

African Eagle Resources plc : Audited Financial Results for year end 2012

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African Eagle Resources plc (the "Company") (AIM: AFE; AltX: AEA) today announces its results and the publication of its 2012 Annual Report and Financial Statements for the year ended 31 December 2012. This is being posted to shareholders today and will be available on the Company's website shortly: www.africaneagle.co.uk.

Chairman's Statement

2012 was a year of significant progress for the Company and the Dutwa project, and in technical and commercial terms Dutwa has been significantly de-risked. However, more recently in 2013 the Company has not been able to secure the additional funding needed to advance its development programme in Tanzania as it had planned. While the Company considers Dutwa to be a strong and competitive nickel project, in the absence of further funding from the capital markets we took the decision in Q1 2013 to suspend project activities and thereafter to consider further funding requests from the Company's Tanzanian subsidiaries on a case by case basis. Following this decision, the Company is now seeking to make a partial or total sale of these assets. These are challenging times however, and there can be no guarantee that any value can be achieved for these assets.

This Statement therefore covers both our achievements in the year and also describes the Company's strategy in the light of the difficult situation I have outlined above.

In July, 2012, Ambassador Paul Rupia joined the Board as a Non-Executive Director. Paul is a former head of the Tanzanian Civil Service. He has brought to the Board an intimate knowledge of Tanzania, and his advice has been invaluable to all of us in African Eagle.

Test work performed on the Dutwa laterite ore identified the very favourable impact of ore beneficiation on the metallurgical performance of Dutwa. The results of the additional work, described in more detail in the Operations Overview, improved the overall viability of Dutwa and defined an opportunity for further exploration relating to potential for sulphides hosting nickel and platinum group elements below the laterite resource. Despite this strong progress, events subsequent to the year-end in capital markets, the mining industry in general and the nickel sector in particular have meant that the Company is unable to continue to fund the completion of the Dutwa Bankable Feasibility Study (the "BFS") as planned even though considerable efforts have been expended to engage a strategic investor which would be able to take the project forward.

The Company raised £12,651,399 in new capital in 2012. A subscription by the IFC closed in the first quarter and in the second quarter further capital was received from a placement and open offer. While substantial, the Company recognised that the capital raised was not sufficient to enable the Company to complete the BFS as planned. However, and with the resources available very good progress was achieved on progressing the BFS with de-risking occurring in many key areas including metallurgy, logistics and reagent supply and social and environmental. The remaining work to complete the BFS essentially comprises large scale continuous pilot plant test work and detailed engineering sufficient for capital and operating cost estimates with a nominal accuracy of 15%, and the further development of commercial contract negotiations relating to logistics, major equipment items and other key services.

Given that the cost of this further work is beyond the financial resources of the Company, and that the current state of financial markets is such that the Company cannot raise new funds to cover this activity, the Company retained

Cutfield Freeman & Co to assist in the search for a strategic partner to take a majority position in the Dutwa project in return for funding the remainder of the BFS and underwriting eventual project development financing arrangements. In the currently depressed market and with the outlook for commodities we have not been able to secure a strategic partner on this basis.

In April 2013, the Company announced that the Tanzanian Revenue Authority ("TRA") had undertaken a review of the previous tax filings of one of the Company's Tanzanian subsidiaries. The Tanzanian subsidiary and its advisers have recently been in further discussions with the TRA and have received communication from the TRA outlining its initial view of the liability for the period up to 31 December 2012. In the consolidated financial statements the Company has fully provided its own estimate, approximately £600,000, to support the potential liability of the subsidiary concerned. Whilst no formal tax demand from the TRA has yet been received, the Directors of the Tanzanian subsidiary, advised by the Company and its tax and legal advisers, will continue to discuss the matter with the TRA in the hope that this matter can be brought to a satisfactory close as expeditiously as possible. However, neither the Tanzanian subsidiary nor the Company can forecast the level of any potential tax assessments or tax liabilities with certainty and there can be no assurance that the Tanzanian subsidiary will not be subject to a materially different value in any assessment it may receive.

Following a review of the Company's strategy in early 2013, taking into account the factors noted above, your Directors determined that the Company needed to take immediate action to preserve the Company's cash position, and take the steps necessary to retain the main licences related to the Company's nickel assets, but that it could no longer provide funding to its Tanzanian subsidiary, Red Hill Nickel Limited ("RHN"), the main operating entity for the Dutwa project. The Board decided to progress three initiatives:

- * To continue to seek a purchaser for the Dutwa assets, with the consideration being in cash and/or a carried interest;
- * To recover any value possible from the Miyabi JV and other non-Dutwa assets via a sale of our interest for cash or equity; and
- * To maintain the AIM-listed plc with a view to seeking new investment opportunities in the natural resources and related sectors, thereby retaining a possibility of securing some upside for shareholders.

An alternative, formally liquidating the Tanzanian assets and proposing to return any residual cash in the Company to shareholders via a Members' Voluntary Liquidation was rejected for two reasons. Firstly the residual cash in the plc after closing out all business issues and the cost of liquidation was considered unlikely to be significant in terms of cash per share. Secondly, the Board's opinion following discussions with major shareholders was that a transaction involving injection of new assets into the Company, whilst not quantifiable now, could, if achieved, potentially offer greater value for shareholders.

The outcome remains uncertain in the absence of firm offers for the Company's Tanzanian assets, and Directors are unable to estimate with any certainty whether assets will be sold as a whole or in part, the timing of any sale, or quantify the proceeds that may be receivable. In the absence of an orderly realisation, further adjustments might have to be made and these could include, but may not be limited to, the write down of assets and the inclusion of further liabilities. The extent of such write-downs and liabilities might be higher if the assets and liabilities had to be realised in a short timescale. For this reason the Board has decided to prepare the consolidated financial statements on a basis other than that of a going concern. The Board, however, continues with its efforts to secure value from its investments in Tanzania, and to reduce costs to an absolute minimum whilst doing so.

Finally, I would like to take this opportunity to express my and my fellow Directors' appreciation for the hard work and dedication of our staff in Tanzania and in London. It is very disappointing that, despite their efforts and their talent, current market conditions mean that the Company may be unable to see their plans fulfilled.

Chris Pointon
Chairman
12 June 2013

Operations Overview

Nickel Assets - Dutwa

2012 commenced with significant optimism regarding the development of the Company's flagship nickel project in Tanzania - Dutwa. It concluded with the confirmation that Dutwa is a world-class nickel laterite project with properties and potential at the leading edge of the nickel industry. Significant progress was achieved with the development of Dutwa and in reorganising, stabilising and focussing the Company in general. A small team of dedicated staff worked diligently and very efficiently throughout the year to achieve significant results.

Despite the challenges of the nickel market and its poor commodity price performance the mining industry overall remained robust in 2012. In the first month of the year the Company was able to complete the development of its BFS team with the appointment of Aidan Schoonbee as Project Director. Aidan brought to the Company a depth of experience in project management and as an experienced metallurgist was well positioned to join our project metallurgist Dr. Chad Czerny in the BFS development. Concurrent with Aidan's appointment the Company engaged the services of Lycopodium Minerals as the BFS engineer. This appointment completed the core consulting BFS team and enabled a strong group to be established to complete the BFS and the associated environmental and social impact assessment (the "ESIA") being managed by Citrus Partners. Working together the project team embarked on the performance of all requisite studies and the preparation of all the documentation required to confirm the economic viability of the project and to apply for the mining licence required for the development of Dutwa.

Concurrent with the commencement of the detailed activities of the BFS the Tanzanian based exploration team were completing the diamond drilling for the resource upgrade on the Dutwa hills. Thereafter, the drilling for the 60t of metallurgical core samples for use in the BFS pilot plant was performed.

As a result of the exploration drilling performed during 2012, under direction of Exploration Manager Mark Davey, Snowden Mining Consultants of Perth Australia ("Snowden") prepared updated resource estimates with the gross Dutwa resources expanding by 13% to 107Mt reported above a 0.55% Ni cut off grade while the Indicated resource increased 108% to 101Mt with a total metal content at almost 1Mt of nickel. The resource definition confirmed the unusually favourable mineralogy of Dutwa defining the resource as having a high silica content at ~65% (silica is inert to acid) and only ~12% iron oxides.

The metallurgical performance of this favourable resource mineralogy was subject to extensive test work throughout the year as a part of the BFS development. A significant programme of beneficiation batch test work performed in laboratories in Perth, Australia, demonstrated that the majority of the ores particularly the "ferruginous siliceous" respond well to straightforward low energy wet scrubbing and screening at a coarse grain size which rejects a significant proportion of the silica while retaining the majority (>70%) of the nickel. Indeed over 50% of the run-of-mine ore feed is typically rejected by this scrubbing resulting in a plant throughput rate less than half that originally anticipated, for the same nickel output. For "ferruginous siliceous" ores the run-of-mine nickel grade (~0.9-1% Ni) is increased to between 1.7 and 1.8% Ni typically. Moreover, the scrubbing results in partial removal of some detrimental, acid consuming elements. The result of which is that the resultant ore feed to the hydrometallurgical process plant performs more favourably in the leach resulting in a lower acid (and other reagent) demand compared to the run-of-mine ore. The impact of this on the project overall is a reduction in the relative capital cost of the project per unit of nickel output (lower throughput rate results in a smaller plant) and a reduction in operating cost (less reagent consumption due to the lower acid demand and lesser levels of impurities requiring removal) with both the requirements for sulphur importation and limestone significantly reduced.

The reduction in the requirements for these key reagents in turn reduces the demand for transportation into the project. Transportation was also the subject of significant evaluation during the year. Specialist rail engineers with significant experience in the transport of large quantities of coal on the narrow gauge systems in eastern Australia (Lycopodium Rail) reviewed the existing rail systems in Kenya and Tanzania. Kenya is a viable option for transport in conjunction with barge transport on Lake Victoria. The project is located within 25 km of the lake and an existing lake port in Kenya at Kisumu is connected directly by rail to the port of Mombasa. While the Kenyan rail system offers opportunity it is the Tanzanian system that presently provides the best transport option for Dutwa.

The Tanzanian Central Line connects the main Tanzanian port of Dar es Salaam to Mwanza and passes within just 70km of the Dutwa project. In its current condition engineers consider that the Central Line has the capacity to support the project with only limited work. The Dutwa project would require transport of up to 1.25Mt per annum; importantly, the existing spare capacity is estimated to be substantially in excess of that. The World Bank is working with the government of Tanzania to expand the capacity of the Central Line over a significant portion of its length toward Dutwa to a level of capacity well beyond the requirements of the project. The World Bank has indicated that the proposed upgrade project is scheduled for completion before Dutwa would be brought into operation. What is currently missing from the existing Central Line is reliable rolling stock. The planned World Bank project would provide a certain rolling stock fleet but the Company determined that this capacity was not sufficient to improve the confidence in the project and sought opportunities with the government to develop a framework whereby privately owned and run trains could be operated on the public infrastructure. To this end the Company developed a Memorandum of Understanding ("MoU") with the Tanzanian Ministry of Transport and its associated rail and other port agencies. The MoU was developed in 2012 and executed in 2013, albeit no further development will be undertaken by the Company.

Employing data from the metallurgical results described above Snowden prepared early mine plans from the resource block models including mine production schedules for use in cost planning and economic analyses. Such schedules were developed on a block-by-block basis to a level of detail usually only performed during development stages beyond normal BFS work. This activity significantly improves the forecast performance of the project overall.

Reagent studies also advanced significantly during the year. A large high quality resource of limestone offering many years of life is currently in production close to the coast and immediately adjacent to a spur of the Central Line. The central rail system enables this to be a potentially reliable source for the limestone that the project requires. Additional resources closer to the Dutwa project in the nearby Shinyanga region have also been investigated as a means to reduce the transportation requirements. A sulphur market study identified that significant raw sulphur production will commence in the Middle East in the next year or two as by-product from sour gas projects already under development. Such production would provide multiples of the quantity required to support the operation of a sulphuric acid-based atmospheric leach plant at Dutwa. The UAE sulphur source is well situated geographically for supply to the port at Dar es Salaam thereby minimising transport costs.

All of these elements individually provide significant benefits to Dutwa, but the resulting combination is much greater than the simple sum of the parts. The quality of the Dutwa project in the nickel laterite industry has been greatly enhanced by the work performed to date on the BFS. Despite the significant reduction in the price of nickel compounded by an increase in transport and reagent pricing relative to the Scoping Study, the BFS optimisation has resulted in the mitigation of numerous adverse market conditions. Internal Company-developed operating cost estimates taking into account all of these BFS developments, confirmed that Dutwa will be a low cost laterite producer and would be cash positive under all currently forecast floor prices for nickel.

Metallurgical continuous pilot plant test work and the resultant definitive BFS

engineering planned for performance in 2013 has ceased due to the lack of available funding required to continue.

In conjunction with the BFS there have been extensive development activities related to the baseline studies for the ESIA. All standard environmental baseline activities have been completed with greater than a year of data accumulated and assessed. Data for more than one rainy season has been obtained ensuring a robust and world class ESIA basis. Social activities progressed significantly concurrently with the environmental work. Social studies included health, socio-economic and land ownership studies combined with early skills assessments directed toward predicting the available labour pool and training programmes. All ESIA work was performed to IFC performance standard 2012 and activities were reviewed frequently by the IFC.

The tight capital markets and the long understood requirement that Dutwa would need a strategic partner to ensure effective development resulted in the Company appointing Cutfield Freeman and Co Ltd. as financial adviser for the development of Dutwa. Significant efforts were directed toward discussions with the large nickel producers and other potential parties. Although several large companies expressed interest in Dutwa recognising its superior mineralogy and strategic location, the global challenges currently being faced by the wider nickel industry and commodities generally has meant that no potential strategic partners have committed to the project.

In addition to the work performed on the known laterite resource a review of work performed previously identified the potential for nickel sulphide and PGE mineralisation existing below the lateritic caps of the two main hills. The data from drill holes conducted over the many years of work at Dutwa was re-evaluated and nickel sulphide mineralisation with promising nickel and PGE grades was identified in a number of the short tails of holes drilled for the purpose of the defining the laterite resource. Exploration of the sulphide potential at Dutwa was identified in early 2013 as a key activity to be performed concurrent with the strategic partner search for the laterite. Unfortunately, the appetite of capital markets to support earlier stage exploration projects is very subdued at present and these activities have not occurred.

Nickel Assets - Zanzui

Zanzui is cluster of licences comprising a large (140km²) area about 50km south of Dutwa. The main area of mineralisation is related to in a mafic/ultramafic ring complex of about 75km². Laterite resource drilling performed during 2008 and 2010 was provided to Snowden, which developed a maiden resource for Zanzui of 27Mt at 0.81% nickel and 0.06% cobalt. The mineralisation at Zanzui is considered similar to that of Wamangola, the most favourable hill at Dutwa, and is potential feed to the Dutwa project during the later stages of its operation life.

Like Dutwa the potential for nickel and PGE sulphide mineralisation was also identified at Zanzui. Revision of work, including drilling, by the United Nations Development Programme and the Company confirmed the presence of sulphide mineralisation with values of Ni and PGEs. Perhaps more exciting has been the re-appraisal of early drill holes by the Company at Dutwa, where nickel sulphides with grades in excess of 0.5% Ni have been observed in reverse circulation drill cuttings. Although the intersections are few, they are at shallow depth (less than 100m vertical) and appear to conform to a zone within the ultramafic complex. Exploration programmes for Zanzui have been developed but their execution is dependent upon the availability of funding.

Gold Assets - Tanzania

Miyabi - The Company continued its Joint Venture with Rift Valley Resources of Perth WA on its Miyabi gold project, also in Tanzania, with Rift Valley Resources (RVR), an ASX listed Australian company, whereby RVR could earn a 50% interest in the project by continuing exploration, and a further 25% by completing a Bankable Feasibility Study. In May 2013, the Company was able to confirm that the 50% threshold had been achieved. During 2012 RVR completed more than 11,000m of drilling at Miyabi identifying two new mineralised zones beyond the extents of the current resource. Some encouraging intersections were reported including 18m at 18.3g/t gold and 12m at 21.6g/t gold.

Igurubi - a prior pending JV agreement established in 2010 did not close as certain conditions were not achieved in the time period established. The Company commenced the search for an alternative investor and/or earn-in partner. Little work was performed at Igurubi during 2012.

Msasa - Little work was performed at Msasa during 2012 and the Company commenced efforts to search for an investor and/or earn-in partner for Msasa.

Copper Assets - Zambia

The Company's copper assets in Zambia were sold to Elephant Copper in July 2012 and the sale closed in November. Despite challenging market conditions the Company was able to identify and foster good interest in the Zambian copper assets. As a result of the transaction the Company holds a 21% interest in Elephant Copper, a private company managed from South Africa.

We believe that inherent value remains in the Company's assets in Tanzania and in particular the Dutwa project and the intellectual property that has been developed for it to date under the BFS. Accordingly the Company continues to examine strategies to realise this value. However, due to the lack of firm offers, and the minimal cash reserves the Company has taken a decision to write down the value of these assets to nil with the exception of our listed investment in Kibo Mining Plc.

Trevor Moss
Director and Chief Executive Officer
12 June 2013

Financial and Risk Review

As set out in the Directors' Report and note 2(a) to the financial statements the Company has adopted the break up basis of accounting for the year ended 31 December 2012 for the consolidated financial statements. As a consequence the loss before taxation attributable to owners of the parent of £28,935,734 (2011: £2,960,124) is significantly impacted by asset impairment charges of £25,366,967 (2011: £1,640,836) reflecting the Directors' evaluation of assets' realisable value. Employee benefits and other expenses were £1,701,750 higher in 2012 than 2011 due principally to additional employees and Directors during the year. The loss per share increased from 0.6 pence in 2011 to 4.7 pence in 2012.

Statement of financial position

On a break up basis cash and other liquid assets have been measured at fair value at 31 December 2012. Capitalised costs and other assets where no value is expected to be recovered have been written off. Liabilities include management's best estimate of amounts due to the Tanzanian Revenue Authorities as set out in note 29. On this basis net assets declined to £1,696,562 in 2012 compared to £18,953,784 in 2011.

Cash flow

Net cash increased over the year to £3,645,458 at 31 December 2012 compared to £2,285,347 at 31 December 2011. £12,202,857 after expenses was raised by share issuance during the year (2011: 3,561,325), of which £7,994,499 (2011: £3,445,546) was used in investing activities, principally in relation to preparing for the Dutwa Bankable Feasibility Study, and £2,837,194 (2011: £999,651) in operations.

Key performance indicators

The Board of African Eagle monitors relevant KPIs on a monthly basis as follows:

Financial KPIs

- * Total expenditure burn rates;
- * Monthly cash flow budget comparisons
- * Annual budget and reforecast reviews

Non-financial KPIs

Health and safety - number of reported incidents. There were no serious incidents reported during the year;

Risk review

The risks inherent on the break up basis of accounting at 31 December 2012 have been reviewed by the Board. The principal risks are detailed below.

Liquidity risk

Liquidity risk is the risk of running out of working and investment capital. Such risk is further discussed in the Chairman's Statement and Operations Overview on pages 2 to 4. Key sensitivities are discussed in the basis of preparation note 2(a).

Taxation and other legislation

The Tanzanian Revenue Authority ("TRA") had undertaken a review of the previous tax filings of one of the Company's Tanzanian subsidiaries. The extent and risks relating thereto are set out in note 29 in the accompanying financial statements.

Licence risk

Permits and other authorisations and/or such concessions, rights, licences, permits and other authorisations may be suspended, terminated or revoked prior to their expiration in light of the company preparing accounts on a break up basis, and limiting the funding of its Tanzanian subsidiaries.

Trevor Moss

Chief Executive Officer

12 June 2013

Report of the Directors

To the members of African Eagle Resources plc, Company number 3912362

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2012.

Business review

A review of the Group's trading during the year and future developments is contained in the Chairman's Statement and the Operations Overview as set out on pages 2 to 4.

The Group's financial and non-financial indicators are set out in the Financial and Risk Review on page 5. There was a Group loss after taxation for the year of £28,935,734 (2011: £2,960,124). The Directors do not recommend the payment of a dividend.

Going Concern - consolidated financial statements

Financial statements are normally prepared on a going concern basis unless there is a reason to depart from this basis. The Company announced on 15 May 2013, that the Directors were taking immediate steps to minimise costs and preserve the Company's cash position, and were undertaking a restructuring in order to examine strategies for realising value from the Group's assets. Furthermore the Company is currently exploring options, as set out in the Chairman's Statement, to dispose of assets as a means to provide funding for the restructured group which, if successful, would result in African Eagle Resources plc being maintained as an AIM-listed plc with a view to an opportunistic transaction in the next 6-12 months. In the event that no transaction is concluded or additional funding secured then the Company would be liquidated.

Given both the lack of availability of funding and a viable restructuring plan, capable of execution at the present time, the Directors consider it inappropriate to prepare the consolidated financial statements on a going concern basis, and therefore the Directors have prepared these Accounts on a break-up basis as set out in note 2.

The effect of preparing the consolidated financial statements on a break-up basis is that all group assets and liabilities have been restated to their estimated recoverable value as at 31 December 2012:

* cash and other liquid assets have been measured at fair value at 31 December

2012;

* capitalised costs and other assets where no value is expected to be recovered have been written off; and

* liabilities are only recognised if an obligation exists at the balance sheet date.

Going Concern - Parent Company

The Directors consider that the Company has adequate financial resources to continue in operational existence, subject to satisfactory conclusion to some inherent uncertainties, including the ability of the Company to secure a strategic partner or generate funds through the sale of subsidiary companies assets. These matters represent material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Nonetheless, the Directors consider it is appropriate to continue to adopt the going concern basis of accounting in preparing the Parent Company financial statements, as set out in note 2(a).

Directors

The Directors in office during the year and current at the date of this report are listed below. The interests of the Directors in the shares of the Company at 31 December 2012 or the date of resignation, and 31 December 2011 were as follows:

 As at 31 December As at 31 December
 2012 2011

Ordinary Shares Options Ordinary Options
 Shares

 Chris 26/01/2012 750,000 150,000 - -
 Pointon (Appointed)

Trevor Moss 01/12/2011 1,187,500 6,000,000 - -
 (Appointed)

David 02/07/2012 - 3,000,000 - -
 Newbold (Appointed)
 31/03/2013(Resigned)

Don Newport 26/01/2012 - - - -
 (Appointed)

Julian 28/04/2011 78,530,761 - 46,030,761 -
 McIntyre (Appointed)

Paul Rupia 27/07/2012 - 150,000 - -
 (Appointed)

Robert 20/06/2012 - 262,000 - 262,000
 McLearn (Appointed)
 02/07/2012 (Resigned)

Mark Parker 24/04/2012 (Resigned) 4,563,967 3,676,328 4,563,967 3,676,328

Christopher 24/04/2012 (Resigned) 1,047,165 3,504,618 1,047,165 3,504,618
 Davies

Andrew 01/12/2011 182,500 3,000,000 - 3,000,000
 Robertson (Appointed)
 07/06/2012 (Resigned)

Euan 24/04/2012 (Resigned) 1,193,333 2,205,824 1,193,333 2,205,824
 Worthington

Geoffrey 04/04/2012 (Resigned) 975,967 1,637,230 975,967 1,637,230
 Cooper

Bevan 25/11/2011 (Resigned) 260,833 1,931,000
Metcalf

Total 88,431,193 23,586,000 54,072,026 16,217,000

Substantial shareholdings

As at 31 May 2013, the only holdings of 3% or more in the issued share capital are:

Shares in the Company Approximate % of the
Company's issued share
capital(1)

Allard Services Ltd 78,530,761 11.32%

International Finance
Corporation 78,009,570 11.24%

Anglo Pacific Group Plc 30,550,000 4.40%

Barclays Wealth 29,916,569 4.31%

TD Waterhouse (Europe) Ltd 28,421,364 4.10%

Vestra Wealth LLP 27,225,678 3.92%

Salkeld Investments Ltd 25,675,000 3.70%

Intervantage Investments 25,000,000 3.60%

Hargreaves Lansdown Asset
Management 22,479,564 3.24%

Halifax Share Dealing
Services 21,378,327 3.08%

(1) Based on 694,014,407 shares issued and outstanding at 31 May 2013
Directors' remuneration
Directors' emoluments are shown in note 8.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). 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 for the Group for that period. In preparing these financial statements, the Directors are required to:

- * Select suitable accounting policies and then apply them consistently;
- * Make judgments and estimates that are reasonable and prudent; and
- * Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, as noted above under Going Concern.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection

of fraud and other irregularities.

In so far as each of the Directors is aware:

* There is no relevant audit information of which the Company's auditors are unaware; and

* The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Events after Balance Sheet date

Refer to note 27 for details of the events after the balance sheet date.

Payment policy and practice

It is the Group's normal practice to settle the terms of payment when agreeing the terms of a transaction, to ensure that suppliers are aware of those terms, and to abide by them. The Company had no trade payables at the year end.

Financial risk management objectives and policies

The Group's financial risk management objectives and policies are set out in the Financial and Risk Review on page 5 and comply with the disclosure made in note 23 relating to the disclosure required by IFRS 7 Financial Instruments.

Auditors

PricewaterhouseCoopers LLP replaced Grant Thornton UK LLP as auditors during the year. PricewaterhouseCoopers LLP offer themselves for reappointment as auditors in accordance with Section 489 (4) of the Companies Act 2006.

On Behalf of the Board

Trevor Moss

Director

12 June 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN EAGLE RESOURCES PLC

We have audited the consolidated financial statements of African Eagle Resources plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the

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

Opinion on financial statements

In our opinion the consolidated financial statements:

- * give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- * have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- * have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Basis of preparation

In forming our opinion on the consolidated financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the going concern basis of accounting. Due to the adverse position in relation to the funding of African Eagle Resources plc, which has prevented the Company completing a bankable feasibility study for the Dutwa project, there is significant uncertainty over the future of the group. For this reason the directors consider that the consolidated financial statements should be prepared on a basis other than that of a going concern. As explained in note 2, adjustments have been made in these consolidated financial statements as a result of preparing them on this basis.

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 consolidated financial statements are prepared is consistent with the group 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:

- * 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.

Other matter

We have reported separately on the Parent company financial statements of African Eagle Resources plc for the year ended 31 December 2012. That report includes an emphasis of matter.

Alison Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 June 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFRICAN EAGLE RESOURCES PLC

We have audited the Parent Company financial statements of African Eagle Resources plc for the year ended 31 December 2012 which comprise the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements:

- * give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its cash flows for the year then ended;
- * have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- * have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - going concern

In forming our opinion on the Parent Company financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the Company's ability to continue as a going concern. The uncertainties over the future of the Company, including the ability of the Company to secure a strategic partner or generate funds through the sale of subsidiary companies' assets, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 Parent Company financial statements are prepared is consistent with the Parent Company 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 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.

Other matter

We have reported separately on the consolidated financial statements of African Eagle Resources plc for the year ended 31 December 2012. That report includes an emphasis of matter.

Alison Baker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

| | Year to Year to | 31 December 31 December |
|--|-----------------|---------------------------------|
| | 2012 | 2011 |
| | Note | £ |
| | £ | £ |
| Employee benefits expense | 4 | (1,649,651) (677,784) |
| Impairment of assets | 5 | (25,366,967) (1,640,836) |
| Other expenses | 6 | (1,549,362) (819,479) |
| Depreciation expense | 12 | (46,670) (30,511) |
| Profit on disposal of assets held for sale | 14 | 327,132 - |
| Share of loss in associate during the year | 15 | (11,806) (9,116) |
| Payroll levies related to prior years | 29 | (601,754) - |
| Operating loss | | (28,899,078) (3,177,726) |
| Finance income: | | |
| Bank interest receivable | | 108,464 10,117 |
| Foreign exchange (loss)/gain on translation | | (145,120) 207,485 |
| Loss before tax | | (28,935,734) (2,960,124) |
| Income tax expense | 9 | - - |
| Loss attributable to owners of the parent | | (28,935,734) (2,960,124) |
| Other comprehensive (loss): | | |
| Exchange differences on translation of foreign operations | | (799,667) (233,131) |
| Available for sale investments fair value adjustment | 13 | (40,000) (170,400) |
| Other comprehensive (loss) for the year | | (839,667) (403,531) |
| Total comprehensive loss attributable to owners of the parent | | (29,775,401) (3,363,655) |

Loss per share:

Basic and diluted loss per share from total and 10 (4.7p) (0.7p)
 continuing operations

 Headline loss per share from total and 10 (0.6p) (0.3p)
 continuing operations

 At 31 December 2012 all operations are continuing, subject to post balance sheet events set out in note 27. The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company Income Statement and Statement of Comprehensive Income.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2012

 31 December 31 December
 2012 2011
 Note £ £

 Assets

Deferred exploration costs 11 - 11,126,684

Property, plant and equipment 12 - 81,259

Available for sale investments 13 68,000 160,000

Exploration assets held for sale 14 - 2,465,518

Investment in associates 15 - 2,677,921

Investment in joint ventures 17 - 32,993

Other receivables - Short term 18a 241,233 509,556

Cash and cash equivalents 19 3,645,458 2,285,347

 Total assets 3,954,691 19,339,278

 Liabilities

Current liabilities

Payroll related levies related to prior years 29 (601,754) -

Other payables 20 (1,656,375) (385,494)

 Total liabilities (2,258,129) (385,494)

 Net assets 1,696,562 18,953,784

 Equity

Equity attributable to owners of the parent:

| | | |
|--|--------------|--------------|
| Share capital | 21 6,940,145 | 4,095,862 |
| Share premium account | 36,559,743 | 27,201,169 |
| Merger reserve | 405,723 | 705,723 |
| Available for sale revaluation reserve | - 40,000 | |
| Foreign currency reserve | (989,933) | (190,266) |
| Retained losses | (41,219,116) | (12,898,704) |
| ----- | | |
| Total equity | 1,696,562 | 18,953,784 |
| ----- | | |

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 12 June 2013.

Trevor Moss
Director
12 June 2013

Company Statement of Financial Position

For the year ended 31 December 2012

| | Note 31 December 2012 | 31 December 2011 |
|------------------------------------|--------------------------|---------------------|
| | £ | £ |
| ----- | | |
| Assets | | |
| Property, plant and equipment | 12 - 2,372 | |
| Available for sale investments | 13 68,000 | 160,000 |
| Investments in subsidiaries | - 79,857 | |
| Other receivables - Short term 18a | 77,018 | 132,563 |
| Other receivables - Long term 18b | - 23,206,053 | |
| Cash and cash equivalents | 19 3,590,516 | 2,025,646 |
| ----- | | |
| Total assets | 3,735,534 | 25,606,491 |
| ----- | | |

Liabilities

Current liabilities

| | | |
|-------------------|--------------|-----------|
| Other payables | 20 (547,889) | (151,569) |
| ----- | | |
| Total liabilities | (547,889) | (151,569) |
| ----- | | |

Net assets 3,187,645 25,454,922

Equity

Equity attributable to equity holders of parent

| | | |
|--|--------------|-------------|
| Share capital | 21 6,940,145 | 4,095,862 |
| Share premium account | 36,559,743 | 27,201,169 |
| Available for sale revaluation reserve | - | 40,000 |
| Retained losses | (40,312,243) | (5,882,109) |
| ----- | | |
| Total equity | 3,187,645 | 25,454,922 |
| ----- | | |

The accompanying notes form an integral part of these Company financial statements.

The financial statements were approved by the Board of Directors on 12 June 2013.

Trevor Moss
 Director
 12 June 2013

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

| | Share Capital | Share Premium Account | Share Merger Reserve | Available for sale revaluation reserve | Foreign currency reserve | Retained Losses | Total Equity |
|---|---------------|-----------------------|----------------------|--|--------------------------|-----------------|--------------|
| | £ | £ | £ | £ | £ | £ | £ |
| Balance at 1 January 2011 | 3,847,622 | 23,888,084 | 705,723 | 210,400 | 42,865 | (10,220,415) | 18,474,279 |
| Loss for year | - | - | - | (2,960,124) | (2,960,124) | | |
| Other comprehensive income/(loss): | | | | | | | |
| Exchange differences on translation of foreign operations | - | - | - | (233,131) | (233,131) | | |
| Available for sale investments - fair value adjustment | - | - | - | (170,400) | (170,400) | | |
| ----- | | | | | | | |
| Total comprehensive loss for the year | - | - | - | (170,400) | (233,131) | (2,960,124) | (3,363,655) |
| ----- | | | | | | | |
| Transactions with equity owners for 2011: | | | | | | | |
| Issue of share capital | 248,240 | 3,512,720 | - | - | - | - | 3,760,960 |
| Share issue | - | (199,635) | - | - | - | - | (199,635) |

costs

Share-based - - - - 281,835 281,835
payments

Total 248,240 3,313,085 - - - 281,835 3,843,160
transactions
with equity
owners

Balance at 31 4,095,862 27,201,169 705,723 40,000 (190,266) (12,898,704) 18,953,784
December 2011

Loss for year - - - - (28,935,734) (28,935,734)

Other
comprehensive
income/(loss):

Exchange - - - - (799,667) - (799,667)
differences on
translation of
foreign
operations

Available for - - - (40,000) - - (40,000)
sale
investments -
fair value
adjustment

Transfer - - (300,000) - - 300,000 -
merger reserve
to profit and
loss

Total - - (300,000) (40,000) (799,667) (28,635,734) (29,775,401)
comprehensive
loss for the
year

Transactions
with equity
owners for
2012:

Issue of share 2,844,283 9,807,116 - - - - 12,651,399
capital

Share issue - (448,542) - - - - (448,542)
costs

Share-based - - - - 315,322 315,322
payments

Total 2,844,283 9,358,574 - - - 315,322 12,518,179
transactions
with equity
owners

Balance at 31 6,940,145 36,559,743 405,723 - (989,933) (41,219,116) 1,696,562
December 2012

The accompanying notes form an integral part of these consolidated financial
statements.

Company Statement of Changes in Equity

For the year ended 31 December 2012

| | Share Capital | Share Premium | Available for sale | Retained Earnings | Total Equity |
|--|---------------|---------------|--------------------|-------------------|--------------|
| | £ | £ | £ | £ | £ |
| Balance at 1 January 2011 | 3,847,622 | 23,888,084 | 210,400 | (4,837,258) | 23,108,848 |
| Loss for year | - | - | (1,326,686) | (1,326,686) | |
| Other comprehensive income/(loss): | | | | | |
| Available for sale investments - fair value adjustment | - | (170,400) | - | (170,400) | |
| Total other comprehensive loss for the year | | (170,400) | | (1,497,086) | |
| Transactions with equity owners for 2011: | | | | | |
| Issue of share capital | 248,240 | 3,512,720 | - | 3,760,960 | |
| Share issue costs | - | (199,635) | - | (199,635) | |
| Share-based payments | - | - | 281,835 | 281,835 | |
| Total transactions with equity owners | 248,240 | 3,313,085 | 281,835 | 3,843,160 | |
| Balance at 31 December 2011 | 4,095,862 | 27,201,169 | 40,000 | (5,882,109) | 25,454,922 |
| Loss for year | - | - | (34,745,456) | (34,745,456) | |
| Other comprehensive income/(loss): | | | | | |
| Available for sale investments - fair value adjustment | - | (40,000) | - | (40,000) | |
| Total other comprehensive loss for the year | | (40,000) | | (34,785,456) | |
| Transactions with equity owners for 2012: | | | | | |

| | | | | |
|---------------------------------------|-------------|------------|----------------|------------|
| Issue of share capital | 2,844,283 | 9,807,116 | - - | 12,651,399 |
| Share issue costs | - (448,542) | - - | - - | (448,542) |
| Share-based payments | - - - | 315,322 | 315,322 | |
| ----- | | | | |
| Total transactions with equity owners | 2,844,283 | 9,358,574 | - 315,322 | 12,518,179 |
| ----- | | | | |
| Balance at 31 December 2012 | 6,940,145 | 36,559,743 | - (40,312,243) | 3,187,645 |
| ----- | | | | |

The accompanying notes form an integral part of these Company financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2012

| | Year to | Year to | | |
|---|-------------|--------------|-------------|--|
| | 31 December | 31 December | | |
| | 2012 | 2011 | | |
| | Note | £ | £ | |
| | | | | |
| ----- | | | | |
| Operating activities | | | | |
| Loss before taxation | | (28,935,734) | (2,960,124) | |
| Adjustments for non-cash items: | | | | |
| Exchange gain | | (12,386) | (3,953) | |
| Impairment of assets | 5 | 25,366,967 | 1,640,836 | |
| Loss on disposal of property, plant and equipment | 6 | 586 | 1,082 | |
| Depreciation expense | 12 | 46,670 | 30,511 | |
| Profit on disposal of assets held for sale | 14 | (327,132) | - | |
| Share of loss in associate | 15 | 11,806 | 9,116 | |
| Share of joint venture loss | 17 | 716 | 680 | |
| Share-based payments | 22 | 315,322 | 281,835 | |
| Interest received | | (108,464) | (10,117) | |
| Increase in other receivables | | (177,562) | (59,300) | |
| Payroll related levies related to prior years | 29 | 601,754 | | |
| Increase in other payables | | 380,263 | 69,783 | |
| ----- | | | | |
| Cash flows used in operating activities | | (2,837,194) | (999,651) | |
| ----- | | | | |

Investing activities

Payments to acquire property, plant and 12 (123,486) (69,828)
equipment

Deferred exploration expenditure (8,080,191) (2,728,447)

Exploration assets held for sale (290,959) (408,648)

Interest received 108,464 10,117

Investments in associates 15 (74,634) (248,740)

Proceeds from sale of licences 471,462 -

Disposal of cash in Katanga Resources Limited (5,155) -

Cash flows used in investing activities (7,994,499) (3,445,546)

Financing activities

Net proceeds from issue of share capital 12,202,858 3,561,325

Cash flows from financing activities 12,202,858 3,561,325

Net increase/(decrease) in cash and cash 1,371,165 (883,872)
equivalents

Cash and cash equivalents at beginning of year 19 2,285,347 3,170,709

Exchange loss (11,054) (1,490)

Cash and cash equivalents at end of year 19 3,645,458 2,285,347

The accompanying notes form an integral part of these consolidated financial statements.

Company Cash Flow Statement

For the year ended 31 December 2012

Year to Year to
31 December 31 December
2012 2011
Note £ £

Operating activities

Loss after taxation (34,745,456) (1,326,686)

Adjustments for non-cash items:

Impairment of assets 5 31,779,570 -

Depreciation expense 12 14,515 1,030

Loss on disposal of property, plant and 694 416
equipment

Share-based payments 22 315,322 281,835

Write off intercompany balance - (86,356)

Interest received (108,448) (10,093)
Increase in other receivables (39,669) (66,991)
Increase in other payables 396,319 30,692

Cash flow used in operating activities (2,387,153) (1,176,153)

Investing activities

Payments to acquire property, plant and equipment 12 (87,964) (2,590)
Funds advanced to subsidiaries (8,271,318) (3,299,141)
Interest received 108,448 10,093

Cash flow used in investing activities (8,250,834) (3,291,638)

Financing activities

Net proceeds from issue of share capital 12,202,857 3,561,325

Cash flow from financing activities 12,202,857 3,561,325

Net increase/(decrease) in cash and cash equivalents 1,564,870 (906,466)
Cash and cash equivalents at beginning of year 19 2,025,646 2,932,112

Cash and cash equivalents at end of year 19 3,590,516 2,025,646

The accompanying notes form an integral part of these Company financial statements.

Notes to the Financial Statements

For the year ended 31 December 2012

1 NATURE OF OPERATIONS AND GENERAL INFORMATION

African Eagle Resources plc ("African Eagle" or the "Company") whose registered address is 1(st) Floor, 6 - 7 Queen Street, London, EC4N 1SP is a public limited company incorporated and domiciled in England and is listed on the AIM market of the London Stock Exchange and on the Alternative Exchange of the Johannesburg Stock Exchange Limited ("AltX").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

African Eagle's consolidated financial statements are presented in pounds sterling (£), which is also the functional currency of the Parent Company.

The Group is required because of its listing on AIM to prepare its financial results for the year ending 31 December 2012 in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. Other than as explained below, the accounting policies set out below have been applied consistently to the 12 month period presented in the Parent Company and Consolidated financial statements.

As permitted by Section 408 Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The Company's loss for the financial year was £34,745,456 (2011: £1,326,686). The Company's other comprehensive loss for the financial year was £40,000 (2011: £170,400).

Consolidated financial statements:

As set out in the Report of the Directors, due to the Company having not been able to secure the additional funding needed to advance its development programme in Tanzania as it had planned, and following a review of the previous tax filings of one of the Company's Tanzanian subsidiaries, the directors have decided to prepare the consolidated financial statements on a basis other than that of a going concern. The consolidated financial statements have been prepared on a break up basis. In adopting the break up basis at the year end the following policies and procedures were implemented at the year-end:

- * At that date all assets are considered as realisable as current assets within one year.
- * Capitalised costs and other assets where no value is expected to be recovered have been impaired as set out in Note 5:
- * Intangible Deferred Exploration Costs (Note 11) relate to licences and project costs within Tanzania that the Directors expect to have no near term value in the absence of funding and an executable offer
- * Property, Plant and Equipment (Note 12) has been fully impaired as the realisable value is anticipated, net of disposal costs, is currently expected to be nil
- * Available For Sale Investments (Note 13) have been impaired to reflect their realisable value at the balance sheet date including, where applicable, the market value for listed investments at that date
- * Assets Held for Sale (Note 14) have been fully impaired for the Group to reflect the Directors estimate of fair value at the balance sheet date less costs to dispose
- * Other Receivables - Short Term (Note 18a) have been written down to their estimated realisable value at the balance sheet date
- * Other Receivables - Long Term (Note 18b) have been fully written off reflecting the Directors estimate of the realisable value from group undertakings considering their restricted funding and probable liquidation referred to in Note 28
- * Payables reflect the full value of payables, including the full value of the estimated taxation payable referred to in Note 29.

Parent Company financial statements:

As set out in the Report of the Directors, there are inherent uncertainties regarding the future of the Company, including the ability of the Company to secure a strategic partner or generate funds through the sale of subsidiary companies assets. These indicate the existence of material uncertainties that may cast significant doubt on the ability of the Company to continue as a going concern.

The Company had cash at 31st May of £1.0m and net liabilities (excluding cash) of approximately £325k. The Directors have considered forthcoming cash outflows for termination of employees and professional fees and consider that the restructured operations have sufficient cashflow for the next six months, although there are inherent uncertainties which could result in cash balances being eroded in a shorter timescale.

Key risks and sensitivities:

- * Short term receivables of £120k are not collected on a timely basis, in particular amounts to be refunded from JV partners in relation to exploration drilling activity.
- * Following legal advice some short term creditors included in the net liabilities above, amounting to £170k are not included in the cashflow forecast. In the event of these requiring payment cash balances will be eroded more quickly.
- * No cash outflows are assumed in relation to other costs associated from the Group ceasing operations in Tanzania that could fall due to the Company in the unlikely event that unidentified guarantees or claims are made.
- * Further funding would need to be forthcoming in order for the Company to conclude a transaction, probably in the form of a reverse takeover, and whilst there are expressions of interest to fund such a transaction, no funds have been received to date. The Directors have also not assumed receipt of funds in relation to asset sales nor the sale of shares in Kibo mining which could generate additional funds.

Having considered the inherent uncertainties detailed above, the Directors consider, having made due enquiries, that it is appropriate for the Parent Company financial statements to be prepared on a going concern basis.

(b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary, joint venture and associate undertakings drawn up to 31 December 2012. The acquisition of African Eagle Resources Limited and its subsidiary Katanga Resources Limited in 2002 was accounted for using the acquisition method of accounting. The Company took advantage of the merger relief provisions of section 131 of the Companies Act 2006 to record the shares issued in connection with the acquisition at their nominal value. In the consolidated accounts the shares issued were accounted for at fair value with an appropriate transfer to the merger reserve. African Eagle Resources Limited has since been dissolved and its investment in Katanga Resources Limited transferred to Twigg Resources Limited and the Company. The combination of the Company with Twigg Resources Limited and its subsidiaries in 2000 was accounted for using merger accounting as applicable to group reconstructions. Profits or losses on intra-group transactions, and balances are eliminated on consolidation.

(c) Taxation

Current income tax assets and liabilities comprise those obligations to, including company estimates, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the 31 December. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the 31 December. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit or loss, except where they relate to items that are charged or credited to other comprehensive income or directly to equity in which case the related deferred tax is also charged or credited to equity. The deferred tax asset in Note 9 has not been recognised. The deferred tax asset will be recognised when it is more likely than not that it will be recoverable.

(d) Property, plant and equipment

Property, plant and equipment are held at historical cost net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost or valuation less estimated residual value of all property, plant and equipment over their estimated useful economic lives. The useful economic lives are assessed at least annually. The rates generally applicable are:

| | |
|-----------------------|-----|
| Motor vehicles | 25% |
| Equipment | 25% |
| Fixtures and fittings | 20% |

Material residual value estimates are updated as required, but at least annually, whether or not the asset has been revalued. Where the carrying amount

of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(e) Exploration and development costs

Exploration and development costs represent capitalised expenditures related to the acquisition, exploration and evaluation of mineral properties and related plant and equipment.

Exploration assets acquired are recognised as assets at fair value, less adjustments which arise from subsequent impairment reviews.

Exploration and evaluation costs relating to properties for which there is insufficient evidence of economically recoverable mineralisation are expensed in the period incurred. Exploration costs relating to properties for which economically recoverable reserves are believed to exist are capitalised until the project to which they relate is sold, abandoned, placed into production or becomes impaired.

(f) Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Shares options granted by the Group vest one year from the date of grant. All equity-settled share-based payments are ultimately recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to retained losses in the consolidated statement of financial position. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current year. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium. The fair value has been arrived at using the Black-Scholes model. The key inputs to these models include: exercise price; share price volatility; dividend yield (if any) and lapse rate.

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are recognised in the consolidated statement of financial position at fair value on initial recognition and include cash and cash equivalents, other receivables, and equity instruments of another enterprise. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less from acquisition.

Financial assets in the financial statements are divided into loans and receivables and available for sale assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available. Other receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these assets are measured at amortised cost using the effective interest method less provision for impairment. Any change in their value is recognised in the consolidated statement of comprehensive income.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised at fair value through the

profit or loss are recorded initially at fair value; all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs. Other payables are financial liabilities which are expected to be settled within 12 months of the 31 December.

Recognition occurs when a Group company becomes a party to the contractual provisions of the instrument. Most obligations are legally enforceable and arise under contractual arrangements. Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. The recognition of accrued expenses results directly from the recognition of expenses for items of goods and services consumed during the year. The initial measurement of other payables is usually at fair value. The Group has not entered into any derivative financial instruments for hedging or any other purpose.

Interest receivable and payable is accrued and credited/charged to the consolidated statement of comprehensive income in the year to which it relates.

(h) Available for sale financial assets

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised through other comprehensive income, through the consolidated statement of comprehensive income. Gains and losses arising from investments classified as available for sale are recognised in profit or loss when they are sold or when the investment is impaired. In the case of impairment of available for sale assets, any loss previously recognised through other comprehensive income is transferred from equity reserve to profit and loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not recognised through other comprehensive income. Impairment losses recognised previously on debt securities are reversed through the profit or loss when the increase can be related objectively to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income.

(i) Held for sale

Assets that meet the criteria to be classified as held for sale are to be measured at the lower of carrying value and fair value less costs to sell and depreciation on such assets ceases. Assets that meet the criteria to be classified as held for sale are to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of comprehensive income.

The Group shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject to terms that are customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable management must be committed to a plan to sell the asset and an active programme to locate a buyer must have been initiated. Further the asset must be actively marketed for sale at a price that is reasonable in relation to its fair value. In addition the sale should be expected to qualify as a completed sale within one year from the date of classification.

The Group should recognise an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell. The impairment loss reduces the carrying amount of the non-current assets. An entity shall recognise a gain for any subsequent increase in fair value less costs to sell but not in excess of the cumulative impairment loss.

(j) Joint Venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is when the strategic, financial and operating policies relating to the joint

venture require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method investments in joint ventures are carried on the consolidated statement of financial position at cost as adjusted for the post acquisition charges in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments.

(j) Associates

An associate is an entity, over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an entity holds directly or indirectly more than 20% of the voting rights it is presumed the entity has significant influence. An entity loses significant influence when it loses the power to participate in the financial and operating policy decisions of the investee. IAS 28 clarifies that investments in associates over which the investor has significant influence must be accounted for using the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the investors share of net assets in the investee. The profit or loss of the investor includes the investors share of the profit and loss of the investee. If the associate uses accounting policies other than those of the investor for like transactions and events in similar circumstances, adjustment is made to conform the associates accounting policies to those of the investor when the associates' financial statements are used by the investor in applying the equity method.

(l) Income and expense recognition

The Group's only income is interest receivable from bank deposits. Operating expenses are recognised in the consolidated statement of comprehensive income upon utilisation of the service or at the date of their origin. Interest received is recognised upon receipt and any outstanding interest is accrued at the end of the year. All other income and expenses are reported on an accrual basis.

(m) Foreign currency translation

The financial information for the Group is presented in pounds sterling, which is also the functional currency of the Parent Company. Items included in the financial statements of each of the Group's subsidiaries are measured using the functional currency. For UK subsidiaries the functional currency is sterling and for the Tanzanian entities the functional currency is US dollars. Functional currency transactions are translated into the functional currency of the subsidiary using the exchange rates prevailing at the date of the transaction. Exchange rate differences arising when monetary items are settled or upon translation at the spot rate ruling at the end of the year, are separately reported in the consolidated statement of comprehensive income.

In the consolidated financial statements, all separate financial statements of subsidiary entities, originally presented in a currency different from the Group's presentation currency, have been converted into sterling. Monetary Assets and liabilities have been translated into sterling at the closing rate at the 31 December. Income and expenses have been translated into sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged/credited to the "Foreign currency reserve" in equity.

Exchange differences arising on a reporting entities net investment in a foreign operation are recognised in the consolidated financial statements in a separate component of equity ("Foreign currency reserve"). These exchange differences will be recognised in the consolidated statement of comprehensive income on disposal of the net investment.

(n) Equity

Equity comprises the following:

* "Share capital" is the nominal value of equity shares.

* "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

* "Merger reserve" is the difference between the net assets of the subsidiary acquired and the nominal value of the consideration (e.g. shares issued) to acquire the subsidiary.

* "Available for sale revaluation reserve" represents the difference between the fair value of the available for sale investments and the acquisition cost of those investments.

* "Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.

* "Retained losses" represents retained earnings.

(o) Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(p) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and demand deposits together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) New and amended standards adopted by the Group

No new accounting standards were adopted during the year. As the company accounts have been prepared on a break up basis no future amendments, standards or interpretations are considered to impact the Group.

(r) Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM is the Board of Directors of the Company and that its reportable segments are Other, which includes Tanzania and, until their disposal during the period Zambia and Mozambique, and the UK.

The segmental information provided to the Board can be found in Note 7 - Operating Segments.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting estimates will by definition, seldom equal the actual results. 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. Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. The Board has considered the critical accounting estimates and assumptions used in the historical financial information and concluded that the areas of judgement that have the most significant effect on the amounts recognised in the financial statements are set out in note 2(a).

4 EMPLOYEE BENEFITS EXPENSE

| | |
|-------------------------------|-------------------|
| ----- | |
| 2012 | 2011 |
| £ £ | |
| ----- | |
| Share-based payments | 315,322 281,835 |
| Salaries and employment taxes | 1,320,625 385,009 |

Other 13,704 10,940

 1,649,651 677,784

The employee benefits expense above is expensed to the consolidated statement of comprehensive income. The difference between this note and note 8 relates to "project related" staff costs which have been capitalised as deferred exploration expenditure in the year.

5 IMPAIRMENT

As a result of post balance sheet events the accounts have been prepared on a break up basis. The impairment of assets resulting from such accounting treatment at the balance sheet date together with those made during the year are:

Group

 Note 2012 2011

£ £

 Deferred exploration costs 11 19,631,661 1,640,836

Property plant and equipment 12 152,054 -

Available for sale investments 13 1,456,144 -

Assets held for sale 14 1,870,506 -

Associates 15 1,733,211 -

Joint ventures 17 21,667 -

Loss on disposal of subsidiary 80,820 -

Other receivables - short term 18a 420,904 -

 25,366,967 1,640,836

Company

 Note 2012 2011

£ £

 Property plant and equipment 12 75,127 -

Disposal of available for sale investments 978,774 -

Loss on disposal of subsidiary 7,415,757 -

Other receivables - short term 18a 95,214 -

Amounts owed by group undertakings 18b 23,214,698 -

 31,779,570 -

6(a) OTHER EXPENSES

Other expenses included in the consolidated statement of comprehensive income

include the following items:

| | 2012 | 2011 |
|---|---------|---------|
| | £ | £ |
| Loss on sale of property, plant and equipment | 586 | 1,082 |
| Operating lease costs: Land & Buildings | 35,990 | 26,800 |
| Equipment | 6,774 | 1,468 |
| Business and professional development | 39,574 | 67,943 |
| Legal & professional fees | 724,616 | 275,348 |
| Travel & subsistence | 108,903 | 69,002 |
| Group share of joint venture loss | 716 | 680 |

6(b) AUDITORS'S REMUNERATION

During the year the group (including its overseas subsidiaries) obtained the following services from the company's auditor and its Associates:

| | 2012 | 2011 |
|--|----------------|---------------|
| | £ | £ |
| Fees payable to the company's auditor and its associates for the audit of the Parent Company and Consolidated financial statements | 95,000 | 25,935 |
| Tax and other advisory services | 55,908 | - |
| Total | 150,908 | 25,935 |

7 OPERATING SEGMENTS

As set out in note 1 these accounts have been prepared on a break up basis. In presenting information on such break up basis the Company considers its business to be divided into its UK operations being head office and its other operations. The comparatives have been restated to be presented on a consistent basis. Accounting on a break up basis gives rise to negative net assets for the group's non-UK operations at the balance sheet date.

| | 2012 | Other UK | Total |
|---------------------------------------|--------------|-------------|--------------|
| | £ | £ | £ |
| Depreciation expense | (32,100) | (14,570) | (46,670) |
| Employee benefits expense | - | (1,649,651) | (1,649,651) |
| Impairment of assets | (23,740,483) | (1,626,484) | (25,366,967) |
| Share of loss in associate | (11,806) | - | (11,806) |
| Other expenses | (20,150) | (1,529,212) | (1,549,362) |
| Payroll levies related to prior years | (601,754) | - | (601,754) |

Profit on disposal of assets held for sale 327,132 - 327,132

Operating income/(loss) (24,079,161) (4,819,917) (28,899,078)

Finance income/(loss)

Bank interest receivable - 108,464 108,464

Foreign exchange gain/(loss) (202) (144,918) (145,120)

Loss before tax (24,079,363) (4,856,371) (28,935,734)

Income tax expense - - -

Loss attributable to equity owners for the year (24,079,363) (4,856,371) (28,935,734)

Assets

Property, plant and equipment - - -

Investment in associates - - -

Investment in joint ventures - - -

Available for sale investments - 68,000 68,000

Deferred exploration costs - - -

Cash and cash equivalents 54,942 3,590,516 3,645,458

Other receivables 164,215 77,018 241,233

Total assets 219,157 3,735,534 3,954,691

Current liabilities

Other payables (1,692,186) (565,943) (2,258,129)

Total liabilities (1,692,186) (565,943) (2,258,129)

Net (liabilities)/assets (1,473,029) 3,169,591 1,696,562

Other data:

Property, plant and equipment additions 35,522 87,964 123,486

Deferred exploration additions 8,992,634 - 8,992,634

2011 Other UK Total
£ £ £

Depreciation expense (27,786) (2,725) (30,511)

Employee benefits expense (148,519) (529,265) (677,784)

Impairment of assets (1,640,836) - (1,640,836)

| | | | |
|---|-------------|-------------|-------------|
| Share of loss in associate | (9,116) | - | (9,116) |
| Other expenses | (18,891) | (800,588) | (819,479) |
| Operating loss | (1,845,148) | (1,332,578) | (3,177,726) |
| Finance income/(loss) | | | |
| Bank interest receivable | - 10,117 | 10,117 | |
| Foreign exchange (loss)/gain | 509 | 206,976 | 207,485 |
| ----- | | | |
| Loss before tax | (1,844,639) | (1,115,485) | (2,960,124) |
| Income tax expense | - - - | | |
| ----- | | | |
| Loss attributable to equity owners for the year | (1,844,639) | (1,115,485) | (2,960,124) |
| ----- | | | |

Net Assets

Non-current assets

| | | | |
|--------------------------------|------------|---------|------------|
| Property, plant and equipment | 78,832 | 2,427 | 81,259 |
| Investment in associates | 2,677,921 | - | 2,677,921 |
| Investment in joint ventures | 32,993 | - | 32,993 |
| Available for sale investments | - 160,000 | 160,000 | |
| Deferred exploration costs | 11,126,684 | - | 11,126,684 |
| ----- | | | |
| Total non-current assets | 13,916,430 | 162,427 | 14,078,857 |
| ----- | | | |

Current assets

| | | | |
|----------------------------------|------------|-----------|------------|
| Cash and cash equivalents | 225,217 | 2,060,130 | 2,285,347 |
| Other receivables | 373,278 | 136,278 | 509,556 |
| Exploration assets held for sale | 2,465,518 | - | 2,465,518 |
| ----- | | | |
| Total current assets | 3,064,013 | 2,196,408 | 5,260,421 |
| ----- | | | |
| Total assets | 16,980,443 | 2,358,835 | 19,339,278 |

Current liabilities

| | | | |
|-------------------|------------|-----------|------------|
| Other payables | (162,155) | (223,339) | (385,494) |
| ----- | | | |
| Total liabilities | (162,155) | (223,339) | (385,494) |
| ----- | | | |
| Net assets | 16,818,288 | 2,135,496 | 18,953,784 |
| ----- | | | |

Other data:

| | | | |
|---|-----------|-------|-----------|
| Property, plant and equipment additions | 67,238 | 2,590 | 69,828 |
| Deferred exploration additions | 2,649,459 | - | 2,649,459 |

8 DIRECTORS AND EMPLOYEES

Staff costs of the Group and the Company during the year were as follows:

| | Group | | Company | |
|-----------------------|-----------|-----------|-----------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Wages and salaries | 2,019,021 | 1,113,135 | 1,219,217 | 596,206 |
| Share-based payments | 315,322 | 281,835 | 315,322 | 281,835 |
| Social security costs | 92,011 | 108,779 | 82,542 | 72,013 |
| Other | 36,208 | 20,903 | 32,570 | 14,858 |
| | 2,462,562 | 1,524,652 | 1,649,651 | 964,912 |

The monthly average number of employees in the Group during the year was 56 (2011: 48) and in the Company was 12 (2011:10).

Project related staff costs for the Group of £812,911 (2011: £832,972) have been capitalised as deferred exploration expenditure in the year. The Directors constitute the only key management personnel of the Group and the Company.

Remuneration in respect of Directors was as follows:

| | 2012 | 2011 |
|---|-----------|---------|
| | £ | £ |
| Emoluments including share-based payments | 1,338,249 | 598,996 |

The Group does not contribute towards pension schemes in the UK or overseas. Directors' emoluments in respect of 2012 and 2011 are detailed below:

| 2012 | Salary | Fees | Compensation(3) | Share | Other | Total |
|---------------------|---------|---------|-----------------|--------|-------|---------|
| £ | £ | Options | 2012 | £ | £ | £ |
| Christopher Pointon | - | 36,250 | - | 1,250 | - | 37,500 |
| Trevor Moss(1) | 150,000 | 107,035 | - | 33,170 | 1,057 | 291,262 |
| David Newbold | 88,000 | - | - | 16,585 | 1,240 | 105,825 |
| Don Newport | 23,301 | - | - | - | - | 23,301 |
| Paul Rupia | 10,417 | - | - | 1,250 | - | 11,667 |
| Robert McLearn | 2,222 | - | - | 8,308 | 137 | 10,667 |
| Mark Parker | 39,896 | - | 189,750 | 31,322 | 1,175 | 262,143 |
| Christopher Davies | 37,121 | - | 176,550 | 29,143 | 1,449 | 244,263 |
| Andrew Robertson | 90,500 | - | - | 15,867 | - | 106,367 |
| Euan Worthington(2) | 20,162 | 112,000 | - | 16,342 | - | 148,504 |

Geoffrey Cooper - 10,217 77,000 9,533 - 96,750

 407,739 207,382 555,300 162,770 5,058 1,338,249

(1)This includes £107,035 paid to HAWM Consulting, Inc a Company owned by Trevor Moss.

(2)This includes £2,500 paid to Mining Finance Solutions a Company owned by Euan Worthington.

(3)The compensation to directors of £555,300 is payable in two tranches, £292,200 in 2012 and £263,100 in 2013.

Only Trevor Moss served a full year as a Director.

 2011 Salary Fees Share Other Total
 options 2011

£ £ £ £ £

 Trevor Moss(1) 12,500 41,590 - - 54,090

Andrew Robertson 14,667 - - - 14,667

Mark Parker 126,500 - 30,008 3,350 159,858

Christopher Davies 117,700 - 27,920 4,160 149,780

Euan Worthington(2) - 66,000 15,656 - 81,656

Geoffrey Cooper - 38,500 9,133 - 47,633

Bevan Metcalf(3) 74,779 - 13,104 3,429 91,312

 346,146 146,090 95,821 10,939 598,996

(1)This includes accrued fee £41,590 to HAWM Consulting, Inc a Company owned by Trevor Moss.

(2)This includes £10,000 paid to Mining Finance Solutions a Company owned by Euan Worthington.

(3)Bevan Metcalf resigned on 25 November 2011.

9 INCOME TAX EXPENSE

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

The The
 Group Company

 2012 2011 2012 2011
 £ £ £ £

 Loss for year multiplied by
 standard rate of UK
 corporation tax 24.5% (2011:
 26.5%) (7,089,255) (801,709) (8,512,637) (358,205)

Expenses not deductible for 1,938,528 19,610 7,798,842 23,734

tax purposes

Movement in un-recognised deferred tax asset 925,550 331,776 713,795 334,471

Unrealised foreign exchange losses/(gains) 36,056 (39,329) - -

African losses 4,189,121 489,652 - -

Tax charge for the year - - - -

Unrecognised deferred tax asset:

UK tax losses 2,463,910 1,643,293 1,829,686 1,295,304

Short term temporary differences 487,928 444,198 487,928 444,198

Net property, plant and equipment temporary differences 3,327 13,183 (1,028) 6,018

2,955,165 2,100,674 2,316,586 1,745,520

The deferred tax asset would be recoverable if taxable profits were generated. Deferred tax relating to share-based payments is a short term temporary difference. The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24.5%.

10 LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic loss per share is based on the loss for the year divided by the weighted average number of shares in issue during the year. In calculating the diluted loss per share potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be anti-dilutive. Details of share options and warrants in issue that could potentially dilute earnings per share in the future are detailed in Note 21.

2012 2011
£ £

Loss for the year (28,935,734) (2,960,124)

Weighted average number of shares in issue 613,317,814 407,793,202

Basic and diluted loss per share (4.7p) (0.7p)

Headline loss per share

Headline loss per share has been calculated in accordance with the Institute of Investment Management and Research's ("IMR") Statement of Investment Practice No.1 entitled 'The Definition of Headline Earnings' and The South African Institute of Chartered Accountants Circular 3/2009 entitled 'Headline Earnings'. The calculation of headline loss per share is based on the headline loss for the year divided by the weighted average number of shares in issue during the year. No diluted headline loss per share has been calculated as it would be anti-dilutive by reducing the headline loss per share.

Headline loss 2012 2011
£ £

 Loss for the year (28,935,734) (2,960,124)

Adjusted for:

Plus loss on disposal of property, plant and 586 1,082
 equipment

Less profit on disposal of assets held for sale (327,132) -

Impairment of assets 25,366,967 1,640,836

Plus Group share of associate loss 11,806 9,116

Plus Group share of joint venture 716 680

 Headline loss for the year (3,882,791) (1,308,410)

 Weighted average number of shares in issue 613,317,814 407,793,202

 Basic headline loss per share (0.6p) (0.3p)

11 DEFERRED EXPLORATION COSTS

 2012 2011
 £ £

 Cost:

At 1 January 11,126,684 11,176,584

Foreign currency exchange differences (487,657) (101,550)

Additions 8,992,634 2,649,459

Assets held for sale - (956,973)

Impairment of assets* (19,631,661) (1,640,836)

 Carrying amount at 31 December - 11,126,684

*refer to note 5

12 PROPERTY, PLANT AND EQUIPMENT

The Group 2012

 Leasehold Motor Fixtures and Total
 Improvement Vehicles Fittings
 £ £ £ £

 Cost:

At 1 January 2012 685 237,825 260,984 499,494

Foreign currency exchange - (10,479) (8,904) (19,383)
 differences

Additions 55,576 20,154 47,756 123,486

Disposals - (102,593) (80,181) (182,774)

 At 31 December 2012 56,261 144,907 219,655 420,823

Depreciation:

At 1 January 2012 685 187,845 229,705 418,235

Adjustment - (2,053) 2,053 -

Adjusted opening balance 685 185,792 231,758 418,235

Foreign currency exchange - (8,711) (7,815) (16,526)
differences

Charge for the year 8,336 17,468 20,866 46,670

On disposals - (101,974) (77,636) (179,610)

Impairments at the balance sheet 47,240 52,332 52,482 152,054
date

At 31 December 2012 56,261 144,907 219,655 420,823

Carrying amount at 31 December - - - -
2012

The Group 2011

Leasehold Motor Fixtures and Total
Improvement Vehicles Fittings
£ £ £ £

Cost:

At 1 January 2011 685 202,497 245,419 448,601

Foreign currency exchange - (3,352) (4,035) (7,387)
differences

Additions - 49,740 20,088 69,828

Disposals - (11,060) (488) (11,548)

At 31 December 2011 685 237,825 260,984 499,494

Accumulated depreciation:

At 1 January 2011 685 191,639 212,699 405,023

Foreign currency exchange - (3,512) (3,347) (6,859)
differences

Charge for the year - 10,087 20,424 30,511

On disposals - (10,369) (71) (10,440)

At 31 December 2011 685 187,845 229,705 418,235

Carrying amount at 31 December 2011 - 49,980 31,279 81,259

The Company 2012

Leasehold Fixtures and Total
improvement fittings
£ £ £

Cost:

At 1 January 2012 685 27,033 27,718

Additions 55,576 32,388 87,964

Disposals - (984) (984)

At 31 December 2012 56,261 58,437 114,698

Accumulated depreciation:

At 1 January 2012 685 24,661 25,346

Charge for the year 8,337 6,178 14,515

Disposals - (290) (290)

Impairments at the balance sheet date 47,239 27,888 75,127

At 31 December 2012 56,261 58,437 114,698

Carrying amount at 31 December 2012 - - -

The Company 2011

Leasehold Fixtures and Total
improvement fittings
£ £ £

Cost:

At 1 January 2011 685 24,931 25,616

Additions - 2,590 2,590

Disposals - (488) (488)

At 31 December 2011 685 27,033 27,718

Accumulated depreciation:

At 1 January 2011 685 23,702 24,387

Charge for the year - 1,030 1,030

Disposals - (71) (71)

At 31 December 2011 685 24,661 25,346

Carrying amount at 31 December 2011 - 2,372 2,372

All of the Group's and the Company's property plant and equipment listed above are free of any mortgage and charge.

13 AVAILABLE FOR SALE INVESTMENTS

The Group and Company:

2012 2011
£ £

Investment in Kibo Mining plc

Cost:

At 1 January 160,000 330,400

Release of revaluation reserve during the year (40,000) (170,400)

Impairment (52,000)

Carrying amount at 31 December 68,000 160,000

Investment in Elephant Copper Limited

Cost:

At 1 January - -

Investments during the year 1,404,144 -

Impairment (1,404,144) -

Carrying amount at 31 December - -

Kibo Mining plc

The Kibo investment was received in respect of compensation arising from the termination of a joint venture between the Company and Sloane Developments Limited (a wholly owned subsidiary of Kibo Mining). The Company holds 8 million shares in Kibo Mining. £40,000 previously credited to the revaluation reserve was released on the revaluation of Kibo at the balance sheet date. The resulting balance was further impaired by £52,000 to reflect an assessed permanent diminution of market value at that date to a revised carrying value of £68,000.

Investment in Elephant Copper Limited

On 30 November 2012 the Group disposed of its interests in a number of assets as detailed below, in exchange 15 million shares in Elephant Copper Limited ("Elephant Copper"), a private BVI incorporated company. The assets that were disposed of included:

- * Katanga Resources Limited (Subsidiary Company, refer to Note 16);
- * Mokambo (Asset Held for Sale, refer to Note 14);
- * Kujima Mining & Exploration Limited (Joint Venture, refer to Note 17); and
- * Mkushi Copper Joint Ventures Ltd ("MCJV") (Investment in Associate, refer to Note 15).

The shares in Elephant Copper Limited were valued at US\$0.15 per share on the basis of the most recent issue of shares by Elephant Copper prior to the completion of the transaction resulting in a carrying value of £1,404,144 using the exchange rate at 30 November 2012. On a break up basis of accounting such value was fully impaired at the balance sheet date reflecting the underlying unquoted nature of the shares of Elephant copper and the consequential lack of liquidity.

14 ASSETS HELD FOR SALE

2012 2011
£ £

Cost:

| | | |
|--|-------------|-----------|
| At 1 January | 2,465,518 | 1,098,843 |
| Foreign currency exchange differences | (119,215) | 1,054 |
| Transfer from deferred exploration costs | - | 956,973 |
| Additions (Igurubi & Mokambo) | 290,959 | 408,648 |
| Impairment: | | |
| Mokambo | (1,031,926) | - |
| Igurubi | (838,580) | - |
| Proceeds from sales: | | |
| Mokambo | (505,287) | - |
| Wembere and Sena | (261,469) | - |
| Carrying amount at 31 December | - | 2,465,518 |

Mokambo Project

The Mokambo copper project in Zambia, transferred to assets held for sale in 2011, during the year additional development expenditure of £281,134 was incurred on the project which was subsequently disposed of as part of the transaction with Elephant Copper which closed on 30 November 2012. An impairment of £1,031,946 was realised reflecting the fair value of the asset realised on disposal of £505,287.

Igurubi Project

At the Igurubi gold project in Tanzania during the year additional development expenditure of £9,825 was incurred. On 29 October 2012 the Company announced that the agreement with Peak Resources Ltd for its sale had been terminated as certain conditions precedent had not been met. The asset has been fully impaired by £838,580 to reflect its fair value at the balance sheet date.

Wembere and Sena Projects

The Wembere project in Tanzania and the Sena project in Mozambique were sold during the year, including property and plant located in Mozambique, at a profit of £327,132.

15 INVESTMENT IN ASSOCIATES

Disposal of the Group's 49% share in MCJV formed part of the transaction with Elephant Copper, refer to Note 13. The Group's share of associate loss is shown for the period up until the date of disposal, 30 November 2012. The functional currency for MCJV is US dollars. MCJV has expensed the costs associated with the Mkushi copper project. The loss reported by MCJV has been restated to reflect the policy for treating deferred exploration expenditure as detailed in accounting policy 2(e). The Group share of the adjusted loss in 2012 until the date of disposal is £11,806 (2011: £9,116) which has been included in the consolidated statement of comprehensive income with a contra entry to investment in associates.

The Group's share of the summarised financial information of MCJV for comparative purposes is detailed below:

| | | |
|--------------------------|------|-----------|
| | 2012 | 2011 |
| | £ | £ |
| Total non-current assets | - | 5,244,196 |
| Total current assets | - | 16,482 |

Total current liabilities - -

Total non-current liabilities - (5,403,108)

 Group share of associate net liabilities - (142,430)

 Group share of associate loss for the year (11,806) (9,116)

 An impairment of £1.7 million was made to the carrying value of MCJV to reflect its fair value prior to disposal.

 2012 2011
 £ £

 At 1 January 2,677,921 2,564,515

Foreign currency exchange (loss)/gain (158,864) (126,218)

Additions 74,634 248,740

Share of loss in associate (11,806) (9,116)

Impairments (1,733,211) -

Proceeds from sales (848,674) -

 Carrying amount at 31 December - 2,677,921

16 SIGNIFICANT SUBSIDIARIES

Details of the Company's significant subsidiaries at 31 December 2012 are as follows:

| Country of registration | Class of share held by the company | Proportion held by the subsidiary | Proportion held by the business | Nature of the business |
|-------------------------|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| England and Wales | Ordinary | 100% | 100% | Mineral Resources exploration |
| Tanzania | Ordinary | 10% | 90% | Mineral exploration |
| Tanzania | Ordinary | 100% | 100% | Mineral Nickel exploration |
| Tanzania | Ordinary | 100% | 100% | Investment Nickel Islands holding |

 Twigg England and Wales Ordinary 100% - Mineral Resources exploration Limited

Twigg Gold Tanzania Ordinary 10% 90% Mineral Limited exploration

Red Hill Tanzania Ordinary - 100% Mineral Nickel exploration Limited

Tanzania British Virgin Ordinary 100% - Investment Nickel Islands holding Holdings Limited

Katanga Resources Limited was disposed on the 30 November 2012 and Twigg Exploration & Mining Limitada was disposed on the 17 February 2012.

17 INVESTMENT IN JOINT VENTURES

The Group disposed of its 49.9% interest in Kujima Mining & Exploration Ltd as part of the transaction with Elephant Copper on 30 November, refer to Note 13.

The Group's share of the joint venture loss until that date is shown in the financial statements.

The Group's share of the summarised financial information in respect of the joint venture for comparative purposes is set out below:

| | 2012 | 2011 |
|--|------------|-------|
| | £ | £ |
| Total assets | - 43,690 | |
| Total liabilities | - (46,422) | |
| Group's share of net liabilities | - (2,732) | |
| Group's share of joint venture loss for the year | (716) | (680) |

| | 2012 | 2011 |
|--|----------|--------|
| | £ | £ |
| Carrying amount at 1 January | 32,993 | 33,664 |
| Foreign currency exchange loss | - 9 | |
| Group's share of joint venture loss for the year | (716) | (680) |
| Impairments | (21,667) | - |
| Proceeds from sales | (10,610) | - |
| Carrying amount at 31 December | - 32,993 | |

18a OTHER RECEIVABLES - SHORT TERM

| | Group 2012 | 2011 |
|------------------------------|------------|---------|
| | £ | £ |
| Other receivables | 544,460 | 387,409 |
| Prepayments & accrued income | 117,677 | 122,147 |
| Impairments | (420,904) | - |
| | 241,233 | 509,556 |

| | Company 2012 | 2011 |
|------------------------------|--------------|---------|
| | £ | £ |
| Other receivables | 62,863 | 55,369 |
| Prepayments & accrued income | 109,369 | 77,194 |
| Impairments | (95,214) | - |
| | 77,018 | 132,563 |

18b OTHER RECEIVABLES - LONG TERM

 Company 2012 2011

£ £

 Amounts owed by group undertakings 23,214,698 23,206,053

Bad debt provision (23,214,698) -

 - 23,206,053

The Group's other receivables have been collected subsequent to the year end, so have not been provided for on a break up basis. The Group's and Company's receivables are unsecured. During the year the intercompany balances between African Eagle Resources and Katanga Resources Ltd amounting to £8.5 million were written off on disposal of the Zambian assets.

19 CASH AND CASH EQUIVALENTS

 Group 2012 2011

£ £

 Cash at bank and in hand 3,645,458 2,285,347

 3,645,458 2,285,347

 Company 2012 2011

£ £

 Cash at bank and in hand 3,590,516 2,025,646

 3,590,516 2,025,646

20 OTHER PAYABLES

 Group 2012 2011

£ £

 Other payables 27,261 70,988

Social security and other taxes 29,930 35,548

Accruals and deferred income 1,599,184 278,958

 1,656,375 385,494

 Company 2012 2011

£ £

 Other payables 27,261 24,993

Social security and other taxes 29,930 35,548

Accruals and deferred income 490,698 91,028

547,889 151,569

21 SHARE CAPITAL

2012 2011
£ £

Allotted, called up and fully paid

Balance brought forward 4,095,862 3,847,622

Additions 2,844,283 248,240

Ordinary shares of 1p each at 31 December 6,940,145 4,095,862

The share capital consists only of ordinary shares with a par value of one pence each. All shares are equally eligible to receive dividends and the repayment of capital and entitle the member to one vote per share at a shareholders' meeting of the Company.

During the year the Company allotted shares with an aggregate nominal value of £12,651,399 as follows:

| | Price per share (pence) | Number of shares | Share Capital (£) | Share* premium (£) | Total (£) |
|--------------------|-------------------------|--------------------|-------------------|--------------------|-------------------|
| Placement proceeds | 6.8p | 45,509,570 | 455,096 | 2,639,555 | 3,094,651 |
| Placement proceeds | 4.0p | 238,918,709 | 2,389,187 | 7,167,561 | 9,556,748 |
| Total | | 284,428,279 | 2,844,283 | 9,807,116 | 12,651,399 |

*Before share issue costs of £448,542

Warrants

At 31 December 2012 the Company had in issue 122,754,785 warrants to subscribe for shares, (2011: Nil), as follows:

* On 27 January 2012 the Company issued 22,754,785 unlisted share purchase warrants at an exercise price of 6.8 pence per share and an exercise period of four years from the closing date, 27 January 2016. No warrants have been exercised to date.

* On 26 April 2012 the Company issued 100,000,000 unlisted share purchase warrants at an exercise price of 5.5 pence per share and an exercise period of one year from the closing date, 26 April 2013. No warrants have been exercised to date.

Options

The Company has granted options to subscribe for shares as follows:

| | Exercise price (pence) | At 31 December 2011 | Adjustments | At 1 January 2012 | Granted in the year | Exercised in the year | Cancelled in the year | At 31 December 2012 |
|--|------------------------|---------------------|-------------|-------------------|---------------------|-----------------------|-----------------------|---------------------|
|--|------------------------|---------------------|-------------|-------------------|---------------------|-----------------------|-----------------------|---------------------|

| | | | | | | | | |
|------------------------------|----|---------|---|---------|---|---|-----------|---|
| Options | 15 | 250,000 | - | 250,000 | - | - | (250,000) | - |
| (25 Oct 2007 to 25 Oct 2012) | | | | | | | | |

Options 6.5 9,679,000 (5,509,000) 4,170,000 - - - 4,170,000
(14 May
2009 to
14 May
2014)

Options 6.5 8,859,000 (4,916,036) 3,942,964 - - (628,000) 3,314,964
(26 May
2010 to
26 May
2015)

Options 6.5 - 10,425,036 10,425,036 - - (2,378,000) 8,047,036
(04 Oct
2010 to
04 Oct
2015)

Options 10 4,996,000 - 4,996,000 - - (470,000) 4,526,000
(29 Jul
2011 to
29 Jul
2016)

Options 10 3,000,000 - 3,000,000 - - - 3,000,000
(05 Oct
2011 to
05 Oct
2016)

Options 10 - 3,000,000 3,000,000 - - (3,000,000) -
(01 Dec
2011 to
01 Dec
2016)

Options 3.36 - - - 10,000,000 - - 10,000,000
(27 Jul
2012 to
27 Jul
2018)

Options 4 - - - 3,000,000 - - 3,000,000
(27
Jul
2012 to
27 Jul
2018)

Options 3.36 - - - 300,000 - - 300,000
(27 Jul
2012 to
27 Jul
2016)

26,784,000 3,000,000 29,784,000 13,300,000 - (6,726,000) 36,358,000

All share options except those that were granted in 2012 were exercisable at the year-end. The highest and lowest price of the Company's shares during the year was 7.56p and 2.12p respectively, and the share price at the year end was 2.12p.

22 SHARE-BASED PAYMENTS

The Company's current share option scheme was adopted on 27 July 2012. Under this scheme no share options shall be granted which would, at the date of grant,

cause the aggregate number of share options granted to exceed 10% of the issued ordinary share capital of the Company. At December 31 2012 the number of share options granted as a percentage of the issued share capital was 5.2%. Share options granted under the scheme may be made in tranches subject to separate exercise periods. There are no performance conditions associated with the share options.

On 27 July 2012 the Company announced that the Board had approved the grant of 10,300,000 share options to certain directors and key employees. The exercise price of such options was 3.36 pence and was determined on the 90 day volume weighted average price at market close on 26 July 2012. On 27 July, 2012 a grant of 3,000,000 share options at an exercise price of 4.00 pence was made to a retiring director. The aggregate of the options are exercisable in tranches up to the fifth anniversary of the award date.

The fair value of the stock options granted during the year was determined to be a sum of £277,390 which represent £21,098 for options granted to employees and £256,292 for options granted to Directors based on the Black-Scholes option pricing model with the following assumptions: spot price based on the share price at the dates of grant, no dividends paid, an overall weighted average volatility of the Company's share price of 84.95%, a weighted average annual risk free rate of 0.656%, an expected life of five years with a one year vesting period. The fair value was calculated as the difference between the options granted at the exercise price less the fair value of the stock options granted at the exercise price ruling at the original date of grant. The fair value is allocated over the vesting periods and in 2012 the charge to the consolidated statement of comprehensive income is £315,322 in relation to options having vesting periods within 2012. A lower fair value would be arrived at if the share price at the date of issuing the accounts was used.

23 FINANCIAL INSTRUMENTS

The Group and Parent Company use financial instruments, comprising short-term deposits, cash, liquid resources and various items such as other receivables and other payables that arise directly from its operations. The main purpose of these financial instruments is to manage the cash raised to finance operations. The Group and Parent Company have not used derivatives, embedded derivatives or hedging as defined under IAS 39 during the year. The main risks arising from the use of financial instruments are liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below:

Liquidity risk

The Group and Parent Company, at their present stage of development, have no sales revenues. Operations are financed through the issue of equity share capital and by joint venturing projects in order to ensure sufficient cash resources are maintained to meet short-term liabilities. Management monitors the availability of funds in relation to budget expenditures in order to ensure fund raising is planned in a timely fashion. Funds are raised in discreet tranches to finance activities for limited periods. Funds surplus to immediate requirements are placed in liquid, low risk investments. The ability to raise finance is subject to a number of factors including but not limited to: the state of the world financial markets; attractiveness of the Group's projects; price of the Group's main minerals, namely nickel, gold and copper.

Foreign currency risk

Foreign exchange transactions are settled at spot rate and the Group takes its profit or loss on these transactions as they arise. The Directors review the policy on foreign currency risk on a regular basis. The Group's exposure to US dollars is detailed below and is expressed in pounds sterling.

 Foreign currency monetary assets US\$

2012 2011
 Functional Currency £ £

Pounds Sterling 508,332 640,009

Tanzanian Shillings 30,353 119,289

Zambian Kwacha - 70,487

Mozambique Metical - 1,480

538,685 831,265

* A sensitivity analysis has been prepared on the basis that the components of financial instruments in foreign currencies are all constant, as in place at 31 December 2012. As a consequence, this sensitivity analysis relates to the position as at 31 December 2012. The following assumption were made in calculating the sensitivity analysis:

* All consolidated statement of comprehensive income sensitivities also impact equity.

* Translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity.

* Using the above assumptions, the following tables show the illustrative effect on the consolidated statement of comprehensive income and equity that would result from possible changes in the foreign currency:

2012 Group Projection:

£000,s Comprehensive income/(loss) Equity

5% fall in value of GBP vs USD 27 27

5% increase in value of GBP vs USD (25) (25)

* Group sensitivities detailed above would not be materially different for the Parent Company.

Market risk

* The Group's financial instruments affected by market risk include bank deposits, other receivables and other payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments as at 31 December 2012 to changes in market variables, being exchange rates and interest rates.

* A sensitivity analysis has been prepared on the basis that the components of financial instruments in foreign currencies are all constant, as in place at 31 December. As a consequence, this sensitivity analysis relates to the position as at 31 December. The following assumptions were made in calculating the sensitivity analysis:

* All consolidated statement of comprehensive income sensitivities also impact equity.

* The majority of debt and other deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.

* Using the above assumptions, the following tables show the illustrative effect on the consolidated statement of comprehensive income and equity that would result from possible changes in interest rates:

2012 Group Projection:

£000,s Comprehensive Income/(loss) Equity

5% fall in UK interest rates (5) (5)

5% increase in UK interest rates 5 5

Group sensitivities detailed above would not be materially different for the Parent Company.

At the 31 December 2012 there were no term deposits. The Company held the majority of its cash and cash equivalents in instant access deposit accounts. The majority of zero interest rate funds are held by our overseas affiliates to meet short term other creditor commitments.

Cash and cash equivalents
The Group The Company

2012 2011 2012 2011
£ £ £ £

Floating interest rate (by reference to bank base rate) 2,829,759 1,424,206 2,829,759 1,947,849

Zero interest rate 815,699 861,141 760,757 77,797

3,645,458 2,285,347 3,590,516 2,025,646

The Company's credit risk exposure is solely in connection with the cash and cash equivalents held with financial institutions. The Company manages its risk by holding surplus funds in high credit worthy financial institution and maintains minimum balances with financial institutions in remote locations.

The Group The Company

2012 2011 2012 2011
£ £ £ £

Financial institution with Standard & Poor's AA - rating or higher 3,626,063 2,261,020 3,590,516 2,025,646

Financial institution un-rated or unknown rating 19,395* 24,327* - -

3,645,458 2,285,347 3,590,516 2,025,646

*This includes cash balances of £19,395 (2011: £19,264)

Fair value of financial instruments

The fair values of the Group's and the Company's financial instruments at the 31 December 2012 and 2011 did not differ materially from their carrying values.

The Group and the Company does not have any long term borrowings, nor does it hold any derivative financial instruments.

24 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2012 the Group and the Company had annual commitments under non-cancellable operating leases in respect of land, buildings and equipment totalling £41,203 (2011: £5,935).

25 CAPITAL COMMITMENTS

The Group and Company had no capital commitments at 31 December 2012 or 31 December 2011. After the year end the Group has terminated all major contractors' agreements for work on the feasibility study at Dutwa.

26 CONTINGENT LIABILITIES

As set out in note 29 a Tanzanian subsidiary may be subject to tax assessments

materially different from that provided in the financial statements.

27 EVENTS AFTER BALANCE SHEET DATE

100,000,000 unlisted share purchase warrants referred to in note 21 lapsed on 26 April 2013 without being exercised.

On 2 April 2013 the Company announced its intention to manage its resources and revise the near term focus of its development activities to reduce costs and optimise its financial resources in the near term. Additionally, at that time, David Newbold resigned from the Board of Directors. On 15 May 2012 the Company further announced the need to take immediate steps to minimise costs, in order to preserve the Company's cash position, and undertake a restructuring to retain the main licences related to the Company's nickel assets, but that it will no longer provide funding to its Tanzanian subsidiary, Red Hill Nickel Limited ("RHN"). The Company anticipated that a process would commence for the orderly winding up of RHN in due course. It was also resolved to closely control the funding made available to the Company's remaining subsidiaries with all further funding requests being considered on a case by case basis. Furthermore, the Company undertook to seek opportunities to dispose of assets, including the Tanzanian gold licences, as a means to provide funding for the restructured Company.

28 RELATED PARTY TRANSACTIONS

There were no related party transactions during 2012 or 2011 for the Group other than the Directors' remuneration as disclosed in Note 8. Directors' remuneration includes £2,500 paid to Mining Finance Solutions in 2012 (2011: £10,000), a Company owned by Euan Worthington and includes accrued fees of £107,035 to HAWM Consulting, Inc in 2012, (2011: £41,590) a Company owned by Trevor Moss.

29 Payroll levies related to prior years

On 2 April 2013, the Company announced that the Tanzanian Revenue Authority ("TRA") had undertaken a review of the previous tax filings of one of the Company's Tanzanian subsidiaries. The Tanzanian subsidiary and its advisers have recently been in further discussions with the TRA and have received communication from the TRA outlining its initial view of the liability for the period up to 31 December 2012. Management's best estimate is an amount due of £601,754 which has been provided for in the accounts. Whilst no formal tax demand from the TRA has been received, the Directors of the Tanzanian subsidiary, advised by the Company and its tax and legal advisers, will continue to discuss the matter with the TRA in the hope that this matter can be brought to a satisfactory close as expeditiously as possible. Neither the Tanzanian subsidiary nor the Company can forecast the level of any potential tax assessments or tax liabilities with certainty and there can be no assurance that the Tanzanian subsidiary will not be subject to a materially different value in any assessment it may receive.

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