



Obtala Resources Plc

# Financial Statements 2009



## Directors and Officers

### DIRECTORS

Francesco Scolaro *(Executive Chairman)*  
Simon Rollason *(Managing Director)*  
Michael Bretherton *(Finance Director)*  
Nicholas Clarke *(Non-executive Director)*

### COMPANY SECRETARY

Scrip Secretaries Limited

### COMPANY NUMBER

06458554 (England & Wales)

### COMPANY WEBSITE

[www.obtalaresources.co.uk](http://www.obtalaresources.co.uk)

### REGISTERED OFFICE

Fifth Floor  
17 Hanover Square  
London  
W1S 1HU

### NOMINATED ADVISER

ZAI Corporate Finance Ltd  
12 Camomile Street  
London  
EC3A 7PT

### BROKER

Zimmerman Adams International Limited  
12 Camomile Street  
London  
EC3A 7PT

### AUDITOR

Baker Tilly UK Audit LLP  
Chartered Accountants  
2 Bloomsbury Street  
London  
WC1B 3ST

### LEGAL ADVISER

Fasken Martineau LLP  
17 Hanover Square  
London  
W1S 1HU

### REGISTRAR

Capita IRG Plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

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## Chairman's Statement

Following on from a successful listing on AIM in 2008, I am pleased to report the subsequent progress and development of Obtala Resources plc ("Obtala", "Company" or "Group") into an established mineral exploration and development group.

Obtala has continued its primary focus on mineral exploration in Tanzania but during 2009 has also diversified into investment activities, holding strategic interests in other global mineral exploration and development companies.

### Financial results

The current year was difficult for many exploration companies and given the hardships of the recent economic climate I am pleased with the overall performance of the Group. The Group generated a profit after tax of £1.8 million for the year to 31 December 2009 (period ended 31 December 2008: loss of £0.2 million), which included gains of £5.7 million on its investment activities (2008: nil). Cash and cash equivalents amounted to £5.0 million at the year end (2008: £3.2 million) and the Group also held liquid investments with a fair value of £5.1 million (2008: nil). The net equity attributable to the shareholders of Obtala amounted to £30.3 million (2008: £28.3 million). A foreign exchange loss of £2.4 million was recognised directly in other comprehensive income during the year (2008: gain of £7.5 million) due to the retranslation of USD denominated assets.

The directors reviewed the carrying value of the intangible licences and recognised an impairment of £1.8 million (2008: nil), mainly in relation to copper and gold licences. The carrying value of the intangible exploration licences has also decreased by £2.4 million (2008: gain of £7.5 million) during the year due to the foreign exchange movements. Capitalised exploration and evaluation expenditure was £0.6 million (2008: £0.9 million), additions were £0.2 million (2008: £17.1 million) and the year end carrying value for intangible licences was £21.6 million (2008: £25.2 million).

Obtala raised gross additional funds totalling £2.6 million in the year through two private placings of 9,450,000 and 5,722,223 new ordinary shares at 17p and 18p respectively.

### Corporate investing activities

Obtala has augmented its pure exploration and development activities with complimentary investment activities, focusing on opportunities in the natural resources sector. This has enabled Obtala to take advantage of investments in undervalued resource assets and to exploit potential synergies and strategic alliance opportunities. Whilst, the Group has traded in numerous equity and derivative investments in order to enhance shareholder value, its primary investment is in the combination of equity and derivative instruments that Obtala holds in Kopane Diamonds Developments plc ("Kopane").

### Kopane

In March 2009 Obtala acquired a 23.0 per cent. interest in the ordinary share capital of Kopane, an AIM quoted diamond mining and exploration company. I am pleased to report that our investment has delivered a good return and through various market transactions has realised a gain of £2.4 million from the disposal of a 12 per cent. interest in shares with further unrealised gains of £3.3 million recognised in the income statement in respect of equity and derivative financial instruments. At the year end the Group held a direct equity investment of 11.1 per cent. of the ordinary share capital and an indirect interest of 14.7 per cent. through a derivative financial instrument. The realised funds are being used to undertake further exploration on the Tanzanian exploration projects and to develop our newly acquired subsidiaries Montara Continental Limited ("Montara"), and Sierra Leone Hard Rock Limited, which was acquired after the balance sheet date. Obtala remains committed to the future of Kopane and remains its largest shareholder.

### Acquisition of Montara

In September 2009, we announced the successful acquisition of a controlling 60 per cent. shareholding in Montara, a privately held East African agricultural and energy-focused company which currently holds an interest in agricultural farm land in Tanzania with a Tanzanian partner, and also holds coal exploration licences in the south of the country.

The addition of Montara as a subsidiary allows Obtala to add coal exploration licences to the existing mineral asset portfolio and diversify into the agriculture sector. This will firmly place Obtala as a multi-commodity resource company positioned to benefit from and build on its local relationships in East Africa.

### Acquisition of Sierra Leone Hard Rock Limited (subsequent to the year end)

In January 2010, Obtala acquired the entire issued share capital of Sierra Leone Hard Rock Limited ("SLHR") and its wholly owned subsidiary Sierra Leone Hard Rock (SL) Limited. This acquisition gives Obtala access to four diamond mining licences, covering an area of 162.40 km<sup>2</sup>, seven exploration licences, covering an area of 2,590.75 km<sup>2</sup> and net assets with a carrying value of £14.82 million per the last financial statements to 30 June 2009. Consideration for the acquisition was satisfied by issuing 21,170,422 new ordinary shares in Obtala equivalent to 9.9 per cent. of its enlarged issued share capital following completion. The share issue was equal to a total consideration value of £4,260,547.

The Konoma Project, where the four mining licences are held, serves as the headquarters for the company's diamond mining and prospecting operations, and is located in north-eastern Sierra Leone, approximately 220 km east of Freetown, the capital city, and 58 km northwest of Koidu. The project extends along the Lower Bafi River east of the confluence with the Sewa River and west of the Moinde River.

The previous owners of SLHR commenced extensive exploration activities in 2004 and commissioned the Konoma Mine 2Mtpa Dense Media Separation (DMS) plant, in June 2006. Up to the end of 2007, approximately 30,000 carats were recovered from over 40,000 stones at an average value per carat of US\$408.

I believe that SLHR holds substantial potential in a recovering diamond market. The Konoma Project area has diamondiferous kimberlite dykes with potential surface strike lengths stretching to tens of kilometres. Should these kimberlite bodies be the source of the diamonds in the Bafi River then the grade could be very high. The mining of such bodies would be relatively simple and inexpensive.

Mining operations recommenced in early February 2010 and Obtala is currently in the process of taking the plant out of care-and-maintenance and commencing production.

### Directorate changes

The Obtala Board has been re-organised to four directors with the resignation of James Ede-Golightly on 31 May 2009 and the resignation of professor John Monhemius on 7 December 2009. I would like to take this opportunity to thank both of them for all their hard work as Non-executive Directors and their contribution to the early developments of the Group.

### Outlook

I am confident that Obtala will make considerable progress in the coming year and in particular, that the commencement of diamond mining operations in Sierra Leone is expected to create further value for our shareholders. In addition Obtala will continue the exploration and development of its other mineral licences and other local assets.

Finally, I would like to thank my colleagues and our employees for all their hard work throughout the year for what has been a successful and eventful year.

Francesco Scolaro  
Executive Chairman

22 April 2010

## Business Review

### Introduction

Since the last reporting period the focus of field exploration continues to be concentrated on the gold properties in the Lake Victoria Goldfields and the Rulenge nickel licence in the western part of Tanzania. Reconnaissance trips have also been made to the uranium licences in the south of the country in the Mkuju area.

The main operational highlights in 2009 were:

- Acquisition of two new gold licences; Kahama, in the Lake Victoria Goldfields and Kampikatoto in southern Tanzania west of the Lupa Goldfield
- Outstanding soil sample results from the Rulenge nickel licence identified additional multi-element geochemical anomalies
- Signing of an option agreement with Gemstones of Africa PLC (“GOA”) on the Lake Manyara and Morogoro gemstone licences
- Completion of a private placing subscription with Kopane Diamond Developments plc (“Kopane”)
- In-fill soil sampling conducted over the Buckreef licence identified a new gold anomaly
- Trenching programme conducted over the Buckreef licence reported gold grades of 201g/t and 71.5g/t was reported from two one-metre horizontal trench samples
- Acquisition of Montara created an agriculture focused subsidiary company in East Africa
- Completion of an acquisition and option agreement with RSR (Tanzania) Limited, a private Tanzania registered company, for the Busolwa gold project

### Gold

At Buckreef, 2,912 soil samples were collected during an in-fill soil sampling programme to follow up on the results received in 2009. The results from the in-fill samples indicated a 4 km long gold-in-soil geochemical anomaly, with values up to 704 parts per billion (equivalent to 0.704 g/t). The anomaly occurs only 4 km west of the former IAMGOLD Buckreef Gold Mine. A 1,808m reconnaissance air-core drill programme was completed in October 2009 over the western part of the anomaly to investigate further the gold-in-soil geochemical anomalies identified during earlier work on the project. Nine profiles of shallow drill holes were completed to provide information on the subsoil profile. The most significant results are tabled below:

DrillHole_ID	From (m)	To (m)	Down hole Interval (m)	Au (g/t)	Azimuth	Inclination
BUR-023	24.0	26.0	2.0	0.30	131	-60
BUR-029	4.0	6.0	2.0	0.46	134	-60
BUR-031	4.0	14.0	10.0	0.68	134	-60
BUR-048	55.0	56.0	1.0	0.34	138	-60
BUR-058	16.0	20.0	4.0	0.30	127	-60
BUR-059	20.0	22.0	2.0	0.54	127	-60
BUR-068	2.0	4.0	2.0	0.87	131	-50

The results from these initial scout drill holes are encouraging. To date, a relatively small portion of the soil geochemical anomaly has been investigated and only to shallow depths. This information will form the basis for future investigations on the project.

In October 2009, Obtala announced the completion of an acquisition and option agreement with RSR (Tanzania) Limited (“RSR”), a private Tanzanian registered company, for the Busolwa gold project, which is located in the Lake Victoria Goldfields 60 km southwest of Mwanza. The area under consideration covers 51.26 km<sup>2</sup>, including a 6.90 km<sup>2</sup> permitted mining licence, valid for 10 years. The project area is located approximately 40 km east of AngloGold’s multi-million ounce Geita Gold Mine, and 25 km north of the 14Moz Barrick owned Bulyanhulu Gold Mine. Under the terms of the agreement, Obtala will receive an

initial 50 per cent. interest in the licences covering the project area for a payment of US\$150,000. Obtala will then spend 10 months evaluating the project, after which it has an option to acquire a further 10 per cent. interest in the project for an additional US\$150,000, or allow the option to lapse.

The Busolwa project is located within the same greenstone belt as AngloGold's Geita Gold Mine. The geology of the project is dominated by a northwest trending banded ironstone formation ("BIF") ridge that passes through the centre of the project area and is underlain by intercalated differentiated volcanic units bounded to the north and south by granitic rocks. In the Lake Victoria Goldfields region gold mineralisation is identified with the BIF (for example Geita and Resolute Mining's Golden Pride Mine) in a sulphide phase and within quartz veins hosted by shears and fractures. BIF together with associated gold mineralisation is present on the Busolwa project area and represents a major exploration target.

Based on data held by RSR from previous exploration in the area, the highest reported gold grades are associated with quartz veins. These results include trench BT-1 grading 12.2 g/t Au over 5 metres; trench BT-4 grading 4.7 g/t Au over 4 metres; and Borehole BSBH 13, grading 11.2 g/t Au over 3 metres. Wider intersections noted include Borehole BSBH 14, grading 2.2 g/t Au over 10 metres; Borehole BSBH 17, grading 1.2 g/t Au over 9 metres and grading 1.0 g/t over 18 metres. The results of grab samples collected from the existing workings by Obtala geologists in October show strong potential for gold mineralisation within the wall rocks (referred to as "Waste" in the table below) which are left behind by the current artisanal miners who are focused on following the main quartz veins, which host visible gold mineralisation, within broader shear zones.

<b>Sample Id</b>	<b>BUSOLWA ROCK SAMPLES Description of rock sample</b>	<b>Gold g/t</b>	<b>Silver g/t</b>
BSW13301	Waste rock material collected from the artisanal open cut. Schistose unit with talc, minor epidote and ferruginous quartz veinlets	30.90	4.9
BSW13302	Waste rock material from vertical shaft excavation. Hematite-rich schistose unit with fine grained silica rich bands	10.55	0.7
BSW13303	Waste wall-rock rock collected inside artisanal open cut, tuffaceous rock with talc and hematite-rich quartz veinlets	1.68	0.2
BSW13304	Banded Ironstone (BIF) float, with smoky quartz veinlets with vugs and veinlets with hematite fill	0.06	<0.2
BSW13305	Artisanal run-of-mine "reef" sample collected from the 23m level (below ground level), dominated by smoky quartz and hematite with voids after sulphide	30.40	2.8
BSW13306	Banded Ironstone (BIF) float	0.06	<0.2
BSW13307	Artisanal run-of-mine "reef" sample collected from the 33m level (below ground level), dominated by smoky quartz, hematite and voids after sulphide	41.30	2

Obtala will continue exploring these projects, in addition to the other gold licences, in 2010 and will look to build on the encouraging results and data produced to date.

### Rulenge Nickel

The outstanding results from Block D further defined a nickel-in-soil anomaly that is associated with anomalous cobalt and chromium. This now brings the number of nickel-in-soil anomalies to seven for the Rulenge licence area. These geochemical anomalies occur 15 km northwest of Xstrata-Barrick's Kabanga Nickel Deposit and, together with the numerous gossans in outcrop identified on the surface during mapping, make this an exciting prospect. In November a surface trenching programme was initiated over selected soil anomalies to provide greater information on the underlying geology. Once this data has been analysed, it is anticipated that detailed planning for follow-up ground-based geophysical surveys can be undertaken.

### Montara Continental

In September Obtala announced the creation of an agriculture focused subsidiary, Montara Continental Limited. Montara has a controlling stake of 70 per cent. in Montara Land Company Limited with an interest in 20,000 hectares of farm land within the

## Business Review

fertile Songea district of southern Tanzania. In addition to the agricultural interests, Montara also holds title to two prospecting licences and two reconnaissance licences totalling 647.02 km<sup>2</sup> in Tanzania, which are considered prospective for coal exploration.

As a business model Montara plans to initially invest in Tanzania and later Mozambique, where agriculture and forestry concession applications have been submitted to the Government, with the objective of establishing a self-sustainable and profitable enterprise. This will create a platform from which the company can expand and grow, while introducing improved land management practices and increased productivity yields per unit area.

The intention is to farm groundnuts, sunflowers and sugarcane, to exploit current high market prices. All these crops have sellable processing by-products, and it is further the intention of Montara to establish an outgrower programme where assistance is provided to the neighbouring local farmers to improve their own crop efficiencies and productivity, allowing Montara to act as their conduit to markets, through establishing cost efficient and well managed central processing facilities.

With regard to the coal assets held by Montara; the Kate group of licences, covering a contiguous area of 458.93 km<sup>2</sup>, occur west of Lake Rukwa in south-western Tanzania. These properties lie to the west of the Namwele-Mkomolo Coalfield, where coal measures have been identified by historical explorers. The Manda North licence is located in the Ludewa District, also within south-western Tanzania, near the Mchuchuma-Katewaka coalfield. The National Development Corporation of Tanzania has completed a feasibility study on the development of a 1.5 mtpa coal mining operation based on the Mchuchuma-Katewaka coalfield and an adjacent 400 MW coal fired power plant to supply electricity to the national grid system.

It should be noted that Obtala has not commenced any exploration on these newly acquired licences but plans to allocate resources during 2010 to initiate exploration. Based on the available data from the immediately adjacent Mchuchuma-Katewaka Coalfield I remain cautiously optimistic that these newly acquired licences may return positive results.

### Kopane

In March 2009 Obtala acquired a 23.0 per cent. interest in the ordinary share capital of Kopane, an AIM quoted diamond mining company. At the year end the Group held a direct equity investment of 11.08 per cent. of the ordinary share capital and an indirect investment of 14.66 per cent. through a derivative financial instrument. Since March 2009, Kopane has;

- Signed a Memorandum of Understanding ("MOU") between the company's subsidiary, Liqhobong Mining Development Company ("LMDC"), Lesotho Electricity Company ("LEC"), Standard Lesotho Bank Limited ("SLB") and the Government of the Kingdom of Lesotho ("GOL"), in respect of funding of the construction of an electrical power line to the company's mine at Liqhobong. The construction and installation of the power line will enable Kopane to produce diamonds from the Main Pipe at a much lower cost
- Announced a new JORC compliant, risk adjusted resource statement, prepared by ACA Howe International Limited, for its Main Pipe with a substantial 141 per cent. increase in its indicated resources
- Signed an exclusivity agreement with an established mining company to allow them to review the project in more detail and potentially act as a potential investor in the Liqhobong Main Pipe development project
- Announced an increased resource grade of 34.3 carats per hundred tonnes ("cpht") for the Main Pipe representing a 4.1 per cent. increase over the 33 cpht grade announced in the Resource Statement completed by ACA Howe International Limited.

Obtala remains committed to the future of Kopane and remains the largest shareholder.

### Edenville Energy (formerly Gemstones of Africa)

In March 2009 Obtala signed an option agreement with Gemstones of Africa plc ("GOA") (subsequently renamed Edenville Energy plc) whereby GOA has the exclusive right to explore and mine for gemstones on six mining licences and one prospecting licence in Tanzania that are currently held by Obtala. GOA exercised its option to purchase an initial 12.5 per cent. beneficial interest in the licences in exchange for issuing common shares equivalent to 5 per cent. of GOA's issued share

capital to Obtala (option 1). This equity equated to a value of £450,000. The disposal of interests in these licences resulted in a profit on disposal of £305,000. GOA have the option (option 2) to increase their stake to 25 per cent. if within 24 months of concluding the agreement they have incurred exploration expenditures in the aggregate amount of not less than US\$75,000.

### Outlook

Obtala will continue to advance the level of geological understanding on its licences with the emphasis placed on gold and nickel projects, in the Lake Victoria Goldfields and the Kabanga Nickel Belts, respectively. Ground based geophysical surveys are planned over the more advanced Shinyanga and Rulenge projects and Obtala remains confident these projects will return positive results. Further we intend to establish a presence in Southern Tanzania from which to initiate activities on the Montara farming venture. An office and accommodation facility has been rented in Songea and the development of on-site infrastructure will commence in the latter part of 2010.

Simon Rollason  
Managing Director

22 April 2010

# Directors' Report

The Directors submit their report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 December 2009.

## PRINCIPAL ACTIVITIES AND CORPORATE DEVELOPMENT

The principal activities of Obtala Resources Plc are the acquisition of mineral resource licences, the exploration and development of mineral projects and investment in other mineral exploration and development companies. These activities are undertaken through both the Company and its subsidiaries. The Company is listed on AIM and is incorporated and domiciled in the UK.

Details of all of the Group's subsidiary companies held at 31 December 2009 are given in note 10 of the financial statements. The principal subsidiary companies comprise:

Undertaking	Sector
Mindex Invest Ltd.	Resources
Obtala Resources (T) Limited	Resources
Uragold (T) Ltd	Resources
Montara Continental Limited	Resources
Montara Forest Limited	Agriculture

## BUSINESS REVIEW

A review of the Group's performance and future prospects is included in the Chairman's statement on pages 2 and 3, and in the business review on pages 4 to 7.

## KEY PERFORMANCE INDICATORS

Key performance indicators are set out below:

	2009 £000	2008 £000
Net assets	30,338	28,263
Profit/(loss) attributable to equity holders before taxation	3,302	(199)
Cash and cash equivalents	5,010	3,184
Licences held:		
– Expenditure on mining licences	585	862
Corporate investing activities:		
– Fair value of listed investments	5,133	15
– Gain on corporate investing activities in the year	5,691	–

## RESULTS AND DIVIDENDS

The consolidated trading profit for the year after taxation was £1,825,000 (2008: loss £215,000).

The Directors do not recommend payment of an ordinary dividend.

## SHARE CAPITAL AND FUNDING

Full details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 18. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

The Company has authorised share capital of £2,500,000 divided into 250,000,000 ordinary shares of 1p each, of which 192,672,223 had been issued as at the balance sheet date.

## POST BALANCE SHEET EVENTS

In early January 2010 the Company disposed of 7,840,000 shares in Kopane Diamonds realising £1,040,264. Subsequent to this disposal the Company held 16,495,000 shares and a contract for difference over 32,200,000 shares.

On 18 January 2010 Obtala Resources plc acquired the entire issued share capital of Sierra Leone Hard Rock Limited and its subsidiary Sierra Leone Hard Rock (SL) Limited from African Minerals Limited. The consideration for the acquisition was by way of issuing 21,170,422 new ordinary shares in Obtala plc, equivalent to 9.9 per cent. of its enlarged issued share capital following completion. These shares were issued at 20.125 pence per share (being the closing mid market price on 12 January 2010), which is equal to a total consideration value of £4,260,547.

Following a site mobilisation programme and the appointment of key senior on-site staff, diamond mining activities were commenced in February 2010.

## DIRECTORS

The Directors, who served throughout the year except as noted, were as follows:

Francesco Scolaro		<i>(Executive Chairman)</i>
Simon Rollason		<i>(Managing Director)</i>
Michael Bretherton		<i>(Finance Director)</i>
Nicholas Clarke		<i>(Non-executive Director)</i>
James Ede-Golightly	<i>(resigned 31 May 2009)</i>	<i>(Non-executive Director)</i>
Professor John Monhemius	<i>(resigned 7 December 2009)</i>	<i>(Non-executive Director)</i>

## Directors' interests

Directors' interests in the shares of the Company, including family interests at 31 December were:

	<b>Ordinary shares of 1p each 2009</b>	<b>Ordinary shares of 1p each 2008</b>
Francesco Scolaro*	300,000	–
Simon Rollason	160,000	75,000
Michael Bretherton	300,000	300,000
Nicholas Clarke	–	–
James Ede-Golightly	–	–
Professor John Monhemius	–	–

\* In addition Grandinex International Corp, a company in which Francesco Scolaro holds a controlling interest, holds 70,000,000 shares in the Company.

The following Directors held share options at 31 December:

	<b>Number of share options 2009</b>	<b>Average exercise price (p) 2009</b>	<b>Number of share options 2008</b>	<b>Average exercise price (p) 2008</b>
Simon Rollason	1,000,000	37.6	1,000,000	37.6
Nicholas Clarke	150,000	37.6	150,000	37.6
Professor John Monhemius	100,000	37.6	100,000	37.6

John Monhemius resigned on 7 December 2009 and under the terms of the scheme his options will remain valid for six months after the date of his departure.

The share options held by the Directors were all granted in 2008. No options were exercised or lapsed in the year. The options vest over a period of 1 to 2 years. The share price of the Company at 31 December 2009 was 18.25 pence. The highest and lowest share prices in the period were 28.75 pence and 11.5 pence respectively. The terms of the options are detailed in note 22.

## Directors' Report

### Directors' indemnity insurance

The Group has maintained insurance throughout the year for its Directors and officers against the consequences of actions brought against them in relation to their duties for the Group.

### Directors' remuneration

The remuneration of the individual Directors who served in the year to 31 December 2009 was:

	<b>Salary &amp; fees £000</b>	<b>Benefits £000</b>	<b>Total 2009 £000</b>	<b>Total 2008 £000</b>
Francesco Scolaro	53	–	53	21
Simon Rollason	155	4	159	60
Michael Bretherton	10	–	10	8
Nicholas Clarke	28	–	28	17
James Ede-Golightly (resigned 31 May 2009)	4	–	4	7
Professor John Monhemius (resigned 7 December 2009)	23	–	23	12
<b>Total</b>	<b>273</b>	<b>4</b>	<b>277</b>	<b>125</b>

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of 3-6 month's notice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice year. The current salary payable to Francesco Scolaro is £50,000 per annum (increased from £25,000 in November 2009) and in addition he received a performance related bonus of £27,500 for the year. The current salary payable to Simon Rollason is £155,000 per annum and to Michael Bretherton is £10,000 per annum.

Non-executive Directors are employed on letters of appointment which may be terminated on not less than 3 months notice. The current basic fee payable to Nicholas Clarke is £25,000 per annum (reduced from £40,000 in February 2009).

In addition, some of the executive Directors also receive certain benefits in kind, principally private medical insurance.

### Profile of the Current Directors

#### *Francesco ("Frank") Scolaro, Aged 46, Executive Chairman*

Frank Scolaro is an active investor in publicly quoted companies in the resource, leisure and property sectors. Frank was non-executive chairman of Regal Petroleum plc from October 2006 to November 2007, in which time he was instrumental in the successful resolution of local litigation issues in the Ukraine. Until March 2008 Frank was a non-executive director of Regal Petroleum plc and in 2005 he was a non-executive director of African Minerals Plc.

#### *Simon Rollason, BSC (Hons) Geology, MIMMM, FGS, Aged 44, Managing Director*

Simon Rollason has over 20 years of international experience in mining and geological exploration having worked in Africa, Middle East, Central Asia and the Far East with both multi-nationals and junior resources companies. He has worked on nickel, gold, copper, base metals and gemstone projects, ranging from grassroots to producing assets. He has been involved with and managed operations which have varied from exploration and evaluation projects to successful feasibility studies.

#### *Michael Bretherton, BA, ACA, Aged 54, Finance Director*

Michael Bretherton graduated in Economics from the University of Leeds and then worked as an accountant and manager with PriceWaterhouse for 7 years in both London and the Middle East. He subsequently worked for The Plessey Company Plc before being appointed Finance Director of the fully listed Bridgend Group Plc in 1988 where he held the position for 12 years. More recently, he has worked at the property and services company, Mapeley Limited as Financial Operations Director and then at the entertainment software games developer, Lionhead Studios Limited, where he helped to complete a trade sale of the business to Microsoft in March 2006. Michael is currently also a director of AIM listed ORA Capital Partners Limited.

**Nicholas (“Nick”) Clarke, Aged 57, Non-executive Director**

Nick Clarke has over 30 years of experience in the mining industry and was previously the managing director of Oriel Resources Plc from conception in 2004 to the ultimate sale to Mechel OAO (NYSE listed) for a total consideration of US\$1.5 billion in March 2008. Currently, he is a consultant to Orsu Metals Corp. and Non-Executive Director to Caledon Resources Plc and Sunkar Resources Plc, both of which are AIM listed. Nick, as Managing Director of Wardell Armstrong International Ltd (“WAI”), developed WAI from a small consultancy into a senior minerals focused consultancy during the 1990’s. Nick has also been involved in a number of equity raisings both on AIM and TSX.

**SUBSTANTIAL SHAREHOLDERS**

The Company is aware that the following have at 13 April 2010 an interest in three per cent. or more of the issued ordinary share capital of the Company:

<b>Name</b>	<b>Number of 1p ordinary shares</b>	<b>Percentage of the issued share capital</b>
Grandinex International Corp*	70,000,000	32.73%
Ora (Guernsey) Limited	59,350,000	27.75%
African Minerals plc	21,170,422	9.90%
Capital Research and Management Company	14,950,000	6.99%

\* Francesco Scolaro is the controlling shareholder of Grandinex International Corp. He holds a further 1,850,000 shares in the Company bringing his total interest to 71,850,000.

**CORPORATE GOVERNANCE**

The Directors recognise the importance of sound corporate governance and observe the principles of the Combined Code, to the extent that they consider them to be appropriate for the Group’s size.

**The Board**

The Board currently comprises three executive Directors and one non-executive Director. An additional non-executive Director is being sought to strengthen the Board.

**Audit Committee**

The Board has established an audit committee with formally delegated duties and responsibilities. The audit committee will comprise the non-executive Directors, but currently has Nick Clarke as its only member until a further non-executive is appointed. The committee meets no less than twice in each financial year.

**Remuneration Committee**

The remuneration committee meets as and when required. The remuneration committee will comprise the non-executive Directors, but currently has Nick Clarke as its only member until a further non-executive is appointed.

The policy of the committee is to reward executive Directors in line with the current remuneration of directors in comparable businesses in order to recruit, motivate and retain high quality executives within a competitive market place.

There are three main elements of the remuneration packages for executive Directors and senior management:

- Basic annual salary (including directors’ fees) and benefits;
- Discretionary annual bonus to be paid in accordance with a bonus scheme developed by the remuneration committee. This takes into account individual contribution, business performance and commercial progress; and
- Discretionary share option scheme which takes into account the need to motivate and retain key individuals

# Directors' Report

## Nominations Committee

The Directors do not consider that, given the size of the Board, it is appropriate at this stage to have a nominations committee. However, this will be kept under regular review by the Board.

## Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, not eliminate, risk and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

- (i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board who meet at least 4 times per year;
- (ii) The Company has operational, accounting and employment policies in place;
- (iii) The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and
- (iv) There is a clearly defined organisational structure and there are well-established financial reporting and control systems.

## Going Concern

Having made reasonable enquiries, the Directors are satisfied that the current cash balance is sufficient to cover all known financial liabilities for the next 12 months from the date of approval of the financial statements. The Directors have considered the guidance for directors issued by the Financial Reporting Council ("FRC") in respect of going concern. The Directors therefore confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## RISK MANAGEMENT

The business of exploring for minerals and metals involves a high degree of technical, political and regulatory risk. In addition, the Group is exposed to a number of financial risks which the Board seeks to minimise by adopting a prudent approach which is consistent with the corporate objectives of the Group. These risks are summarised below:

### Technical Risk

Substantial expenditure is required to establish reserves and to conduct feasibility studies. Although substantial benefits may be derived from the discovery of a significant mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations, or that funds required for development can be obtained on a timely basis.

### Political and Regulatory Risk

The Group is currently conducting its exploration operations entirely in Tanzania however with the recent acquisition of Sierra Leone Hard Rock Limited this will expand to include Sierra Leone. The Board believes that the Government of Tanzania supports the development of natural resources and Sierra Leone has an established track record of promoting diamond mining. However, there is no assurance that future political and economic conditions in both Tanzania and Sierra Leone will not result in the Governments changing their political attitude towards mining and adopting different policies in respect of the exploration, development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, land tenure and mineral licenses, taxation, environmental protection and repatriation of income and capital, which may adversely impact the Group's ability to carry out its activities.

## FINANCIAL RISK

### Market Risk

#### *Price risk*

The Group is exposed to market risk in respect of its equity investments and also its derivative financial instruments. The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

#### *Interest rate risk*

The Group has no external financing facilities, therefore its interest rate risk is limited to the level of interest received on its cash surpluses. Interest rate risk on cash and cash equivalents is mitigated by using fixed-rate deposit accounts.

### Liquidity risk

The Group seeks to manage liquidity by regularly reviewing cash levels and expenditure budgets to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had net cash balances of £5.0 million as at 31 December 2009 (2008: £3.2 million).

### Credit risk

The Group's principal financial asset is cash. The credit risk associated with cash is considered to be limited. With the post balance sheet acquisition of Sierra Leone Hard Rock Limited, in due course the Group expects to generate revenues from diamond sales and as such the Board will create a policy to manage this credit risk and if necessary take mitigating actions to minimise the risk associated with the collection of revenues.

## DONATIONS

No political donations were made during the year (2008: £5,334 (US\$ 10,000)). Charitable donations of £11,500 were made in the year (2008: £nil).

## POLICY ON PAYMENT OF SUPPLIERS

It is Group and Company policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice.

The Group's trade creditor days at 31 December 2009 were 4 days (2008: 50 days).

## EMPLOYMENT POLICIES

The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully-informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

## Directors' Report

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether they have been prepared in accordance with IFRS as adopted by the EU;
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 Obtala website, [www.obtalaresources.co.uk](http://www.obtalaresources.co.uk).

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who were in office on the date of approval of these financial statements have confirmed, that as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### AUDITOR

In accordance with section 489 of the Companies Act 2006, a resolution to re-appoint Baker Tilly UK Audit LLP will be put to the members at the Annual General Meeting.

By order of the board

Michael Bretherton  
Director

22 April 2010

# Independent Auditor's Report

We have audited the Group and parent company financial statements on pages 16 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the parent company financial statement, as applied in accordance with the provisions of the Companies Act 2006.

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

## Respective responsibilities of directors and auditors

As more fully explained in the Statement of Directors' Responsibilities on pages 13 and 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2009 and the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the provisions of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

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

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

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

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

## Gregory Craig Waller (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP  
 Statutory Auditor  
 Chartered Accountants  
 2 Bloomsbury Street  
 London WC1B 3ST  
 22 April 2010

# Consolidated Statement of Comprehensive Income

## For the year ended 31 December 2009

	Notes	Year ended 2009 £000	Period ended 2008 £000
Gain on investments	2	5,691	–
Administrative expenses	4	(918)	(406)
Impairment of intangible assets	4, 11	(1,787)	–
<b>OPERATING PROFIT/(LOSS)</b>	4	2,986	(406)
Profit on disposal of licences	11	305	–
Finance income	6	14	207
Finance costs	7	(3)	–
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		3,302	(199)
Taxation	8	(1,477)	(16)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		1,825	(215)
Other comprehensive income:			
Exchange differences on retranslation of foreign operations		(2,430)	7,452
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		(605)	7,237
<b>EARNINGS/(LOSS) PER SHARE</b>			
Basic and diluted (pence)	9	0.97	(0.15)

The profit/(loss) for the year arises from the Group's continuing operations.

The comparative figures are for the period 1 August 2007 to 31 December 2008.

# Statements of Changes in Equity

For the year ended 31 December 2009

## Group

	Share Capital £000	Share Premium £000	Merger Reserve £000	Foreign Exchange Reserve £000	Share Based Payment Reserve £000	Retained (Deficit)/ Earnings £000	Total Attributable to Owners of Parent £000
At 1 August 2007	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(215)	(215)
Exchange gains on retranslation of foreign operations	-	-	-	7,452	-	-	7,452
Total comprehensive income for the period	-	-	-	7,452	-	(215)	7,237
Issue of shares	1,775	3,325	16,400	-	-	-	21,500
Expenses on issue of shares	-	(497)	-	-	-	-	(497)
Share based payment	-	-	-	-	23	-	23
<b>At 31 December 2008</b>	1,775	2,828	16,400	7,452	23	(215)	28,263
Profit for the year	-	-	-	-	-	1,825	1,825
Exchange losses on retranslation of foreign operations	-	-	-	(2,430)	-	-	(2,430)
Total comprehensive income for the year	-	-	-	(2,430)	-	1,825	(605)
Issue of shares	152	2,485	-	-	-	-	2,637
Expenses on issue of shares	-	(23)	-	-	-	-	(23)
Share based payment	-	-	-	-	66	-	66
<b>At 31 December 2009</b>	1,927	5,290	16,400	5,022	89	1,610	30,338

## Company

	Attributable to the owners of the Parent						
	Share Capital £000	Share Premium £000	Merger Reserve £000	Share Based Payment Reserve £000	Retained (Deficit)/ Earnings £000	Total Equity £000	
At 20 December 2007	-	-	-	-	-	-	
Loss for the period	-	-	-	-	(57)	(57)	
Total comprehensive income for the period	-	-	-	-	(57)	(57)	
Issue of shares	1,775	3,325	16,400	-	-	21,500	
Expenses on issue of shares	-	(497)	-	-	-	(497)	
Share based payment	-	-	-	23	-	23	
<b>At 31 December 2008</b>	1,775	2,828	16,400	23	(57)	20,969	
Profit for the year	-	-	-	-	3,284	3,284	
Total comprehensive income for the year	-	-	-	-	3,284	3,284	
Issue of shares	152	2,485	-	-	-	2,637	
Expenses on issue of shares	-	(23)	-	-	-	(23)	
Share based payment	-	-	-	66	-	66	
<b>At 31 December 2009</b>	1,927	5,290	16,400	89	3,227	26,933	

# Statements of Financial Position

As at 31 December 2009

	Notes	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	10	–	–	20,784	19,805
Intangible exploration and evaluation assets	11	21,626	25,167	–	–
Property, plant and equipment	12	135	66	16	20
<b>Total non-current assets</b>		21,761	25,233	20,800	19,825
<b>CURRENT ASSETS</b>					
Trade and other receivables	13	173	37	120	15
Financial investment assets	14	5,133	15	4,504	15
Cash and cash equivalents	15	5,010	3,184	3,684	1,371
<b>Total current assets</b>		10,316	3,236	8,308	1,401
<b>Total assets</b>		32,077	28,469	29,108	21,226
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	16	(102)	(190)	(715)	(257)
Current tax liabilities		(543)	(16)	(366)	–
Financial investment liabilities	17	(160)	–	(160)	–
<b>Total current liabilities</b>		(805)	(206)	(1,241)	(257)
<b>Non-current liabilities</b>					
Deferred tax	8	(934)	–	(934)	–
<b>Total non-current liabilities</b>		(934)	–	(934)	–
<b>Total liabilities</b>		(1,739)	(206)	(2,175)	(257)
<b>Net assets</b>		30,338	28,263	26,933	20,969
<b>EQUITY</b>					
<b>Attributable to owners of the parent</b>					
Share capital	18	1,927	1,775	1,927	1,775
Share premium	19	5,290	2,828	5,290	2,828
Merger reserve	20	16,400	16,400	16,400	16,400
Foreign exchange reserve		5,022	7,452	–	–
Share based payment reserve		89	23	89	23
Retained earnings/(deficit)		1,610	(215)	3,227	(57)
<b>Total equity</b>		30,338	28,263	26,933	20,969

Approved by the board and authorised for issue on 22 April 2010

Frank Scolaro  
Executive Chairman

Michael Bretherton  
Finance Director

# Statements of Cash Flows

## For the year ended 31 December 2009

	Notes	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
<b>OPERATING ACTIVITIES</b>					
Operating profit/(loss)		2,986	(406)	4,499	(199)
Adjustment for:					
Depreciation of plant and equipment		28	12	11	5
Foreign exchange losses		19	92	22	–
Share based payments		66	23	66	23
Gains on investments		(5,691)	–	(5,522)	–
Impairment of intangible assets		1,787	–	–	–
Increase in trade and other receivables		(136)	(37)	(105)	(15)
(Decrease)/increase in trade and other payables		(88)	190	458	257
<b>Cash (outflow)/inflow from operations</b>		<b>(1,029)</b>	<b>(126)</b>	<b>(571)</b>	<b>71</b>
Income taxes paid		(16)	–	–	–
<b>Net cash (outflow)/ inflow from operations</b>		<b>(1,045)</b>	<b>(126)</b>	<b>(571)</b>	<b>71</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment	12	(94)	(78)	(7)	(25)
Purchase of mining licences	11	(217)	(2,131)*	–	–
Expenditure on mining licences	11	(585)	(862)	–	–
Loan to subsidiary undertakings		–	–	(920)	(1,805)
Finance income		14	207	14	142
Finance expense		(3)	–	(3)	–
Proceeds from disposal of financial investment assets		5,137	–	5,137	–
Purchase of financial investment assets		(3,951)	(15)	(3,951)	(15)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>301</b>	<b>(2,879)</b>	<b>270</b>	<b>(1,703)</b>
<b>FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital	18	2,637	6,500	2,637	3,500
Expenses of issue of share capital	19	(23)	(497)	(23)	(497)
<b>Net cash inflow from financing activities</b>		<b>2,614</b>	<b>6,003</b>	<b>2,614</b>	<b>3,003</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalents at beginning of period		3,184	–	1,371	–
Effect of foreign exchange rate variation		(44)	186	–	–
<b>Cash and cash equivalents at end of period</b>		<b>5,010</b>	<b>3,184</b>	<b>3,684</b>	<b>1,371</b>

\* Excludes £15.0 million non-cash element of acquisition consideration settled in shares.

# Notes to the Financial Statements

For the year ended 31 December 2009

## 1. ACCOUNTING POLICIES

### **BASIS OF ACCOUNTING**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRS") and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except for financial investments and derivative trading assets and liabilities, which are included at fair value.

Obtala Resources plc is an AIM-quoted mineral exploration and investment company. The Company is incorporated and domiciled in England.

### **BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate those of Obtala Resources Plc and all of its subsidiary undertakings for the year.

As provided by section 408 of the Companies Act 2006, no income statement is presented for Obtala Resources Plc. The profit after tax dealt with in the income statement of the Company for the year ended to 31 December 2009 amounted to £3,284,000 (period to 31 December 2008: loss £57,000).

### **Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effects of potential voting rights are considered when assessing whether the Group controls the entity. Subsidiaries are fully consolidated from the date control passes.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The costs of an acquisition are measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at acquisition date irrespective of the extent of any minority interest. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the identifiable net assets acquired is capitalised as goodwill and reviewed annually for impairment. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the income statement.

The purchase of the entire share capital of Mindex Invest Ltd and Uragold Ltd by Obtala Limited and the purchase of Montara Continental Limited by Mindex Invest Ltd have all been treated as purchases of assets. Assets held by the respective companies at the time of their acquisition have been recognised at cost. These transactions are outside the scope of IFRS 3 Business Combinations, because the entities acquired do not meet the definition of a business at the date of acquisition.

### **Intra-group transactions**

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group. All financial statements are made up to 31 December 2009.

### **INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries are stated in the parent company balance sheet at cost less provision for any impairment.

### **SEGMENTAL REPORTING**

The reportable segments are identified by the Directors (who are considered to be the Chief Operating Decision Makers) by the way management has organised the firm. The Group operates within two separate operational divisions comprising exploration and development activities in Tanzania and investing activities in the UK.

The Directors review the performance of the Group based on total revenues and costs, allocated on a time basis, for these two divisions and not by any other segmental reporting.

### **REVENUE RECOGNITION**

Realised profits and losses on the disposal of investments is the difference between the fair value of the consideration received less any directly attributable costs on the sale and the carrying value of the investments at the start of the accounting period or acquisition date if later.

Unrealised profits and losses on the revaluation of investments is the movement in carrying value of investments between the start of the accounting period or acquisition date if later and the end of the accounting period.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

### **GOING CONCERN**

An assessment of going concern is made by the directors at the date the directors approve the annual financial statements, taking into account the relevant facts and circumstances at that date including:

- Review of profit and cashflow forecasts for the year ahead
- Review of anticipated revenues against forecast
- Timing of cashflows
- Any financial or operational risks

After making enquiries the directors have reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. The directors have satisfied themselves that the Group is in a sound financial position and will be able to meet the Group's foreseeable cash requirements.

### **FOREIGN CURRENCIES**

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

#### *Transactions and balances*

In individual companies, transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the year.

In the consolidated financial statements, the assets and liabilities of subsidiaries with different functional currencies to the Company are retranslated into sterling at the rate ruling at the balance sheet date. The results and cash flows are retranslated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the results for the year are translated into sterling are taken directly to a foreign exchange reserve and reported directly in equity. Exchange gains and losses arising on long-term intragroup foreign currency loans used to finance the subsidiary undertakings, which are deemed to be part of the net investment in the subsidiary, are also taken directly to equity. On disposal of a subsidiary with a different functional currency to the Company, the deferred cumulative exchange differences recognised in equity relating to that particular operation are recognised in the income statement.

# Notes to the Financial Statements

Foreign currency translation rates:

	At 31 December 2009	Annual average for year	At 31 December 2008	Annual average for period
US dollars	1,593	1,532	1,448	1,875
Tanzanian shilling	2,166	2,043	1,950	2,290

## INTANGIBLE EXPLORATION AND EVALUATION ASSETS

All costs associated with mineral exploration and evaluation including the costs of acquiring prospecting licenses, rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource, are capitalised as intangible exploration and evaluation assets and subsequently measured at cost. The costs are allocated to base mineral/gemstone groupings within a region ("field"), which are treated as cash-generating units ("CGUs")/projects because the underlying geology and risks and rewards of exploration within a field are considered to be similar.

If an exploration project is successful, the related expenditures will be transferred at cost to plant and equipment and amortised over the estimated life of the commercial ore reserves on a unit of production basis.

Where a project does not lead to the discovery of commercially viable quantities of mineral resources and is relinquished, abandoned, or is considered to be of no further commercial value to the Company, the related costs are written off to the income statement.

The recoverability of deferred exploration costs is dependent upon the discovery of economically viable ore reserves, the ability of the Group to obtain necessary financing to complete the development of ore reserves and future profitable production or proceeds from the extraction thereof.

## PLANT AND EQUIPMENT

Plant and equipment assets are stated at historical cost.

Depreciation is provided on all plant and equipment assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Motor vehicles	over 3 years
Fixtures and equipment	over 3 years
Computer and IT equipment	over 3 years

## LAND AND BUILDINGS

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of the assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. For leasehold land and buildings, the useful life is the period of the lease. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

## IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying value. Impairment losses are recognised in the income statement immediately.

Impairment reviews for intangible exploration and evaluation assets are carried out on the basis of mineral/gemstone fields with each field representing a single CGU. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances applies:

- unexpected geological occurrences that render the resources uneconomic;
- title to the asset is compromised;
- variations in mineral/gemstones prices that render the project uneconomic;
- variations in the foreign currency rates; and
- the Group determines that it no longer wishes to continue to evaluate or develop the field.

## **FINANCIAL ASSETS AND LIABILITIES**

The Group classifies its financial assets and liabilities as follows:

### ***Trade and other receivables***

Trade and other receivables do not carry any interest and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

### ***Financial assets at fair value through the profit or loss ("FVTPL")***

Financial assets are classified at fair value through profit or loss when either they are held for trading or when they are initially designated at fair value through the profit or loss.

The fair value is derived from the closing bid-market price at the reporting date. Gains and losses arising from changes in fair value are recognised directly in the income statement.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

### ***Derivative financial assets and liabilities***

Purchases and sales of derivative financial instruments are recognised at the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group only trades in derivative financial instruments that are quoted in active markets and the related financial assets and liabilities are stated at fair values based on the contracted actual costs and the quoted market prices of those instruments. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

## Notes to the Financial Statements

### *Trade and other payables*

Trade and other payables are not interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at hand and deposits on a term of not greater than 3 months.

### *Share capital*

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

### **LEASES**

Leases where the lessor retains substantially all of the risks and rewards of ownership are classified as operating leases and the rentals payments are charged to the income statement on a straight-line basis over the lease term.

### **SHARE BASED PAYMENTS**

The share option programme entitles certain employees and Directors to acquire shares of the Company. These options are granted by the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes valuation model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

### **PENSION COSTS**

Contributions by the Group to personal pension schemes are charged to the income statement on a straight-line basis as they become due.

### **TAXATION**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon rates enacted and substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### **CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions that have the most significant effects on the carrying amounts of the assets and liabilities in the financial statements are those in relation to the impairment of intangible exploration and evaluation assets.

The Group is required to perform an impairment review, for each CGU/project, when facts and circumstances suggest that the carrying amount of the assets may exceed its recoverable amount. The recoverable amount is based upon the Directors' judgements and are dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain

necessary financing to complete development until the technical feasibility and commercial viability of extracting a mineral resource becomes demonstrable, at which point the value is estimated based upon the present value of the discounted future cash flows.

### ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the following new and revised Standards have been adopted and have affected the amounts reported in these financial statements.

#### Standards affecting presentation and disclosure

IAS 1 (revised 2007) Presentation of Financial Statements – In the current year the Group has adopted IAS 1 (revised 2007), which introduces a statement of comprehensive income, which presents all items of income and expenses which are not recognised in the income statement. The Group has presented a single statement of comprehensive income for 2009 and 2008, including the income statement and other comprehensive income.

IFRS 8 Operating Segments – IFRS 8 is a disclosure standard. The standard requires segmental reporting to be based on the information provided to the Chief Operating Decision Maker. The adoption of this standard has not had a significant impact on the Group's disclosures.

IFRS 7 Financial Instruments – Disclosures (Amendment) is a disclosure standard. The amendment requires enhanced disclosures about fair value measurement and liquidity risk and requires disclosure of fair value measurements by level of fair value measurement hierarchy, which have been included in the financial statements.

The adoption of these Standards has not led to any changes in the Group's accounting policies.

### ACCOUNTING STANDARDS AND INTERPRETATIONS NOT APPLIED

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group that have not been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated):

	<b>Effective Date</b>	
IFRS 2*	Share Based Payment (amendments)	1 July 2009
IFRS 8*	Operating Segments (amendments)	1 January 2010
IAS 1*	Presentation of Financial Statements (amendments)	1 January 2010
IAS 17*	Leases (amendments)	1 January 2010
IAS 7*	Statement of Cash Flows	1 January 2010
IAS 24	Related Parties Disclosures (revision)	1 January 2011
IAS 32*	Financial Instruments: Presentation (amendments)	1 February 2010
IAS 36*	Impairment of Assets (amendments)	1 January 2010
IAS 38	Intangible Assets (amendments)	1 July 2009
IAS 39*	Financial Instruments: Recognition and Measurement (amendments)	1 July 2009
IFRIC16*	Hedges of a Net Investment in a Foreign Operation	1 July 2009
IFRIC17*	Distributions of Non-cash assets to Owners	1 July 2009
IFRIC18*	Transfers of Assets from Customers	1 July 2009
IFRIC14	Amendment – Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IFRS 9	Financial Instruments	1 January 2013

\* endorsed by the EU.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

# Notes to the Financial Statements

## 2. GAINS ON INVESTMENTS

Group	Year ended 2009 £000	Period ended 2008 £000
Gain on disposal of investments	2,357	–
Increase in fair value of financial investments	3,334	–
Revenues from investing activities	5,691	–

## 3. SEGMENTAL REPORTING

Segmental information is presented on the basis of the information provided to the chief operating decision maker (“CODM”), which is the board of directors.

The Group is currently in the process of exploration and development of mineral projects, all of which were located in Tanzania during the year. In addition, the Group undertakes investing activities, which are based in the UK.

The Group's primary reporting segments are geographical segments, being the UK and Tanzania.

The following table shows the segment analysis of the Group's profit before tax for the year and net assets at 31 December 2009:

	Exploration and development – Tanzania £000	Investing activities – UK £000	Intra-group elimination £000	Total £000
<b>Income statement</b>				
Gains on investments	168	5,523	–	5,691
Management charges	594	–	(594)	–
Administrative expenses	(614)	(898)	594	(918)
Impairment of intangible assets	(1,787)	–	–	(1,787)
Segment operating (loss)/profit before interest	(1,639)	4,625	–	2,986
Profit on disposal of licences	305	–	–	305
Finance income	–	14	–	14
Finance expense	–	(3)	–	(3)
Profit before tax	(1,334)	4,636	–	3,302
Taxation				(1,477)
Profit after tax				1,825
<b>Net assets</b>				
Assets	23,698	12,356	(3,977)	32,077
Liabilities:				
Current tax liability	(177)	(366)	–	(543)
Deferred tax liability	–	(934)	–	(934)
Other	(3,996)	(243)	3,977	(262)
Net assets	19,525	10,813	–	30,338
<b>Other segment items</b>				
Depreciation	(18)	(10)	–	(28)
Foreign exchange loss	(2,430)	–	–	(2,430)
Capital expenditure:				
Property, plant and equipment	87	7	–	94
Intangible exploration and evaluation assets	802	–	–	802

The following table shows the segment analysis of the Group's loss before tax for the period and net assets at 31 December 2008:

	Exploration and development – Tanzania £000	Investing activities – UK £000	Intra-group elimination £000	Total £000
<b>Income statement</b>				
Management charges	585	–	(585)	–
Administrative expenses	(604)	(387)	585	(406)
Segment loss before interest	(19)	(387)	–	(406)
Finance income	–	207	–	207
Loss before tax	(19)	(180)	–	(199)
Taxation				(16)
Loss after tax				(215)
<b>Net assets</b>				
Assets	26,014	5,031	(2,576)	28,469
Liabilities:				
Current tax liability	–	(16)	–	(16)
Other	(2,679)	(87)	2,576	(190)
Net assets	23,335	4,928	–	28,263
<b>Other segment items</b>				
Depreciation	(7)	(5)	–	(12)
Foreign exchange	7,452	–	–	7,452
Capital expenditure:				
Plant and equipment	53	25	–	78
Intangible exploration and evaluation assets	862	–	–	862

#### 4. OPERATING PROFIT/(LOSS)

	Year ended 2009 £000	Period ended 2008 £000
Operating profit/(loss) is stated after charging:		
Depreciation of plant and equipment	28	12
Staff costs (see note 5)	583	324
Professional and regulatory fees	128	89
Impairment of intangible assets (see note 11)	1,787	–
Foreign exchange loss/(gain) on operating activities	44	(186)
Operating lease rentals:		
Land and buildings	52	13
Auditor's remuneration:		
Audit services		
– fees payable to the Company auditor for the audit of the parent and consolidated accounts	30	30
Fees payable to Company auditor for other services		
– auditing the accounts of subsidiaries pursuant to legislation	5	13

## Notes to the Financial Statements

### 5. STAFF COSTS

	Year ended 2009 Number	Period ended 2008 Number
The average monthly number of persons (including directors) employed by the Group during the year was:		
Administration and management	19	12
	<b>£000</b>	<b>£000</b>
The aggregate remuneration comprised:		
Wages and salaries	441	270
Social security costs	64	28
Pension contributions	12	3
Share based payments	66	23
	583	324
Directors remuneration included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	277	125

Included above are emoluments of £159,000 (2008: £60,000) in respect of the highest paid director.

No pension contributions were made on behalf of the Directors.

### 6. FINANCE INCOME

	Year ended 2009 £000	Period ended 2008 £000
<b>The Group</b>		
Bank interest receivable	14	207

### 7. FINANCE COSTS

	Year ended 2009 £000	Period ended 2008 £000
<b>The Group</b>		
Hire purchase interest payable	3	–

### 8. TAXATION

	Year ended 2009 £000	Period ended 2008 £000
<b>The Group</b>		
<b>Current tax:</b>		
UK corporation tax on profit/loss of year/period	488	16
UK – Adjustments in respect of prior period	55	–
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	934	–
<b>Tax on profit/loss on ordinary activities</b>	<b>1,477</b>	<b>16</b>

<b>The Group</b>	<b>Year ended 2009 £000</b>	<b>Period ended 2008 £000</b>
Factors affecting tax charge for the year/period		
The tax assessed for the year/period varies from the standard rate of corporation tax as explained below:		
Profit/(loss) on ordinary activities before tax	3,302	(199)
Profit/(loss) on ordinary activities multiplied by the average rate of corporation tax of 28% (2008: 29.6%)	925	(59)
Effects of:		
Expenses not deductible for tax purposes	522	55
Utilised tax losses from prior year	(25)	–
Unutilised tax losses in subsidiaries	–	25
Adjustments in respect of prior period	55	–
Other items	–	(5)
<b>Tax charge for the year/period</b>	<b>1,477</b>	<b>16</b>

The Group has estimated losses of £97,000 (2008: £89,000) available for carry forward against future profit.

The movement in the year in the Group's net deferred tax position was as follows:

<b>Deferred tax liabilities</b>	<b>Year ended 2009 £000</b>	<b>Period ended 2008 £000</b>
At 1 January	–	–
Charge to income for the year	934	–
At 31 December	934	–

The deferred tax liability relates to unrealised gains generated on the Company's investment in Kopane and will only become due when the gain on investment is realised.

## 9. EARNINGS PER SHARE

Basic earnings/loss per share is based on the net profit for the year of £1,825,000 (2008: loss of £215,000) attributable to equity holders of the parent related to the weighted average number of ordinary shares in issue during the year of 188,540,107 (2008: 142,997,104). The exercise price of share options in issue was above the Company's market price for the year and the options are anti-dilutive. Therefore, fully diluted loss per share is the same as basic loss per share.

## 10. INVESTMENTS IN SUBSIDIARIES

<b>The Company</b>	<b>Shares £000</b>	<b>Loans £000</b>	<b>Total £000</b>
Cost at 31 December 2008	18,000	1,805	19,805
Additions	–	979	979
<b>Cost at 31 December 2009</b>	<b>18,000</b>	<b>2,784</b>	<b>20,784</b>

There has been no impairment loss to investments in subsidiaries in the year.

## Notes to the Financial Statements

At 31 December 2009 the Company has investments in subsidiaries where it holds 50 per cent. or more of the issued ordinary share capital of the following companies:

Undertaking	Sector	Country of incorporation	% of issued ordinary share capital and voting rights
Obtala Limited <sup>1</sup>	Holding Company	England & Wales	100.0
Obtala Resources (T) Limited <sup>2</sup>	Resources	Tanzania	100.0
Mindex Invest Ltd. <sup>2</sup>	Resources	British Virgin Islands	100.0
Uragold Ltd. <sup>2</sup>	Holding Company	England & Wales	100.0
Uragold (T) Ltd <sup>4</sup>	Resources	Tanzania	75.0
Montara Continental Limited <sup>3</sup>	Resources	Seychelles	60.0
Montara Mozambique Limitada <sup>5</sup>	Dormant	Mozambique	58.5
Montara Forest Limited <sup>5</sup>	Dormant	Mozambique	58.5
Renholn Holdings Inc <sup>3</sup>	Dormant	British Virgin Islands	75.0

<sup>1</sup> Held directly by the Company.

<sup>2</sup> Held by Obtala Limited.

<sup>3</sup> Held by Mindex Invest Ltd.

<sup>4</sup> Held by Uragold Ltd.

<sup>5</sup> Held by Montara Continental Limited.

Obtala Limited and Uragold Ltd. operate wholly or mainly in England & Wales; Mindex Invest Ltd., Obtala Resources (T) Limited, Uragold (T) Ltd., Montara Continental Limited, Montara Forest Limited, Montara Mozambique Limitada and Renholn Holdings Inc operate wholly or mainly in Tanzania.

All of the subsidiaries are included in the consolidated financial statements.

### 11. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

The Group	Mindex licences £000	Uragold licences £000	Montara licences £000	Total licences £000
<b>Cost and book value at 1 August 2007</b>	–	–	–	–
Purchase of mining licences	15,957	1,174	–	17,131
Expenditure on exploration and evaluation	840	22	–	862
Foreign exchange differences	6,700	474	–	7,174
<b>Cost and book value at 31 December 2008</b>	23,497	1,670	–	25,167
Purchase of mining licences	113	–	104	217
Disposal of mining licences	(145)	–	–	(145)
Expenditure on exploration and evaluation	572	1	12	585
Impairment charge for the year	(1,113)	(674)	–	(1,787)
Foreign exchange differences	(2,237)	(174)	–	(2,411)
<b>Cost and book value at 31 December 2009</b>	20,687	823	116	21,626

The above values of intangible exploration assets acquired represent the cash and non-cash consideration paid by the Group at the time of their acquisition plus any subsequent expenditure, net of any effects of foreign exchange and impairment charges.

## **Purchase of mining licences**

### *Mindex licences*

During the year the Group completed an Acquisition and Option Agreement with RSR (Tanzania) Limited, a private Tanzania registered company, for the Busolwa gold project. The Busolwa Gold project is located in the Lake Victoria Goldfields within the south-eastern part of the Geita District in Tanzania and currently has active owner-operated small scale mining on the property.

Under the terms of the agreement Obtala will receive an initial 50 per cent. interest in the licences covering the project area for a payment of £113,000. Obtala will then spend 10 months evaluating the project after which it has an option to acquire a further 10 per cent. interest in the project for an additional US\$150,000, or allow the option to lapse.

The total number of Mindex licences now stands at 27 (2008: 25) all of which are located in Tanzania.

### *Montara Licences*

On 14 September 2009 the group acquired 60 per cent. of the issued share capital of Montara Continental Limited for cash consideration of £184,000 of which £80,000 relates to land and £104,000 relates to licences. Montara Continental Limited holds four coal exploration licences and has two dormant subsidiaries, as well as Montara Land Company Limited, an agriculture-focused company with a 70 per cent. interest in 20,000 hectares of agricultural farm land, in association with Lutukira Mixed Farms Limited in Tanzania.

The licences comprise the Manda North licence and Kate 1, 2 & 3, all of which expire in July 2010 but are renewable. The total area under licence is 647.02 km<sup>2</sup>, of which the Kate group of licences cover a contiguous area of 458.93 km<sup>2</sup> to the west of Lake Rukwa in south western Tanzania. These properties lie to the west of the Namwele-Mkomolo Coalfield, where a small resource has been identified by historical explorers. Manda North covers an area of 188.09 km<sup>2</sup> and is located in the Ludewa District, also within south western Tanzania, near the Mchuchuma-Katewaka Coalfield. This licence lies immediately adjacent to the coal properties licenced to the National Development Corporation (NDC), an economic development organisation established by the Tanzania government.

## **Disposal of mining licences**

### *Mindex licences*

On 13 March 2009 the Group completed an agreement with the AIM quoted company, Gemstones of Africa Group plc ("GOA"), under which GOA purchased an initial gross 12.5 per cent. interest in the Group's six emerald gemstone mining licences in the Manyara area of Tanzania with a £1 option to increase their interest by a further gross 12.5 per cent. to 25.0 per cent. in total.

The purchase and option consideration were settled in exchange for issuing the Group with shares equivalent to 5.0 per cent. of GOA's issued share capital equating to a quoted market value of £450,000, which after deduction of the associated capitalised costs of £145,000 resulted in a profit on disposal of the interest in the licences of £305,000 calculated on the basis that the option over the further 12.5 per cent. interest is exercised (profit on disposal would increase by £72,500 if the option is not exercised). The shares in GOA are included in financial investment assets and measured at fair value through profit or loss.

In order to exercise their option, GOA are required to have incurred exploration expenditures on these licence interests of not less than US\$75,000 within 24 months of the agreement completion date.

## **Impairment**

The Directors have considered the following factors when undertaking their impairment review of the intangible assets:

- (a) Geology and lithology on each licence as outlined in the most recent CPRs (independent Competent Person's Reports from the mining and earth resources consultancy company, Wardell Armstrong International Limited)
- (b) The expected useful lives of the licences and the ability to retain the licence interests when they come up for renewal
- (c) Comparable information for large mining and exploration companies in the vicinity of each of the licences

## Notes to the Financial Statements

(d) History of exploration success in the regions being explored

(e) Local infrastructure

(f) Climatic and logistical issues

(g) Geopolitical environment

After considering these factors the Directors have chosen to make the following adjustments to the carrying value of the intangible exploration and evaluation assets as at 31 December 2009:

- A charge of £83,000 in Mindex relating to the expiry of five unexercised options it held to acquire gold licences in Tanzania.
- A charge of £674,000 in Uragold relating to the full impairment of three Copper licences which the Directors do not intend to renew in 2010.
- A charge of £1,030,000 relating to four Gold licences held in Mindex which the Directors do not intend to renew in 2010.

As at 31 December 2009 applications to renew four licences with a carrying value of £1.7 million had been submitted to the Tanzanian government but at the date of issuance of this report these renewals had not been completed. The Directors however, have no reason to believe the renewals will be unsuccessful.

### 12. PROPERTY, PLANT AND EQUIPMENT

The Group	Land & buildings £000	Motor vehicles £000	Fixtures & equipment £000	Computer & IT equipment £000	Total £000
<b>Cost</b>					
At 1 August 2007	–	–	–	–	–
Additions	–	47	11	20	78
At 31 December 2008	–	47	11	20	78
Additions	80	–	7	7	94
Effects of foreign exchange	8	(5)	–	–	3
<b>At 31 December 2009</b>	<b>88</b>	<b>42</b>	<b>18</b>	<b>27</b>	<b>175</b>
<b>Depreciation</b>					
At 1 August 2007	–	–	–	–	–
Charge for the period	–	6	2	4	12
At 31 December 2008	–	6	2	4	12
Charge for the year	–	15	5	8	28
<b>At 31 December 2009</b>	<b>–</b>	<b>21</b>	<b>7</b>	<b>12</b>	<b>40</b>
<b>Net Book Value</b>					
<b>At 31 December 2009</b>	<b>88</b>	<b>21</b>	<b>11</b>	<b>15</b>	<b>135</b>
<b>At 31 December 2008</b>	<b>–</b>	<b>41</b>	<b>9</b>	<b>16</b>	<b>66</b>
At 1 August 2007	–	–	–	–	–

<b>The Company</b>	<b>Fixtures &amp; equipment £000</b>	<b>Computer equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 20 December 2007	–	–	–
Additions	5	20	25
At 31 December 2008	5	20	25
Additions	–	7	7
<b>At 31 December 2009</b>	<b>5</b>	<b>27</b>	<b>32</b>
<b>Depreciation</b>			
At 20 December 2007			
Charge for the period	1	4	5
At 31 December 2008	1	4	5
Charge for the year	2	9	11
<b>At 31 December 2009</b>	<b>3</b>	<b>13</b>	<b>16</b>
<b>Net Book Value</b>			
<b>At 31 December 2009</b>	<b>2</b>	<b>14</b>	<b>16</b>
<b>At 31 December 2008</b>	<b>4</b>	<b>16</b>	<b>20</b>
At 20 December 2007	–	–	–

### 13. TRADE AND OTHER RECEIVABLES

	<b>Group 2009 £000</b>	<b>Group 2008 £000</b>	<b>Company 2009 £000</b>	<b>Company 2008 £000</b>
Other receivables	151	16	114	8
Prepayments and accrued income	22	21	6	7
	173	37	120	15

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

### 14. FINANCIAL INVESTMENT ASSETS

	<b>Group Quoted investments 2009 £000</b>	<b>Group Quoted investments 2008 £000</b>	<b>Company Quoted investments 2009 £000</b>	<b>Company Quoted investments 2008 £000</b>
<b>Financial assets carried at fair value through profit or loss</b>				
Equity investments	3,837	15	3,208	15
Derivative assets	1,296	–	1,296	–
	5,133	15	4,504	15

# Notes to the Financial Statements

The summary of equity investments is as follows:

	<b>Group Quoted investments 2009 £000</b>	<b>Group Quoted investments 2008 £000</b>	<b>Company Quoted investments 2009 £000</b>	<b>Company Quoted investments 2008 £000</b>
Cost and fair value at beginning of period	15	–	15	–
Additions at cost	4,391	15	3,942	15
Disposals	(2,773)	–	(2,773)	–
Increase in fair value	2,204	–	2,024	–
	<b>3,837</b>	<b>15</b>	<b>3,208</b>	<b>15</b>

## Equity investments

Equity investments represent short-term investments in listed equity securities in mining and exploration companies which are treated as fair value through profit or loss.

The main investments the Group holds are its 11.8 per cent. direct equity interest in Kopane Diamond Development plc (“Kopane”), an AIM listed mining company, and its 5 per cent. direct equity interest in Gemstones of Africa Limited, whose shares were suspended from trading on AIM on 29 September 2009.

The fair value of the Kopane interest is based on the quoted market price. The shares of Gemstones of Africa were suspended as at 31 December 2009 but were re-admitted to trading in March 2010. The latest available price as at 29 September 2009 has been used to derive the fair value of this investment.

The Group realised a gain of £2,398,000 on the disposals of equity investments during the year.

## Derivative assets

The Group only trades in securities and derivative financial instruments that are quoted in active markets and the related financial assets and liabilities are stated at fair values based on the contracted actual costs and the quoted market prices of those instruments at the reporting date. All the above financial assets and liabilities are due in less than one year.

The principal classes of derivative financial instruments in which the Group traded during the year are contracts for difference.

The Group is exposed to market price risk in respect of its portfolio investments and also its trading investments and derivative financial instruments. The Group mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

The Group has in place procedures and levels of authority designed to control the level of commitment to such financial instruments, either in single investments or in aggregate.

## 15. FINANCIAL INSTRUMENTS

### CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 18, 19 and 20 and in the Group Statement of Changes in Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are exploration, credit, foreign exchange and liquidity risks. The management of these risks is vested in the Board of Directors.

**SIGNIFICANT ACCOUNTING POLICIES**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

**CATEGORISATION OF FINANCIAL INSTRUMENTS**

2009

<b>Financial assets/liabilities</b>	<b>Held for trading/ designated as FVTPL £000</b>	<b>Loans and receivables £000</b>	<b>Financial liabilities at amortised cost £000</b>	<b>Total £000</b>
Trade and other receivables	–	151	–	151
Equity investments	3,837	–	–	3,837
Cash and cash equivalents	–	5,010	–	5,010
Derivative assets	1,296	–	–	1,296
Derivative liabilities	(160)	–	–	(160)
Trade and other payables	–	–	(101)	(101)
	4,973	5,161	(101)	10,033

2008

<b>Financial assets/liabilities</b>	<b>Held for trading/ designated as FVTPL £000</b>	<b>Loans and receivables £000</b>	<b>Financial liabilities at amortised cost £000</b>	<b>Total £000</b>
Trade and other receivables	–	16	–	16
Equity investments	15	–	–	15
Cash and cash equivalents	–	3,184	–	3,184
Trade and other payables	–	–	(190)	(190)
	15	3,200	(190)	3,025

**FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial assets at FVTPL*</b>				
Quoted equities whose shares have been suspended	–	629	–	629
Quoted equities	3,208	–	–	3,208
Derivative assets	1,296	–	–	1,296
	4,504	629	–	5,133

## Notes to the Financial Statements

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial liabilities at FVTPL*</b>				
Derivative liabilities	(160)	–	–	(160)
	(160)	–	–	(160)

\* FVTPL – fair value through the profit and loss

### EQUITY PRICE RISK

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for both strategic and trading purposes.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5 per cent. higher/lower:

- Unrealised profit for the year ended 31 December 2009 would have been £450,000 higher/lower;
- Realised profit for the year ended 31 December 2009 would have been £324,000 higher/lower; and

The Group's sensitivity to equity prices has increased in the current year as the Group has expanded its investment portfolio.

### MANAGEMENT OF EXPLORATION RISK

The Group is exposed to exploration risk in respect of its mineral licence projects. The Group mitigates this risk by having established mineral investment project appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

### MANAGEMENT OF MARKET RISK

The most significant area of market risk to which the Group and Company are exposed is interest risk.

As the Group has no significant borrowings its risk is limited to the reduction of interest received on cash surpluses held. This risk is mitigated by using fixed-rate deposit accounts.

Group	2009 Fixed rate £000	2008 Fixed rate £000	2009 Floating rate £000	2008 Floating rate £000	2009 Total £000	2008 Total £000
Cash and cash equivalents	504	2,353	4,506	831	5,010	3,184

The impact of a 10 per cent. increase/decrease in the average base rates would be £1,400 on the total cash and cash equivalents balances and on equity.

### MANAGEMENT OF CREDIT RISK

The principal financial assets of the Company and Group are bank balances and financial investment assets and liabilities. The Company and Group deposit surplus liquid funds with counterparty banks that have high credit ratings.

No aged analysis of financial assets is presented as no financial assets are past due at the reporting date.

**MANAGEMENT OF FOREIGN EXCHANGE RISK**

The Company and Group have a limited level of exposure to foreign exchange rate risk through their foreign currency denominated cash balances.

<b>Group</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents		
GBP	4,507	2,303
USD	503	874
TZS	–	7
<b>Total</b>	<b>5,010</b>	<b>3,184</b>

The table below summarises the impact of a 10 per cent. increase/decrease in the relevant foreign exchange rates versus the pound sterling rate, on the Group's pre tax profit for the year and on equity:

<b>IMPACT OF 10% RATE CHANGE</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents	46	98

**MANAGEMENT OF LIQUIDITY RISK**

The Group and Company seek to manage liquidity risk by regularly reviewing cash flow budgets and forecasts to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group deems there is sufficient liquidity for the foreseeable future.

The Group and the Company had cash and cash equivalents at 31 December 2009 as set out below.

<b>Cash and Cash Equivalents</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at banks	2,330	3,184	1,004	1,371
Cash with institutions in support of trading	2,680	–	2,680	–
	<b>5,010</b>	<b>3,184</b>	<b>3,684</b>	<b>1,371</b>

At 31 December 2009 the Group had pledged cash and cash equivalents of £2.7 million (2008: nil) to institutions as collateral for exposures to derivative trading assets and liabilities.

**16. TRADE AND OTHER PAYABLES**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables	16	40	16	40
Other payables	40	27	36	9
Loans from subsidiary undertaking	–	–	638	175
Accruals	46	123	25	33
	<b>102</b>	<b>190</b>	<b>715</b>	<b>257</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

## Notes to the Financial Statements

### 17. FINANCIAL INVESTMENT LIABILITIES

	<b>Group 2009 £000</b>	<b>Group 2008 £000</b>	<b>Company 2009 £000</b>	<b>Company 2008 £000</b>
Derivative liabilities	160	–	160	–

The Company only trades in derivative financial instruments that are quoted in active markets and the related financial assets and liabilities are stated at fair value based on the contracted costs and quoted market price of those investments.

### 18. SHARE CAPITAL

<b>The Group and the Company</b>	<b>Number</b>	<b>2009 £000</b>	<b>Number</b>	<b>2008 £000</b>
Authorised:				
Ordinary shares of £0.01 each	250,000,000	2,500	250,000,000	2,500
Allotted, issued and fully paid:				
Issued in the year	15,172,223	152	177,500,000	1,775
Ordinary shares of £0.01 each	192,672,223	1,927	177,500,000	1,775

On 20 February 2009 the Company completed a placing of 9,450,000 new ordinary shares at 17p raising a gross amount of £1,606,500.

On 1 July 2009 the Company completed a placing of 5,722,223 new ordinary shares at 18p raising a gross amount of £1,030,000.

### 19. SHARE PREMIUM ACCOUNT

<b>The Group and the Company</b>	<b>2009 £000</b>	<b>2008 £000</b>
At beginning of period	2,828	–
Premium on issue of shares (see note 18)	2,485	3,325
Expenses on issue of shares	(23)	(497)
<b>At 31 December</b>	<b>5,290</b>	<b>2,828</b>

### 20. MERGER RESERVE

<b>The Group and the Company</b>	<b>2009 £000</b>	<b>2008 £000</b>
At beginning of period	16,400	–
Arising on pooling of interests	–	16,400
<b>At 31 December</b>	<b>16,400</b>	<b>16,400</b>

The merger reserve arose under s131 of CA1985 on the shares issued by the Company to acquire Obtala Resources Limited on 29 February 2008 in a process that did not change the economics, operations or shareholder structure of the Group.

## 21. CAPITAL AND OPERATING LEASE COMMITMENTS

### The Group

The Group had total commitments under non-cancellable operating leases falling due as follows:

	Land & buildings 2009 £000	Land & buildings 2008 £000
Within one year	40	28
In one to two years	5	12
In second to fifth year	–	–
	45	40

## 22. SHARE BASED PAYMENTS

The Group operates a share option plan, under which certain directors and employees have been granted options to subscribe for ordinary shares. All options are equity settled. The options have an exercise price of 37.6p which was based upon the average value of the Group's ordinary shares for the ten days prior to the date of grant. The vesting period was generally 1 or 2 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The number and weighted average exercise prices of share options are as follows:

	Number of share options	2009 Weighted average exercise price per share (pence)	Number of share options	2008 Weighted average exercise price per share (pence)
At beginning of period	2,000,000	37.6	–	–
Granted during the year	–	–	2,000,000	37.6
Lapsed during the year	–	–	–	–
<b>Outstanding at 31 December</b>	<b>2,000,000</b>	<b>37.6</b>	<b>2,000,000</b>	<b>37.6</b>

There were no share options outstanding at 31 December 2009 which were eligible to be exercised. To date no share options have been exercised. There are no market based vesting conditions attached to any of the share options outstanding at 31 December 2009.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. This is estimated based on the Black Scholes model which is considered most appropriate considering the effects of the vesting conditions, expected exercise price and the payment of the dividends by the Company. The weighted average fair value of each option is 5.14p (2008: 5.14p). A charge has been recognised in the income statement of £66,000 (2008: £22,638) for the year.

## 23. RELATED PARTY TRANSACTIONS

### TRADING TRANSACTIONS

During the year the Group companies entered into the following transactions with related parties:

	Transactions in year £000	2009 Balance at 31 December £000	Transactions in period £000	2008 Balance at 31 December £000
Loans to subsidiary undertakings	901	2,706	1,805	1,805
Loans from subsidiary undertakings	463	638	175	175
Loans between subsidiary undertakings	1,199	1,242	43	43

## Notes to the Financial Statements

	Transactions in year £000	2009 Balance at 31 December £000	Transactions in period £000	2008 Balance at 31 December £000
Transactions with other related parties:				
Advisory fees	32	2	12	12
Property recharges	25	7	20	4
Placing fees	–	–	37	–

All of the loan amounts referred to above are unsecured and are repayable on demand. The advisory fees and property recharges are from Ora Capital Limited (formerly Ora Capital Partners plc) a shareholder of the Company. The placing fees were payable to Novum Securities Limited, a subsidiary of Ora Capital Limited in that period. Michael Bretherton is an Executive Director of Ora Capital Limited.

During the year Obtala plc purchased a 60 per cent. interest in Montara Continental Limited from Grandinex International Corp, a company which Frank Scolaro holds a controlling interest. The consideration paid was £184,000.

Frank Scolaro is Non-executive Chairman of Kopane Diamond Developments plc in which the Group holds a direct equity investment with a carrying value at 31 December 2009 of £3.2 million (2008: nil) and derivative financial instruments with a carrying value of £1.3 million (2008: nil). The Group has recognised realised gains during the year of £2.4 million (2008: nil) and unrealised gains of £3.3 million (2008: nil) in respect of investments and derivative financial instruments of Kopane. The Group had a receivable of £14,000 due from Kopane at 31 December 2009 (2008: nil) having made payments on behalf of Kopane of £14,000 in the year (2008: nil).

Kopane is not accounted for as an associate because the Group does not have significant influence over its financial and operating decisions.

Simon Rollason is an Executive Director of Edenville Energy plc (formerly Gemstones of Africa plc (“GOA”). The Group held an equity investment with a carrying value at 31 December 2009 of £0.6 million (2008: nil). The Group has recognised unrealised gains of £0.2 million (2008: nil) in respect of shares in GOA. The Group had a receivable balance of £95,000 due from GOA as at 31 December 2009 (2008: nil) having made payments on behalf of GOA in the year of £95,000 (2008: nil).

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group’s key management personnel comprised only the Executive Directors of the Company.

	Short-term employment benefits			Total cost to company £000
	Salaries and fees £000	Employer’s national insurance contributions £000	Share based payments £000	
<b>2009</b>				
Francesco Scolaro	53	6	–	59
Simon Rollason	155	19	40	214
Michael Bretherton	10	1	–	11
Nicholas Clarke	28	3	5	36
	246	29	45	320

2008	Short-term employment benefits		Share based payments £000	Total cost to company £000
	Salaries and fees £000	Employer's national insurance contributions £000		
Francesco Scolaro	21	2	–	23
Simon Rollason*	95	9	10	114
Michael Bretherton	8	1	–	9
	124	12	10	146

\* Includes salary from date of joining the Company on 1 July 2008, (appointed to the Board on 22 September 2008).

#### 24. POST BALANCE SHEET EVENTS

In early January 2010 the Company disposed of 7,840,000 shares in Kopane Diamonds realising £1,040,264. Subsequent to this disposal the company held 16,495,000 shares and a contract for difference over 32,200,000 shares.

On 18 January 2010 Obtala Resources plc acquired the entire issued share capital of Sierra Leone Hard Rock Limited and its subsidiary Sierra Leone Hard Rock (SL) Limited from African Minerals Limited. The consideration for the acquisition was by way of issuing 21,170,422 new ordinary shares in Obtala Resources plc, equivalent to 9.9 per cent. of its enlarged issued share capital following completion. These shares were issued at 20.125 pence per share (being the closing mid market price on the 12 January 2010), which is equal to a total consideration value of £4,260,547.

This acquisition gives the Company access to the following:

- four mining licences, covering an area of 162.40 km<sup>2</sup>
- seven exploration licences, covering an area of 2,590.75 km<sup>2</sup>
- plant, machinery and equipment

In February 2010 the Company completed a review and maintenance programme of both the plant and the earth moving equipment, repaired the site infrastructure and access appointed key senior on-site staff and commenced mining activities.

#### 25. ULTIMATE PARENT COMPANY

At 31 December 2009 the Directors do not believe that there was an ultimate controlling party.

# Notice of the Annual General Meeting

## For the year ended 31 December 2009

NOTICE IS HEREBY GIVEN that the 2010 Annual General Meeting of Obtala Resources Plc will be held at the offices of Fasken Martineau LLP, Fourth Floor, 17 Hanover Square, London W1S 1HU on Wednesday, 16 June 2010 at 10.00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, the Audited Statement of Accounts and Auditor's report for the year ended 31 December 2009.
2. To re-elect Francesco Scolaro as a director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
3. To re-elect Michael Bretherton as a director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
4. To re-appoint Baker Tilly UK Audit LLP as auditor of the Company and to authorise the Directors to determine their remuneration.

### SPECIAL BUSINESS

As special business to consider and, if thought fit, pass the following resolutions, of which Resolution 5 will be proposed as ordinary resolutions and Resolutions 6 and 7 will be proposed as special resolutions:

#### Allotment of shares

5. THAT the Directors be and they hereby are generally and unconditionally (in substitution for all previous powers granted thereunder) to allot relevant securities (within the meaning of section 551 of the Companies Act 2006) up to an aggregate nominal amount of £732,808.82 provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2011 or 30 June 2011 (whichever is the earlier), unless and to the extent that such authority is renewed, varied, revoked or extended prior to such date, that the Company may before such expiry make an offer or agreement which would, or might, require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby has not expired. This authority shall be in substitution for any other authority to allot relevant securities but is without prejudice to the continuing authority of the Directors to allot relevant securities in pursuance of an offer or agreement made before the expiry of the authority pursuant to which such offer or agreement was made.

#### Disapplication of pre-emption rights

6. THAT the Directors be and they hereby are authorised and empowered pursuant to section 570 of the Act (in substitution for all previous powers granted thereunder) to allot equity securities (within the meaning of section 560 of the Companies Act 2006) (the "Act") for cash pursuant to the authority conferred by the ordinary resolution at Resolution 6 above as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to:
  - (a) the allotment of equity securities on a pro rata basis in favour of shareholders where the equity securities respectively attributable to the interests of such shareholders are proportionate (as nearly as maybe) to the respective number of ordinary shares held by them, but subject to such exclusions and other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlements or otherwise;
  - (b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities having in the case of relevant shares (as defined for the purpose of section 561 of the Act) a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding £320,763.96 (representing 15 per cent. of the issued share capital of the Company at the date of this notice) in aggregate;

provided that this power shall expire at the conclusion of the annual general meeting of the Company to be held in 2011 or 30 June 2011 (whichever is earlier) unless and to the extent that such authority is renewed, varied, revoked or extended prior to such date that the Company may, before expiry of this power, make any offer or agreement which would or might

require equity securities to be allotted after the expiry of this power and the directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired.

#### Buy-back of shares

7. THAT the Company be and is hereby generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(5) of the Companies Act 2006) of its own ordinary shares of 1p each ("Ordinary Shares") on such terms and in such manner as the directors of the Company shall determine; the general authority conferred by this resolution shall:
- (a) be limited to a maximum of 32,076,397 Ordinary Shares (being 14.99 per cent. of the issued share capital of the Company as at 21 April 2010);
  - (b) not permit payment of a price per Ordinary Share, exclusive of expenses of less than 1p or more than 105 per cent. of the average price at which business was done in the Ordinary Shares of the Company in the five business days preceding the purchase;
  - (c) expire on the earlier of the conclusion of the annual general meeting of the Company to be held in 2011 or 30 June 2011 (whichever is earlier) save that the Company may before the expiry of the power hereby conferred contract to purchase its own Ordinary Shares which contract requires or might require the purchase of such Ordinary Shares wholly or partly after such expiry.

By order of the Board

Michael Bretherton  
Director

22 April 2010

*Registered office:*  
Fifth Floor  
17 Hanover Square  
London  
W1S 1HU

# Explanatory Notes

## For the year ended 31 December 2009

### Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
  - 6.00 p.m. on Monday, 14 June 2010; or,
  - if this Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting,shall be entitled to attend and vote at the Meeting.

### Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars (PXS), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and received by Capita Registrars no later than 10.00 a.m. on Monday, 14 June 2010.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### Crest Proxy Instruction

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 16 June 2010 at 10.00 a.m. and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: **RA10**), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the

CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

#### Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capital Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment as above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 10.00 a.m. on Monday, 14 June 2010. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### Issued shares and total voting rights

10. As at 6.00 p.m. on 21 April 2010, the Company's issued share capital comprised 213,842,645 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 21 April 2010 was 213,842,645.

#### Documents on display

11. The following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (weekends excepted) from the date of this notice until 16 June 2010 and at the place of the Meeting for 15 minutes prior to and during the Meeting:
  - (a) copies of the service contracts of executive directors of the Company; and
  - (b) copies of letters of appointment of the non-executive directors of the Company.





