Report and Financial Statements
28 February 2012

GoldStone
Resources Ltd.

GOLDSTONE RESOURCES LTD

Report and Consolidated Financial Statements

29 February 2012

GOLDSTONE RESOURCES LTD

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GOLDSTONE RESOURCES LTD

REPORT AND FINANCIAL STATEMENTS 2012

DIRECTORS

J H Wessels
H Schloemann
G McDowall
W Geier (appointed 30 December 2011)
A McIlwain (appointed 6 December 2011)
R Hanson (appointed 24 June 2011, resigned on 6 December 2011)
T Churcher (resigned on 13 September 2011)

AUDITOR

Deloitte LLP
PO Box 403
Lord Coutanche House
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GOLDSTONE RESOURCES LIMITED

(“GoldStone” or “the Group”)

Final Results for the year ended 29 February 2012

Chief Executive Officer’s Report

With five projects spread over three West and Central African countries, GoldStone’s portfolio ranges from a significant and growing gold resource to a number of highly prospective exploration projects. The funding raised in November 2011 has enabled GoldStone to be active in all three countries of operation with four drill rigs operating at three of its projects.

In Ghana we have advanced the Homase/Akrokerri project by adding 24% more gold to our JORC compliant resource, which is now over 500,000oz. With drill results still to be received there are reasonable prospects of expanding the resource further. To the west in the south-eastern corner of Senegal, we have drilled one of our three major gold anomalies in the Sangola licence area, which has largely been untouched by modern exploration methods and which lies at the south-western perimeter of a gold generative province known as the Kenieba Inlier. In Gabon, after protracted efforts to mobilise a rig to this remote corner of Africa, we have finally been able to start drilling operations at our Oyem licence and we have increased our understanding of our Ngoutou licence with geological field work. In these two licenses we have the exciting prospect of exploring two very large contiguous and geologically impressive gold anomalies. In Manso Amenfi in Ghana, we have a grassroots and brown fields exploration project with several intriguing gold in soil anomalies, cumulatively more than 7km in extent, that will be explored during the latter part of this year.

From early results and information evident from our exploration activities during the past eight months, we believe the Company has enhanced the value of its assets significantly and is in a position to advance its exploration properties with the potential of making a Company-transforming discovery.

The Company raised approximately £4.7 million in November 2011 with the objective of increasing the resource at Homase/Akrokerri and to drill some of the Company’s prospects. I am pleased to report that since drilling operations started in June 2011 the Company has drilled a total of approximately 26,000 metres in 469 bore holes. Most of the drilled samples have been submitted for assaying and a large number of results have been received, but the Company is still awaiting results from over 8 800 metres of drilling. In addition the Company completed two permit-wide airborne geophysical surveys and is about to conclude another over the Manso Amenfi permit in the coming weeks. Over 466 soil, pit and rock samples have been dispatched for assaying and our geological teams have traversed many kilometres to map and sample outcropping rocks in order to complement our understanding of the geological potential of our licences.

In the latter part of 2011 Andrew McIlwain and Bill Geier joined the Board as nominees of our largest shareholder Unity Mining Ltd (“Unity”). The Company also employed a number of key personnel, notably Johan Ingwersen as Exploration Manager who previously worked for Randgold Resources Ltd during the discovery phase of the Tongon Gold Deposit and Jacques Coetzer as General Manager.

Ghana Projects

The Company’s Homase/Akrokerri project is situated within the well-known gold province of the Ashanti Gold Belt in Ghana. The Homase/Akrokerri project consists of the Akrokerri Licence, which adjoins the southern border of the Homase Licence, within which there is an open pit where Anglo Gold Ashanti mined approximately 40,000 oz of gold in 2002/3. Although the Company’s ownership differs in each of the two licences, they are dealt with as one project by the Company because the areas contribute to a contiguous resource (currently at 502 000 oz of gold) and share the same geology. The licences also border Anglo Gold Ashanti's large Obuasi permit and are located in the same geological environment as the world-class Obuasi gold deposit.

GoldStone announced its maiden JORC compliant gold resource estimate of 282,608 oz for Homase in April 2010. In June 2011 an announcement adding 123,000 oz to the resource was made, all of which was contained within the

Akrokerri licence area. Both these estimates were calculated from historical drill data the Company inherited or acquired from previous explorers.

In June 2011 the Company embarked on a drilling programme with two drill rigs, which culminated in 51 holes being drilled to return 14 376 metres of core on both licences. From results received for 23 holes drilled in the Homase Licence, the Company announced on 1 August 2012 a 24% (96,400 oz) increase in the Homase/Akrokerri resource for a total combined resource of 502,000 oz. The Homase resource ounces consequently increased from 282,608oz to 379,000oz. The Akrokerri ounces remained unchanged at 123,000oz (June 2011) but may be subject to an update later this year.

Results of the August 2012 estimate, for which a cut-off grade of 0.5 g/t gold was applied, are summarised below:

Mineral Resource by Category

Category	**Tonnage Tonnes (million)**	**Grade (Au g/t)**	**Contained Gold Oz**
Measured	1.55	2.26	113,000
Indicated	4.17	1.75	234,000
Measured & Indicated	**5.72**	**1.89**	**347,000**
Inferred	3.27	1.47	155,000
Total	**8.99**	**1.74**	**502,000**

Mineral Resource by Material

Category	**Tonnage Tonnes (million)**	**Grade (Au g/t)**	**Contained Gold Oz**
Oxide	2.39	1.27	98,000
Fresh Rock	6.60	1.90	404,000
Total	**8.99**	**1.74**	**502,000**

The resource estimate summarised above also returned an encouraging increase in the average grade from 1.42 g/t to 1.74 g/t gold over a total of 8.99 million tonnes. Both the Akrokerri and Homase resources may increase provided the results from the remaining 20 holes, which were aimed at depth extensions of the resource along a strike of 2,240m and which were not considered in the resource estimate of August 2012, prove positive.

There are many exploration targets within the Homase/Akrokerri project area. Initially the Company decided to focus its exploration efforts on increasing the existing resource and to explore the southern extensions of the Homase trend but earlier this year a second drill rig was put into operation to explore the area previously mined around the Akrokerri granite.

Historical soil sampling in the Akrokerri area indicated widespread gold mineralisation in the granite. GoldStone's drilling in this area was preceded by geological mapping and surface rock sampling. It was found that the Akrokerri quartz vein, which stretches along the eastern flank of the Akrokerri granite, ranges from 0.75 metres to three metres in width and has a strike extent in excess of 600 metres. The central and northern portions of this quartz vein were the focus of colonial mining in the early decades of the previous century, when underground mining to a depth of 114 metres resulted in the recovery of 75,000 ounces of gold reportedly at an average grade of 24 g/t.

Results from drill holes into the Akrokerri granite to test the strike extent, width and grade of the veins confirmed the existence of multiple south-west dipping and gold-bearing quartz veins with grades varying between 0.8-4.3g/t gold. The inconsistent geometry of these veins, however, did not, as a matter of priority, justify additional drilling. Instead more attention was consequently given to the Akrokerri quartz vein. Two (666 meters) drill holes were directed at the quartz vein to intersect it between 105 and 311 metres below the surface. Results achieved ranged between 1.69 g/t over 2.18m to 6.10 g/t over 2.09 m. The Company's geologists are presently modelling the consistency and geometry of the quartz vein to determine whether further drilling is appropriate.

To date 51 drill holes totalling 14 376 metres have been completed at the Homase/Akrokerri project. The table of drilling results set out hereunder lists all the Company's holes drilled at Homase/Akrokerri this year:

Drill Hole	From (m)	To (m)	Apparent Width (m)	Au Grade (g/t)	True Width (m)
12HMRD001	187	201	14	3.8	6.4
Including			8.3	5.9	3.8
12HMRD002	211	225	14	1.6	9.3
12HMRD003	163	173	10	2.1	7.1
Including			6	3	4.2
12HMRD004	229	231	2	0.8	1.4
12HMRD005	235	249	14	0.8	10.3
12HMRD006	208	230	22	0.6	15.3
12HMRD007	133.4	157.8	24.4	1.4	15.7
Including			7	3.3	4.5
12HMRD008	195	201	6	0.6	3.8
And	203.5	216	12.5	1	8
12HMRD009	Assays Pending				
12HMRD010	Assays Pending				
12HMRD011	Assays Pending				
12HMRD012	Assays Pending				
12HMRD013	Assays Pending				
12AKDD001	Assays Pending				
12AKDD002	42.6	44	1.4	1.5	N/A
and	156	156.4	0.4	3	N/A
and	295	298.1	3.1	4.3	N/A
12AKDD003	50.6	52.8	2.2	1.9	N/A
and	157	158.2	1.2	0.8	N/A
12AKDD004	116.1	118.3	2.2	1.7	N/A
and	309	311.1	2.1	6.1	N/A
12AKDD005	62	65	3	0.5	N/A
And	180.5	181.7	1.2	1.2	N/A
And	186.8	201.8	15	0.5	N/A
12AKDD006	104.8	109	4.3	1.7	N/A
And	269	269.6	0.6	1.4	
12AKDD007	231	243.2	12.2	1.7	8.4
Including			9.2	2.2	6.3
12AKDD008	Assays Pending				
12AKDD009	Assays Pending				
12AKDD010	Assays Pending				
12AKDD011	Assays Pending				
12AKRD012	Assays Pending				
12AKDD013	Assays Pending				
12AKDD014	Assays Pending				
12AKRD015	Assays Pending				
12AKDD016	Assays Pending				
12AKDD017	Assays Pending				

All intercepts yielded gold values above the 0.5 g/t gold cut-off value applied to GoldStone's resource.

In order to identify further exploration targets a geophysical survey was executed over the Homase/Akrokerri project area. Although an orientation IP (Induced Polarisation) survey had previously detected the structure that hosts the Homase gold deposit, it was decided that a VTEM (Versatile Time-Domain Electromagnetic) survey would be more economic. A previously conducted VTEM survey over the central part of the gold resource at Homase, carried out by the Company during July 2010, confirmed that this survey method accurately maps the structure that controlled the gold mineralisation. A 1,044 line kilometre survey, which covered all of the prospective rocks in the Homase/Akrokerri project area, was carried out by Geotech Airborne Limited and the electromagnetic, magnetic and radiometric data is currently being interpreted.

GoldStone now owns 65% of the Homase Licence after having spent US$1 million on exploration in the area. The Company will attain an 85% interest if it is able to successfully complete a feasibility study of any nature over the area. The Company owns 95.1% of the Akrokerri licence through a Ghanaian subsidiary. Both the Akrokerri and Homase licences are subject to renewal this year and the Directors expect this renewal to occur during the coming months.

Also in Ghana, positive results of the soil sampling at Manso Amenfi, over which GoldStone has a joint venture with Asasemu Mining Limited ("Asasemu Mining"), have led to the identification of a number of gold anomalies, some of which trend parallel to nearby well known gold fertile structures. A high-resolution airborne magnetic and radiometric survey is about to be carried out for the Company by Xcalibur Airborne Geophysics and is aimed at detecting any structures associated with the gold anomalies and to enable the optimal siting of trenches and/or drill lines.

GoldStone currently owns a 10% interest in the Manso Amenfi licence area and has the right to increase its interest to 25% after expending approximately US$350,000 on the project before March 2013. Hereafter the Company may increase its interest in the project to 85% in increments either by reaching certain benchmarks (achieving a code compliant resource of any magnitude and a feasibility study) or after spending agreed exploration funds (an additional US$1.8 million) on the project.

Senegal (Sangola License)

Recent discoveries close to the Sangola licence in the same geological environment added additional appeal to this prospect. The 471 km² Sangola licence, which is wholly owned by GoldStone, lies in the south-eastern corner of Senegal in the gold province known as the Kenieba Inlier. Earlier exploration of the Birimian rocks of the Kenieba Inlier by other companies has resulted in the discovery of more than 30 million ounces of gold. GoldStone's Sangola licence area, which is highly prospective and largely unexplored, lies on the South-Western limits of the Kenieba inlier and is bisected by the Main Transcurrent Shear Zone ("MTZ"). The MTZ is known to be responsible for the formation of gold deposits north-east of the licence area like the 3.4 Moz Massawa deposit (Randgold Resources).

After completing a permit-wide termite mound sampling programme over the licence area, the Company announced the discovery of three major elongated gold anomalies. The Baraboye, Tiabedji and Tiobo anomalies appear to overlie structures which splay off the MTZ or structures that run parallel to the MTZ. In view of these early geochemistry results the Company committed to a first phase 15,000 metre Rotary Air Blast ("RAB") drilling programme and decided to test large parts of the Thiabedji anomaly. The Thiabedji anomaly was an attractive target to commence the drilling operations in the licence because it required little further exploration before it could be regarded as 'drill ready'. The drilling programme commenced two months later than planned in June 2012 and 11 358 metres were drilled in 418 holes before the drilling was terminated due to the onset of the rainy season. At the same time an airborne high resolution magnetic and radiometric survey covering the entire permit area was carried out by Xcalibur Airborne Geophysics. The survey's purpose was to delineate drill targets more accurately at Tiobo and Baraboye by detecting any structures that coincide with the gold anomalies at surface and to add an improved general geological understanding of the licence area. Full results from the RAB drilling programme are pending.

Gabon Projects (Oyem & Ngoutou)

The Oyem and Ngoutou licences were granted to the Company in April 2011. The licence areas have three common characteristics. Firstly, both licences hold large contiguous and geologically compelling gold in soil anomalies, which were identified during a country-wide EU sponsored survey by the Gabonese Government. Secondly, the anomalies on both licences coincide with a contact zone between amphibolite and gneissic rocks and thirdly, both licences contain significant artisanal gold workings in the streams that cut through the gold anomalies.

Both areas are easily accessible using existing logging roads and both will be investigated by a drilling program. Exploration efforts in Gabon kicked off in June 2012 with the erection of a field camp in the remote Oyem licence area and the establishment of a base office in Libreville. The results of GoldStone's soil sampling confirmed and sharpened the results of the EU sponsored survey in both permits. Two drill lines, each with five drill pads, were prepared at Oyem in the months leading up to the arrival of the drill rig and its crew. It was decided to postpone the building of an exploration camp at Ngoutou because the Company could rent existing infrastructure from a logging company operating in the area. A man-portable modularised drill rig suitable to the terrain of both the Oyem and

Ngoutou licences was mobilised to Gabon in April 2012. The South African drill crew from Geoserve Exploration Drilling Limited, which has been contracted to execute the 3,000 metre diamond drilling programme for the Company in Gabon, was mobilised to Oyem in June 2012. The team will drill test the central part of the 15 kilometre long Oyem gold in soil anomaly and then mobilise to Ngoutou.

Placing and Takeover Provisions

On 18 November 2001, the Company announced that it had conditionally raised approximately £4.7 million at a price of 5 pence per share (the "Placing"). The Placing was conditional on the passing of certain special resolutions, including a resolution which will incorporate provisions of Chapter 5 of the Disclosure Rules and Transparency Rules (the "DTRs") and provisions governing takeovers (the "Takeover Provisions") into the Company's Articles of Association (the "Articles").

The Placing was confirmed and the provisions relating to the DTR's and the Takeover Provisions were adopted at a meeting of shareholders on 5 December 2011. The effect of the DTR provisions is that shareholders are now required to notify the Company of changes to their holdings in accordance with the DTRs. The purpose of the Takeover Provisions is to include in the Articles provisions governing the conduct of any takeover of the Company. Because the UK Takeover Code (the "Code") does not apply to GoldStone, the changes to the Articles have the effect of requiring any person who together with anyone acting in concert with them and who becomes interested in shares which carry 49 per cent or more of the voting rights of the Company, to make an offer for the remainder of the Company's share capital. The adopted provisions also require that such an offer is to be made in cash at not less than the highest price paid by the offeror, or any person acting in concert with it, for any interest in the shares in the previous 12 months.

The changes to the Articles would not have been possible had Unity Mining Ltd ("Unity") not undertaken to vote in favour of proposed changes to the Articles at the planned Annual General Meeting of 5 December. Unity is the Company's largest shareholder holding 107,053,326 ordinary shares, representing a recently increased interest of 33.63 per cent of the issued share capital.

Changes to the Board

In October 2011 an announcement was made by Unity that both Rod Hanson and Tim Churcher would be leaving Unity. At the same time Tim Churcher resigned from the Company's Board and three months later Rod Hanson, who was the Managing Director and Chief Executive Officer of Unity, was replaced by Andrew McIlwain as the Unity nominated Non-Executive Director of Goldstone. Mr. McIlwain was appointed Managing Director and Chief Executive Officer of Unity Mining Limited on 2 December 2011. Soon thereafter William (Bill) Geier was also nominated by Unity as a Non-Executive Director of the Company following his appointment to the role of Chief Financial Officer of Unity Mining Limited ("Unity").

Outlook

In the forthcoming months and with the approximately $US 3 million at our disposal our efforts will be focused towards assaying our results, drilling at our Manso Amenfi prospect and continuing our drilling operations at Oyem and Ngoutou with the aim of making a company transforming discovery.

At Homase/Akrokerri the Company expects to achieve a further resource update based on the balance of drill results from the paused drilling campaign. Various gold prospects within the Homase/Akrokerri project area add significant resource potential to the project and will be investigated further. The gold in soil anomalies, to the south and along strike of the Homase/Akrokerri mineral resource, will receive particular attention as well as the Adubrim prospect, which is associated with a structure that runs parallel to the existing resource. The geometry of the Akrokerri quartz vein system is being assessed to determine whether it deserves further investigation. Structurally interesting targets which may become more evident when the results of the recently completed VTEM survey are interpreted, will also be investigated.

At Manso Amenfi the multiple gold in soil anomalies already identified in the licence area will be investigated by intrusive exploration work after completion of the airborne high resolution magnetic survey in the coming months. Drilling is expected to commence in the last quarter of this year.

At Sangola our knowledge of the permit should be improved once results from the recent RAB drilling programme are known. The licence area will only be accessible late this year when the Company will further investigate the Baraboye, Thiabedji and Tiobo gold prospects. Additional drilling will be necessary to further unlock the potential value of this prospect.

In Gabon first pass drilling will be completed at Oyem during the latter part of this year after which the drill rig is planned to be moved to Ngoutou. Assay results will be made available as a geological understanding of the areas unfolds.

Jurie Wessels
Chief Executive Officer
29 August 2012

DIRECTORS' REPORT

The directors submit their report and consolidated financial statements ("the financial statements") for the year ended to 29 February 2012.

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. As of 29 February 2012, the Company has issued share capital of 318,356,738 shares (2011: 222,377,971 shares). The company intends to use the cash raised to explore its current projects and investigate newly acquired projects.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS
The Company's principal activity is exploration and mining of gold and associated elements. The Directors are currently active in pursuing the company's exploration projects and prospects in West Africa. A review of the Company's performance and indications of likely future development is included in the Chief Executive Officer's report on pages 2 to 8.

GOING CONCERN
The board of directors continually monitor available cash, the monthly cash burn rate and the requirements of the Company for future financial resources, based on planned exploration expenditure and other funding activities of the Company. It is the intention of the directors to minimise non-exploration operating expenses of the Company in order to maintain adequate financial resources to fund minimum exploration operations and to optimally utilise its existing cash resources to enhance shareholder value before the necessary additional funding measures for meaningful future and planned exploration activities are considered. For these reasons, the consolidated financial statements have been prepared on a going concern basis.

RESULTS AND DIVIDENDS
The loss for the financial year is set out in the consolidated statement of comprehensive income on page 11.

The directors do not recommend a dividend for the year ended 29 February 2012 (Year ended 28 February 2011: US$nil).

DIRECTORS
The directors of the company who served during the year and at the period end are as 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 Corporate Governance, although neither compliance nor a statement on the degree of compliance is a requirement of AIM.

AUDITOR
Deloitte LLP have expressed their willingness to continue in office.

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

Secretary
29 August 2012

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 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 give a true and fair view of the state of affairs of the company and of the loss of the company for that period.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Jersey governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Signed on behalf of the board

Secretary
29 August 2012

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLDSTONE RESOURCES LIMITED

We have audited the consolidated financial statements (the "financial statements") of Goldstone Resources Limited for the year ended 29 February 2012, which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the company's members, as a body, in accordance with Article 113A 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the information in the Chief Executive and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 29 February 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Andrew Isham, BA, FCA
For and on behalf of Deloitte LLP
Chartered Accountants
St. Helier, Jersey

GOLDSTONE RESOURCES LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 29 February 2012

	Note	Year ended 2012 US$	Year ended 2011 US$
Revenues			
Interest receivable		24,043	8,621
		24,043	8,621
Exploration expenses			
Exploration expenses		(4,173,439)	(667,688)
Gross loss		(4,149,396)	(659,067)
Other operating expenses		(1,541,149)	(885,646)
LOSS FOR THE FINANCIAL YEAR	4	(5,690,545)	(1,544,713)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		(5,690,545)	(1,544,713)
Loss per ordinary share			
Basic and diluted loss per share (cents per share)	11	(1.8)	(0.7)

The above results are derived from continuing operations.

The notes on page 16 to 26 form part of these consolidated financial statements.

GOLDSTONE RESOURCES LTD

CONSOLIDATED BALANCE SHEET

29 February 2012

	Note	Year ended 2012 US$	Year ended 2011 US$
FIXED ASSETS			
Tangible assets	5	37,071	38,651
CURRENT ASSETS			
Cash at bank	12	7,572,698	5,560,395
CREDITORS: amounts falling due within one year			
Creditors and accruals		(539,454)	(167,677)
Net current assets		7,033,244	5,392,718
TOTAL ASSETS LESS CURRENT LIABILITIES		7,070,315	5,431,369
CAPITAL AND RESERVES			
Share capital	8	5,234,834	3,746,214
Share premium		23,844,234	18,214,386
Capital contribution reserve		555,110	555,110
Share options reserve	10	605,808	605,808
Profit and loss account – (deficit)		(23,169,671)	(17,690,149)
SHAREHOLDERS' FUNDS		7,070,315	5,431,369

These consolidated financial statements were approved by the Board of Directors on 29 August 2012.

Signed on behalf of the Board.

J H Wessels
Director and Chief Executive Officer
The notes on page 16 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
29 February 2012

	Note	Year ended 2012 US$	Year ended 2011 US$
SHARE CAPITAL – £0.01 per value	8		
At 1 March		3,746,214	2,354,482
Issue of shares		1,488,620	1,391,732
At 29 February		5,234,834	3,746,214
SHARE PREMIUM			
At 1 March		18,214,386	13,849,554
Issue of shares		5,629,848	4,970,640
Fair value of share options		-	(605,808)
At 29 February		23,844,234	18,214,386
CAPITAL CONTRIBUTION RESERVE		555,110	555,110
SHARE OPTIONS RESERVE	10	605,808	605,808
ACCUMULATED DEFICIT			
Balance at beginning of year		(17,690,149)	(16,145,436)
Net loss		(5,690,545)	(1,544,713)
Credit to equity for equity-settled share-based payments		211,023	-
Balance at end of year		(23,169,671)	(17,690,149)
TOTAL SHAREHOLDERS' FUNDS		7,070,315	5,431,369

The notes on page 16 to 26 form part of these consolidated financial statements.

GOLDSTONE RESOURCES LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
29 February 2012

	Year ended 2012 US$	Year ended 2011 US$
Loss for the financial year	(5,690,545)	(1,544,713)
Adjusted for:		
Depreciation	13,450	10,162
Share options granted to directors and employees during the year	211,023	-
Interest received	(24,043)	(8,621)
Increase in creditors	371,777	63,215
Net cash outflow from operating activities	(5,118,338)	(1,479,957)
Investing activities		
Interest received	24,043	8,621
Purchase of fixed assets	(11,870)	(30,531)
Net cash inflow/ (outflow) from investing activities	12,173	(21,910)
Financing activities		
Proceeds from issue of ordinary share capital	7,118,468	6,362,372
Increase in cash	2,012,303	4,860,505
Cash at beginning of the year	5,560,395	699,890
Cash at end of the year	7,572,698	5,560,395

The notes on page 16 to 26 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
29 February 2012

1. ACCOUNTING POLICIES

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

Going concern

The directors continue to pursue projects that have the potential to enhance shareholder value with minimum expenditure and that could possibly generate income in future periods. Based on the expected minimum exploration expenditure on projects, reduced operating costs and after making reasonable enquiries, and considering the uncertainties as described below, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months from the date of signing the financial statements. However, whilst the directors have measures in place to preserve cash resources and minimise the cash burn rate through cost reduction, the current economic climate, unexpected minimum exploration expenditure obligations and the Group's ability to procure funding for meaningful future exploration activities when required, create material uncertainties over future results and cash flows, as well as investment objectives. The Group thus may not be able to realise its exploration objectives. For these reasons, the Group will adopt the going concern basis in preparing the financial statements.

Adoption of new and revised accounting standards and interpretations

There are no new and revised standards and interpretations adopted in these financial statements affecting the reporting results or financial position of the Group.

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

- Annual Improvements 2009 to 2011 Cycle - effective beginning 1 January 2013
- IAS 1 (amended) '*Presentation of Items of Other Comprehensive Income*' - effective beginning 1 July 2012
- IAS 27 (revised) '*Separate Financial Statements*' - effective beginning 1 January 2013
- IAS 28 '*Investments in Associates and Joint Ventures*' - effective beginning 1 January 2013
- IAS 12 (amended) '*Deferred Tax: Recovery of Underlying Assets*' - effective beginning 1 January 2012
- IAS 32 (amended) '*Offsetting Financial Assets and Financial Liabilities*' - effective beginning 1 January 2014
- IFRS 7 '*Disclosures – Transfer of Financial Assets*' - effective beginning 1 July 2011
- IFRS 9 (revised)'*Financial Instruments'* - effective beginning 1 January 2013
- IFRS 10 '*Consolidated Financial Statements'* - effective beginning 1 January 2013
- IFRS 11 '*Joint Arrangements*' - effective beginning 1 January 2013
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective beginning 1 January 2013
- IFRS 13 '*Fair Value Measurement*' - effective beginning 1 January 2013

The reported results and position of the Group will not change on adoption of these pronouncements as they do not result in any changes to the Group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The directors do not intend to adopt any of these pronouncements before their effective dates. The directors have considered other new and revised standards and believe that they are not relevant to the activities undertaken.

1. ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

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%
Motor Vehicle	25%
Geological Equipment	25%

Gold samples are stated at cost and are not depreciated.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost. The carrying value represented in the statement of financial position approximate their fair values due to the short-term nature of these financial liabilities.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

1. ACCOUNTING POLICIES (continued)

Exploration costs

Exploration costs that include joint venture 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.

Share options and warrants

The Group operates equity-settled share-based compensation plans to remunerate its employees and directors. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the options and warrants awarded. Their value is appraised at the grant date and excludes any impact of any non-market vesting conditions. All share-based compensation is ultimately recognised as an expense in the consolidated statement of comprehensive income unless it qualifies as an asset, with a corresponding credit to share options reserve in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

In the prior year, options granted to directors vested at the date of grant and the fair value of the share options have been treated as part of the cost of raising capital in the Group and are charged to share premium with a corresponding increase in other reserves.

The fair value is measured using an option pricing model.

Foreign currencies

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 statement of comprehensive income.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Accounting for capitalised costs

As described in note 1, during the initial stage of a project, full provision is made for the costs thereof by charge against the profits for the year. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is carried forward and transferred to tangible fixed assets if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are written off.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of tangible fixed assets

As described in Note 1, the Group reviews the estimated useful lives of tangible fixed assets at the end of each reporting period. During the current year, the directors determined that the useful lives of of these tangible fixed asset are still appropriate.

Valuation of share options

As described in Note 10, the fair value of options or warrants granted was calculated using the Black-Scholes Pricing Model which requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Group, the existing model will not always necessarily provide a reliable single measure of the fair value of the cost of share options.

3. SEGMENTAL ANALYSIS

For segmental information purposes the directors consider that the turnover and operating loss are incurred in one segment and therefore no segmental information is provided. As such it is regarded that the Group operates in one segment and therefore no segmental information is provided.

4. OPERATING LOSS FOR THE FINANCIAL YEAR

The operating loss is stated after charging:

	2012 US$	2011 US$
Auditor’s remuneration	21,319	13,837
Depreciation	13,450	10,162
Foreign exchange difference	(29,035)	(398,740)
Directors’ Remuneration – Executive Directors	420,000	370,800
Directors’ Remuneration – Non Executive Directors	31,720	30,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. TANGIBLE FIXED ASSETS

	Gold samples US$	Computer equipment US$	Office equipment US$	Field/ geological equipment US$	Motor Vehicle US$	Total US$
Cost						
At 1 March 2011	4,570	48,020	85,715	56,228	7,058	201,591
Additions	-	1,264	10,606	-	-	11,870
At **29 February 2012**	4,570	49,284	96,321	56,228	7,058	213,461
Accumulated depreciation						
At 1 March 2011	-	43,105	63,479	55,033	1,323	162,940
Charge for the year	-	2,218	8,270	1,195	1,766	13,450
At **29 February 2012**	-	45,323	71,750	56,228	3,089	176,390
Net book value						
At **29 February 2012**	4,570	3,961	24,571	-	3,969	37,071
At 28 February 2011	4,570	4,915	22,236	1,195	5,735	38,651

	Gold samples US$	Computer equipment US$	Office equipment US$	Field/ geological equipment US$	Motor vehicle US$	Total US$
Cost						
At 1 March 2010	4,570	42,319	67,943	56,228	-	171,060
Additions	-	5,701	17,772	-	7,058	30,531
At 28 February 2011	4,570	48,020	85,715	56,228	7,058	201,591
Accumulated depreciation						
At 1 March 2010	-	41,344	57,509	53,925	-	152,778
Charge for the year	-	1,761	5,970	1,108	1,323	10,162
At 28 February 2011	-	43,105	63,479	55,033	1,323	162,940
Net book value						
At 28 February 2011	4,570	4,915	22,236	1,195	5,735	38,651
At 28 February 2010	4,570	975	10,434	2,303	-	18,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
29 February 2012

6. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2012	2011
Goldstone Akrokerri Limited	Holder of the Akrokerri License	Africa	100%	100%
Goldstone Resources Limited Gabon SARL	Holder of the Oyem and Ngoutou Licenses	Africa	100%	100%

7. JOINT VENTURE LICENSES

The Group has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the entity itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create an entity, such as a joint venture, due to the fact that the policies are those of the participants, not a separate entity carrying on a trade or business of its own.

The consolidated financial statements of the Group include its share of the assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Group's interest in the joint arrangement. These are further detailed below.

The Group entered into a contractual agreement with Cherry Hill Mining Company Ltd ("Cherry Hill") on 10 September 2009 in respect of the Homase prospecting license and with Asasemu Mining Ltd ("Asasemu") on 8 October 2009 concerning the Manso Amenfi prospecting license.

During the year ended, the Group holds 10% interest on Asasemu and 65% in Cherry Hill. Under the terms of the agreements with Cherry Hill and Asasemu, the Group has the right to earn an interest in the Licences of up to 85% by expending funds towards exploration costs or reaching certain exploration targets.

GoldStone is currently executing a multi-phase drilling programme underneath the Homase pit and announced positive drilling results on 11 August 2011 and 20 October 2011. As mentioned above, the Group may increase its interest to 85% upon the completion of a successful feasibility study over the Homase licence area.

8. SHARE CAPITAL

	2012	2011
Authorised		
500,000,000 ordinary 1 pence shares (2011: 250,000,000 ordinary 1 pence shares	£5,000,000	£2,500,000
Called up, allotted and fully paid		
318,356,738 (2011: 222,377,971) ordinary 1 pence shares)	£3,183,567	£2,223,780
Converted to US$ at date of issue	US$5,234,834	US$3,746,214

During the year, the Group has issued a total of 95,978,767 new ordinary shares, all of which rank *pari passu* with the existing ordinary shares. The amount raised was US$7,118,468 (2011: US$6,362,372)

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

9. RELATED PARTY TRANSACTIONS

The interests of the Directors in the share capital of the Group, whether beneficial or non-beneficial, are as follow:

Name	**No. of Ordinary Shares Under Option**
Jurie Wessels	7,600,000
Hendrik Schloemann	7,600,000
Gennen McDowall	1,500,000

Details of all share based payments are disclosed in note 10.

10. SHARE OPTIONS AND WARRANTS

The Group adopted an Option Scheme in order to incentivise key management and staff. Pursuant to the Option Scheme, a duly authorised committee of the Board of Directors of the Company may, at its discretion, grant options to eligible employees, including Directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the particular option or (ii) the nominal value of the shares.

There were no market conditions within the terms of the grant of the options therefore the main vesting condition for all the options awarded was that the director or employee remained contracted to the Group at the date of exercise. The movement on share options and their weighted average exercise price are as follows for the reporting periods presented.

	2012		**2011**	
Details of the shares outstanding during the year:	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 March	11,300,000	3.67p	9,800,000	3.23p
Granted in the year	7,350,000	10.86p	1,500,000	6.5p
Outstanding at end of year	18,650,000	6.50p	11,300,000	3.67p
Exercisable share options at end of the year	11,300,000	3.67p	6,400,000	2.3p

On 31 March 2011, the Group granted a total of 7,350,000 as detailed below:

- 1,800,000 share options at an exercise price of 10p granted to Jurie Wessels and Hendrik Schloemann vesting on 31 March 2012;
- 1,800,000 share options at an exercise price of 10p granted to Jurie Wessels and Hendrik Schloemann vesting on 31 March 2013;
- 1,800,000 share options at an exercise price of 10p granted to Jurie Wessels and Hendrik Schloemann vesting on 31 March 2014;
- 1,000,000 share options at an exercise price of 6.5p granted to employees vesting on 31 March 2014; and
- 950,000 share options at an exercise price of 9p granted to employees vesting on 31 March 2014.

A cost of US$211,023 (2011: US$ nil) for the options granted to directors and employees is included in the statement of comprehensive income for 2012.

No liabilities were recognised due to share-based payment transactions.

10. SHARE OPTIONS AND WARRANTS (continued)

Warrants

In January 2010, the Group granted 1,898,607 warrants with an exercise price of 3.5p issued to Optiva Securities Ltd. These warrants were exercised and converted to an equal number of shares in March 2011. The closing price of the Group's warrants on the date of grant issued in prior year was lower than the exercise price. Thus, the fair value of the warrants is nil at the date of grant.

On 7 May 2010, the Group also granted 10,901,389 warrants with an exercise price of 8.5p vesting from 8 November 2011 up to 7 November 2012 and a further 10,901,389 warrants with an exercise price of 11.5p vesting from 8 May 2012 up to 7 November 2012 to Unity Mining Ltd.

All shares issued pursuant to the exercise of warrants rank *pari passu* in all respects with the ordinary shares.

The Black-Scholes formula is the option pricing model applied to the grant of all share options in respect of calculating the fair value of the options. Key inputs to the model are as follow:

	Share options		Share warrants	
	31 March 2011	29 June 2010	7 May 2010	7 May 2010
Share price at grant	7.85p	3.5p	5.13p	5.13p
Option exercise price	6.5p-14p	6.5p	8.5p	11.5p
Expected life of options	3 years	7 years	2.5 years	3 years
Expected volatility	61.2	70.7	70.7	70.7
Expected dividend yield	0%	0%	0%	0%
Risk free rate	1.03%	5.3%	5.3%	5.3%
Fair value per share option	1.97p-3.69p	2.12p	1.64p	1.49p
Exchange rate used	1.5975	1.6265	1.6265	1.6265

Volatility has been based on the Group's trading performance to 29 February 2012. The risk free rate has been determined based on 5 year government bonds.

The closing price of the Group's shares on the date of grant for options issued prior to 2010 was substantially lower than the exercise price. Thus, the fair value of the options was negligible at the date of grant.

Total fair value as considered in share options and warrants reserve was US$605,808 for both years.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the losses attributable to ordinary shareholders and employees by the weighted average number of ordinary shares in issue after the placing on 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.

	2012 US$	**2011 US$**
Loss per ordinary share		
Loss attributable to share holders	(5,690,545)	(1,544,713)
Weighted average number of ordinary shares	318,356,738	222,377,971
Basic and diluted loss per share	(1.8)	(0.7)

11. EARNINGS PER SHARE (continued)

The Group has the following instruments which could potentially dilute basic earnings per share in the future:

	2012 Number	2011 Number
Share options	18,650,000	11,300,000
Warrants	21,802,778	21,802,778

12. CASH AT BANK

The directors consider that the Group 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 Group. 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.

The cash and cash equivalents balance as at period end was made up of balances in the following currencies;

	2012 US$	2011 US$
Sterling	5,725,770	4,782,446
US Dollars	1,763,193	760,372
South African Rand	83,735	17,577
	7,572,698	5,560,395

13. CAPITAL MANAGEMENT

The primary objective of the Group'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 Group 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 Group may dispose of capital assets or issue new shares.

The Group is not subject to externally imposed capital requirements.

14. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise of cash and creditors. Financial risk management of the Group is governed by policies and guidelines described in the Group's Financial Reporting Memorandum approved by the board of directors. Group 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 Group's financial performance and financial position.

Interest rate risk

The risks caused by changes in interest rates are minimal since the Group's only interest bearing financial asset pertains to cash. The Group is therefore not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates and as such has not prepared a sensitivity analysis.

14. FINANCIAL RISK MANAGEMENT (continued)

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 Group 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, Ghana Cedis, West African CFA Francs, or Euro 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 Group 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 Group's policy is not to enter into any currency hedging transactions.

The exchange rates affecting the Group were as follows:

	2012 US$	**2011 US$**
ZAR for 1 US$	7.587	6.959
US$ for 1 Sterling	1.598	1.625
ZAR for 1 Sterling	12.031	11.286

The following table details the Group's sensitivity to a 20% increase in the United States Dollars against these currencies. 20% is management's assessment of the potential exposure to foreign exchange rate fluctuations.

The sensitivity analysis includes only outstanding foreign currency denominated financial assets and liabilities and adjusts their translation at year end for a 20% change in foreign currency rate thus indicating the potential movement in equity.

		29 February 2012	
	£	**ZAR**	**Total**
Decrease in equity	(8,206)	(17,074)	(25,280)

		28 February 2011	
	£	**ZAR**	**Total**
Increase/(decrease) in equity	(7,167)	(18,594)	(25,761)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any trade receivable outstanding as of 29 February 2012 and 2011 and for this reason the Group is not subject to any credit risk other than through placement of cash deposits with its banking counterparties.

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 Group.

16. TAXATION

The Group is subject to Jersey income tax at the rate of 0%.

The Group is also registered for income tax purposes with the South African Revenue Service ('SARS'). Due to the loss making position of the Group, there is no tax charge in relation to South African taxation this year (2011: US$nil).

17. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.