, of the state of the company's affairs as at 28 February 2008 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

**Deloitte & Touche LLP**

Chartered Accountants
St. Helier, Jersey
24 July 2008

# PROFIT AND LOSS ACCOUNT
## For the year ended 28 February 2008

| | Note | Year ended 2008 $ | Year ended 2007 $ |
|---|---|---|---|
| **Turnover** | | | |
| Management fees – continuing operations | | 47,500 | 139,722 |
| Interest receivable – continuing operations | | 136,161 | 141,583 |
| | | | |
| | | 183,661 | 281,305 |
| **Exploration expenses** | | | |
| Exploration expenses – continuing operations | 3 | (105,793) | - |
| Exploration expenses – discontinued operations | 3 | - | (759,626) |
| | | | |
| **Gross profit/ loss** | | 77,868 | (478,321) |
| | | | |
| Other operating expenses – continuing operations | | (847,189) | (490,857) |
| | | | |
| **OPERATING LOSS FOR THE FINANCIAL YEAR** | | | |
| From continuing operations | 4 | (769,321) | (209,552) |
| From discontinued operations | 4 | - | (759,626) |
| | | | |
| Profit on disposal of fixed asset – discontinued operations | | - | 290,929 |
| | | | |
| **LOSS FOR THE FINANCIAL YEAR** | | (769,321) | (678,249) |
| | | | |
| **Loss per ordinary share** | | | |
| Basic, from continuing operations (cents per share) | 11 | (0.6c) | (0.2c) |
| Basic, from discontinued operations (cents per share) | 11 | - | (0.3c) |

The notes on page 11 to 17 form part of these financial statements.

# BALANCE SHEET
## For the year ended 28 February 2008

| | Note | Year ended 2008 $ | Year ended 2007 $ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | 5 | 21,016 | 30,490 |
| **CURRENT ASSETS** | | | |
| Debtors and prepayments | 6 | 19,195 | 48,540 |
| Cash at bank | | 2,336,447 | 3,103,109 |
| | | 2,355,642 | 3,151,649 |
| **CREDITORS: amounts falling due within one year** | | | |
| Creditors and accruals | | (42,519) | (78,679) |
| **Net current assets** | | 2,313,123 | 3,072,970 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,334,139 | 3,103,460 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 7 | 2,354,482 | 2,354,482 |
| Share premium | 9 | 13,849,554 | 13,849,554 |
| Capital contribution reserve | 9 | 555,110 | 555,110 |
| Accumulated deficit | 9 | (14,425,007) | (13,655,686) |
| **SHAREHOLDERS' FUNDS** | 8 | 2,334,139 | 3,103,460 |

These financial statements were approved by the Board of Directors on 24 July 2008.

N P J van der Hoven
**Director**

The notes on page 11 to 17 form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY
## 28 February 2008

| | Note | Year ended 2008 $ | Year ended 2007 $ |
|---|---|---|---|
| **SHARE CAPITAL** - £0.01 par value | | | |
| Authorised – 250,000,000 shares | | | |
| Issued and fully paid – 130,816,663 shares | | 2,354,482 | 2,354,482 |
| **SHARE PREMIUM** | | 13,849,554 | 13,849,554 |
| **CAPITAL CONTRIBUTION RESERVE** | | 555,110 | 555,110 |
| **ACCUMULATED DEFICIT** | | | |
| Balance at beginning of year | | (13,655,686) | (12,977,437) |
| **Net loss** | | (769,321) | (678,249) |
| Balance at end of year | | (14,425,007) | (13,655,686) |
| | 8 | 2,334,139 | 3,103,460 |

STATEMENT OF CHANGES IN EQUITY

# CASH FLOW STATEMENT
## For the year ended 28 February 2008

| | Year ended 2008 $ | Year ended 2007 $ |
|---|---|---|
| **Net cash outflow from operating activities** | (898,997) | (705,657) |
| | | |
| **Investing activities** | | |
| Interest received | 136,161 | 141,583 |
| Purchase of fixed assets | (3,826) | (3,968) |
| Sale of fixed assets | - | 350,000 |
| | | |
| | (766,662) | (218,042) |
| | | |
| **Decrease in cash** | (766,662) | (218,042) |
| **Cash at beginning of the year** | 3,103,109 | 3,321,151 |
| | | |
| **Cash at end of the year** | 2,336,447 | 3,103,109 |
| | | |
| **Reconciliation of operating loss to net cash outflow from operating activities** | | |
| Loss for the financial year | (769,321) | (678,249) |
| | | |
| Adjusted for: | | |
| Depreciation | 13,299 | 50,233 |
| Profit on disposal of fixed asset | - | (290,929) |
| Interest received | (136,161) | (141,583) |
| Decrease in debtors | 29,345 | 346,023 |
| (Decrease)/increase in creditors | (36,159) | 8,848 |
| | | |
| **Net cash outflow from operating activities** | (898,997) | (705,657) |

# NOTES TO THE ACCOUNTS
## For the year ended 28 February 2008



## 1. ACCOUNTING POLICIES

The financial statements are prepared in United States Dollars under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs). The particular accounting policies adopted are described below.

### Change in accounting policies

The new accounting policies based on International Financial Reporting Standards (IFRSs) became effective on 1 January 2007 in accordance with the AIM Rules of the London Stock Exchange. The change did not have a material impact to the company's financial statements. However, required disclosures were included in the 2008 and 2007 balances where applicable, as required by IFRSs.

The company also adopted IFRS 7 Financial Instruments: Disclosures which are effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. Additional disclosures in respect of the adoption of this standard are included in Note 14.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

| | |
|---|---|
| IFRS 8 | *Operating Segments* |
| IFRIC 11 | *IFRS 2 – Group and Treasury Share Transactions* |
| IFRIC 12 | *Service Concession Arrangements* |
| IFRIC 14 | *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* |

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no impact on the financial statements of the company except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

### Tangible fixed assets and depreciation

Tangible assets are stated at cost less accumulated depreciation.

Tangible fixed assets are depreciated on the straight line basis at the following annual rates calculated to write off their cost to their estimated residual value over their expected useful lives.

| | |
|---|---|
| Office Equipment | 25% |
| Computer Equipment | 33.3% |

Gold samples are stated at cost and are not depreciated.

### Exploration costs

Exploration costs are expensed until the commercial viability of a project has been proven.

### Income and expenses

Income and expenses are included in the financial statements on the accruals basis.

### Foreign exchange

These financial statements are prepared using United States dollars as the functional currency. Transactions denominated in other currencies are translated into United States dollars at the rates actually incurred when making the transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated at the exchange rate ruling at that date. These translation differences are dealt with in the profit and loss account.

### Taxation

The company has been granted exempt company status under Article 123A of the Income Tax (Jersey) Law 1961. This status is renewable annually. The Company plans to maintain this status for as long as it is available pending the introduction of a general zero rate of corporate income tax which will be introduced as from 1 January 2009. In order to hold exempt status, an annual fee of £600 is payable. The fee is included as an expense in the statement of operations as it is not dependent on the company's results.

The company is also registered for income tax purposes with the South African Revenue Service ('SARS'). Due to the loss making position of the company, there is no South African corporate tax charge this year (2007: $nil).

# NOTES TO THE ACCOUNTS
## For the year ended 28 February 2008

### 2. SEGMENTAL ANALYSIS

The Directors consider for segmental information purposes that the turnover and operating loss are incurred in the principal business activity of mineral exploration and that the net assets of the company are held in South Africa.

### 3. EXPLORATION EXPENSES

| | Year ended 2008 $ | Year ended 2007 $ |
|---|---|---|
| Exploration expenses | (66,400) | (665,025) |
| Geological expenses | (39,393) | (94,601) |
| | (105,793) | (759,626) |

### 4. OPERATING LOSS FOR THE FINANCIAL YEAR

The operating loss is stated after charging:

| | Year ended 2008 $ | Year ended 2007 $ |
|---|---|---|
| Auditors' remuneration | 15,280 | 18,666 |
| Depreciation | 13,299 | 50,233 |
| Foreign exchange difference | 1,439 | (147,519) |
| Directors' Remuneration – Executive Directors | 307,565 | 330,298 |
| Directors' Remuneration – Non Executive Directors | 23,479 | 11,740 |

### 5. TANGIBLE FIXED ASSETS

| | Gold samples $ | Computer equipment $ | Office equipment $ | Field/ geological equipment $ | Total $ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 March 2007 | 4,570 | 38,782 | 54,695 | 51,809 | 149,856 |
| Additions | - | 3,537 | 288 | - | 3,825 |
| At 28 February 2008 | 4,570 | 42,319 | 54,983 | 51,809 | 153,681 |
| **Accumulated depreciation** | | | | | |
| At 1 March 2007 | - | 32,856 | 34,701 | 51,809 | 119,366 |
| Charge for the year | - | 4,036 | 9,263 | - | 13,299 |
| At 28 February 2008 | - | 36,892 | 43,964 | 51,809 | 132,665 |

| | Gold samples $ | Computer equipment $ | Office equipment $ | Field/ geological equipment $ | Total $ |
|---|---|---|---|---|---|
| **Net book value** | | | | | |
| At 28 February 2008 | 4,570 | 5,427 | 11,019 | - | 21,016 |
| At 28 February 2007 | 4,570 | 5,926 | 19,994 | - | 30,490 |
| **Cost** | | | | | |
| At 1 March 2006 | 4,570 | 34,814 | 54,695 | 294,286 | 388,365 |
| Additions | - | 3,968 | - | - | 3,968 |
| Disposals | - | - | - | (242,477) | (242,477) |
| At 28 February 2007 | 4,570 | 38,782 | 54,695 | 51,809 | 149,856 |
| **Accumulated depreciation** | | | | | |
| At 1 March 2006 | - | 22,159 | 25,474 | 204,906 | 252,539 |
| Charge for the year | - | 10,697 | 9,227 | 30,309 | 50,233 |
| Disposals | - | - | - | (183,406) | (183,406) |
| At 28 February 2007 | - | 32,856 | 34,701 | 51,809 | 119,366 |
| **Net book value** | | | | | |
| At 28 February 2007 | 4,570 | 5,926 | 19,994 | - | 30,490 |
| At 28 February 2006 | 4,570 | 12,655 | 29,221 | 89,350 | 135,826 |

## 6. DEBTORS

| | 2008 $ | 2007 $ |
|---|---|---|
| BHP Billiton | 19,195 | 48,540 |
| | 19,195 | 48,540 |

# NOTES TO THE ACCOUNTS
## For the year ended 28 February 2008

### 7. SHARE CAPITAL

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Authorised** | | |
| 250,000,000 ordinary 1 pence shares | 2,500,000 | 2,500,000 |
| | 2,500,000 | 2,500,000 |
| **Called up, allotted and fully paid** | | |
| 130,816,633 ordinary 1 pence shares | 1,308,166 | 1,308,166 |
| Converted to US$ at date of issue | 2,354,482 | 2,354,482 |

On incorporation, the company issued and allotted two ordinary shares of £1 each to its founding shareholders, which shares were converted to A shares on 13 September 1999.

On 11 October 1999, the Company issued 98 A shares to its founding members. The following were also issued to its founding members at later dates: 1,052 A shares on 25 October 2002, 142 A shares on 18 February 2003, and 37 A shares on 11 April 2003.

On 16 March 2004 and in pursuance of a conversion of the issued and authorised share capital of the company for the purpose of its listing on AIM, the existing issued share capital was redesignated and subdivided to give:
•133,100 Ordinary shares of 1 pence each;
•66,900 Ordinary shares of 1 pence each were issued to its sole shareholder to capitalise its existing loan to the company; and
•39,800,000 Ordinary shares of 1 pence each were issued to its sole shareholder being part of the amount standing to the credit of the company's share premium account.

On 25 March 2004, the company listed on AIM and placed 22,400,000 ordinary shares of 1 pence each with mainly institutional investors at a placing price of £0.25 Per share, comprising of £0.01 share capital and £0.24 share premium.

On 12 October 2005, the company raised an additional capital on AIM pursuant to which institutional investors subscribed for 68,083,330 ordinary shares at a price of £0.03 per share, comprising of £0.01 share capital and £0.02 share premium. On the same date and in lieu of his Director's remuneration, Sir Michael Oliver was issued 333,333 ordinary 1 pence shares, such that the total ordinary shares in issue at date hereof is 130,816,663 ordinary shares of 1 pence each.

On the 12th of October 2005, the authorised share capital was increased to 250,000,000 Ordinary Shares at 1 pence each.

The company has not concluded any share repurchases since its incorporation.

### 8. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| Loss for the financial year | (769,321) | (678,249) |
| Opening shareholders' funds | 3,103,460 | 3,781,709 |
| Closing shareholders' funds | 2,334,139 | 3,103,460 |

## 9. RESERVES

| | Share premium account $ | Capital contribution reserve $ | Profit and loss account $ | Total $ |
|---|---|---|---|---|
| At 1 March 2007 | 13,849,554 | 555,110 | (13,655,686) | 748,978 |
| Retained loss for year | - | - | (769,321) | (769,321) |
| At 28 February 2008 | 13,849,554 | 555,110 | (14,425,007) | (20,343) |

## 10. RELATED PARTY TRANSACTIONS

The interests of the Directors in the share capital of the Company, whether beneficial or non-beneficial, are indirectly held through GeoQuest (a major shareholder in the Company) and are, at date hereof, as follows:

| Name | No. of Ordinary Shares | Percentage of Ordinary Shares in Issue | No. of Ordinary Shares Under Option |
|---|---|---|---|
| Nico van der Hoven | 40,000,000 | 30.6 | 1,040,000 |
| Dr Lawrie Minter | 40,000,000 | 30.6 | 1,040,000 |
| Jurie Wessels | 40,000,000 | 30.6 | 1,040,000 |
| Sir Michael Oliver | 40,000,000 | 30.6 | — |

Options have been granted, over Ordinary Shares amounting to approximately 1.67 per cent of the issued share capital of the Company on Admission, to each of Nico van der Hoven, Dr Lawrie Minter and Jurie Wessels. These options are exercisable at the Placing Price (of 25 pence per ordinary share) at any time between the first and the fifth anniversaries of grant. The expiry date of these options is on 16 March 2009. None of the options were exercised during the year and they have a nil fair value.

Nico van der Hoven is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being a Director of, and a shareholder in, GeoQuest. Mr van der Hoven is the registered holder of 0.3 per cent of the issued share capital of GeoQuest and is, potentially, beneficially interested in 18.0 per cent of the issued share capital of GeoQuest under the terms of discretionary trusts. Whether or not Mr van der Hoven will, in fact, benefit from the shares held in GeoQuest by these trusts is entirely at the discretion of their trustees as there are no vested rights.

Dr Lawrie Minter is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being a Director of, and a shareholder in, GeoQuest. Dr Minter is the registered holder of 3.8 per cent of the issued share capital of GeoQuest and is, potentially, beneficially interested in 4.7 per cent of the issued share capital of GeoQuest under the terms of a discretionary trust. Whether or not Dr Minter will, in fact, benefit from the shares held in GeoQuest by this trust is entirely at the discretion of its trustees as there are no vested rights.

Jurie Wessels is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being, potentially, beneficially interested in 7.1 per cent of the issued share capital of GeoQuest under the terms of a discretionary trust. Whether or not Mr Wessels will, in fact, benefit from the shares held in GeoQuest by this trust is entirely at the discretion of its trustees as there are no vested rights.

Sir Michael Oliver is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being, potentially, beneficially interested in 1.7 per cent of the issued share capital of GeoQuest under the terms of discretionary trusts. Whether or not Sir Michael will, in fact, benefit from the shares held in GeoQuest by these trusts is entirely at the discretion of their trustees as there are no vested rights.

NOTES

# NOTES TO THE ACCOUNTS
## For the year ended 28 February 2008

### 11. LOSS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares in issue after the placing on the AIM. Diluted earnings per share is calculated using the weighted average number of ordinary shares in issue as adjusted to assume conversion of all dilutive potential ordinary shares.

| | 2008 $ | 2007 $ |
|---|---|---|
| **Loss per ordinary share** | (769,321) | (209,552) |
| Loss attributable to share holders from continuing operations | - | (468,697) |
| | | |
| Weighted average number of ordinary shares | 130,816,633 | 130,816,633 |
| | | |
| | | |
| Basic loss per share from continuing operations (cents) | (0.6c) | (0.2c) |
| Basic loss per share from discontinued operations (cents) | - | (0.3c) |

### 12. OTHER FINANCIAL INSTRUMENTS

The Directors consider that the company mainly faces currency risk on a day to day basis. During the period covered by these financial statements management reviewed the currency risk exposure faced by the company. The Directors consider currency risk to be manifested in the expenditure made on a day-to-day basis in Sterling, South African Rand and US Dollars. The Directors have undertaken a policy of holding cash raised in Sterling and US Dollars and to convert funds to South African Rand as and when required.

| | 2008 | 2007 |
|---|---|---|
| Sterling | 741,236 | 1,202,947 |
| US Dollars | 1,479,676 | 1,844,465 |
| South African Rand | 115,535 | 55,700 |
| | | |
| | 2,336,447 | 3,103,112 |
| | | |

### 13. CAPITAL MANAGEMENT

The primary objective of the company's capital management is to optimally execute its exploration objectives and, if feasible, to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions, exploration results and the need for further exploration capital. To maintain or adjust the capital structure, the company may dispose of capital assets or issue new shares.

The company is not subject to externally imposed capital requirements.

### 14. FINANCIAL RISK MANAGEMENT

The company's principal financial instruments comprise of cash and exploration creditors. Financial risk management of the company is governed by policies and guidelines described in the Company's Financial Reporting Memorandum approved by the board of Directors. Company policies and guidelines cover interest rate risk, foreign currency risk, credit risk, and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the company's financial performance and financial position.

*Interest rate risk*

The risks caused by changes in interest rates are minimal since the company's only interest bearing financial asset pertains to cash. The company is therefore not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates.

*Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company has cash assets denominated in Sterling and United States Dollars and incurs liabilities for its working capital expenditure either in Sterling, United States Dollars, or South African Rand. Payments are made in Sterling, United States Dollars, South African Rand, Indian Rupees, West African CFA Francs, or Euros at the pre-agreed price and converted (if necessary) as soon as payment needs to occur. Currency conversions and provisions for expenditure are only made as soon as debts are due and payable. The company is therefore exposed to currency risk in so far as its liabilities are incurred in South African Rand and fluctuation occurs due to changes in the ZAR/GBP and ZAR/US$ exchange rates.

The company's policy is not to enter into any currency hedging transactions.

The exchange rates affecting the Company were as follows:

| | 2008 | 2007 |
|---|---|---|
| ZAR for 1 US$ | 7.76 | 7.30 |
| US$ for 1 Sterling | 1.98 | 1.98 |
| ZAR for 1 Sterling | 15.36 | 14.91 |

The following table details the company's sensitivity to a 10 per cent decrease in the United States Dollars against these currencies.
Ten per cent is management's assessment of the potential exposure to foreign exchange rate fluctuation.

The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at year end for a 10 per cent change in foreign currency rate thus indicating the potential movement in equity.

| | 2008 | 2008 | 2008 |
|---|---|---|---|
| | £ | ZAR | Total |
| Increase/(decrease) in equity | (65,193) | 11,267 | (53,926) |

| | 2007 | 2007 | 2007 |
|---|---|---|---|
| | £ | ZAR | Total |
| Increase/(decrease) in equity | (105,364) | 3,447 | (101,917) |

*Credit risk*

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the company. Credit exposure is reviewed and approved by the Directors on a monthly basis. The company's exposure to credit risk as of 28 February 2008 and 28 February 2007 is $19,195 and $48,540, respectively.

*Liquidity risk*

The liquidity risk is that the company cannot meet its financial obligations when they fall due. The financial liabilities of the company are mainly creditors which are repayable on demand hence it is the opinion of the Board of Directors that an analysis of liabilities by maturity dates is not appropriate.

## 15. ULTIMATE CONTROLLING PARTY

The Directors believe that no shareholder has the ability to control the constitution of the board which would result in such shareholder becoming the controlling party of the Company.

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