5356303

Lisungwe plc

Report & Financial Statements

for the year ended 31 March 2007

Contents

Company information

Directors	John Watkins – Chairman Stuart F Brand – Managing director Roy C Tucker – Finance director Shaun C Dowling – Non executive director Dr Robert D Young – Non executive director
all of	Nettlestead Place Nettlestead Maidstone Kent, ME18 5HA
Secretary and registered office	Roy C Tucker, FCA Nettlestead Place Nettlestead Maidstone Kent, ME18 5HA
Website	www.lisungwe.com
Auditors	Thompson & Company The Corner House 2 High Street Aylesford Kent, ME20 7BG
Corporate adviser	St Helen's Capital plc 15 St Helen's Place London, EC3M 6DE
Bankers	Standard Bank Isle of Man Limited Standard Bank House 1 Circular Road Douglas Isle of Man, IM1 1SB
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey, GU9 7EN
Registered number	5356303

Chairman's statement

I am pleased to present my second annual report for the financial year to 31 March 2007 Following a first year of rapid development, further progress has been made, albeit not quite as we imagined a year ago, we have experienced delays at Chimwadzulu Hill, but more recently have made most encouraging progress at the newly acquired Chimimbe Hill Nickel prospect

EXPLORATION

Stuart Brand, our managing director who has spent much of the past year in Malawi, deals fully with our exploration activities in his report which follows In it he deals with the temporary suspension of our activities at Chimwadzulu Hill We have been informed by the Minister of Mines and Energy that a new license has been signed and we expect to recommence activity shortly In the meantime, good progress has been made towards establishing a cost effective Nickel extraction process, vital if we are to achieve our objective of a commercially viable mining operation

In addition, in May 2007 the Group acquired a new reconnaissance licence over an area known as Chimimbe Hill which is already showing indications of being prospective for Nickel in commercial quantities

FINANCE

During the year we expended £312,000 on exploration in Malawi, this represents an increase over the previous period and is in line with the expectation when we published the offer for subscription document issued in April 2005 We have continued to keep overheads to the minimum throughout the year

This continued exploration activity was made possible as a result of a new investment of £200,000 into the Company in September 2006 when new shares were issued at a price of 2 25 pence per share, a premium to the issues in May and June 2005

It is in the nature of the Group's business that new investment funds are required from time to time so as to maintain and extend the exploration programme, to enhance the value of the Group and to enable further funds to be raised at ever increasing prices To this end, the Group was pleased to announce the acquisition of the new reconnaissance licence at Chimimbe Hill as well as some early encouraging results from the Nickel bearing soils

The Board has been encouraged by the response of Shareholders to the recent invitation to subscribe for new shares To date, a total of £68,863 has been raised by the issue of 3,443,182 new Ordinary shares at a price of 2 pence per share I am pleased to report that brokers have indicated they expect to raise the balance up to a total of £300,000, the sum which your Board believes is required at this stage in the Group's development

At the annual general meeting the Board will seek renewed authority to issue new shares for cash The precise cash requirement, timing, number of shares to be issued and the price will depend upon negotiations with advisers which your Board has commenced, I expect to be able to give Shareholders an update at the AGM

METAL PRICES

The Offer for Subscription was launched during 2005 at a time when the gold price approximated to $430 per ounce As at 31 July 2007, the price of Gold had risen to $665 75 per ounce

Of greater interest given the nature of the exploration ground at Chimwadzulu and Chimimbe is the price of Nickel which has risen strongly during 2006 and 2007 from $13,825 in early January 2006 to $27,200 per tonne on 31 July 2006 and further to $30,757 on 31 July 2007, although there has been some reduction from the peak of $50,000 three months earlier

Assuming a Nickel price of at least $15,000 per tonne, the gross value of the contained Nickel before operating costs is estimated at $225,000,000 The mineral processing work being undertaken as described by Stuart Brand is crucial before the Group is able to confirm that a commercially viable mining operation is possible

Chairman's statement, continued

These significant price increases reflect demand for these minerals from fast developing nations such as China and India coupled with declining stockpiles Nickel is an essential ingredient in the production of stainless steel so is much in demand

The price of Uranium hovered at about $10 per lb from 1997 to 2003 since when it more than quadrupled to $47 25 per lb at 31 July 2006 and further to $120 at 31 July 2007

There seems to be no immediate likelihood of demand slowing, hence the price increases

OUTLOOK

Your Board is pleased with progress thus far and looks forward to establishing a resource which will in turn enable the Group to raise the funds to develop a commercial mining operation at both Chimwadzulu Hill and Chimimbe Hill This success will aid the economy of Malawi as well as add to Shareholder value We will continue to report progress as achieved at our Nickel prospects and of the continuing Gold, Copper and Uranium exploration activities

SHAREHOLDER RELATIONS

The Company's shares are traded on PLUS Details of dealings, current prices and all announcements may be found at www plusmarketsgroup com using the Company code 'LIS' Daily prices are reported in the Financial Times and the London Evening Standard

We intend to keep you informed of developments as they occur by the issue of news releases to PLUS and their circularisation to all our Shareholders To receive an email copy of these releases, please register at www lisungwe com

We look forward to meeting those of you able to attend our annual general meeting to be held on Tuesday 2 October 2007 at 3 00 pm

BOARD

On 26 September 2006, the Board was pleased to appoint Shaun Dowling as an additional non-executive director Shaun brings a wealth of experience in many avenues of business to your Board's deliberations, he is a great asset

CONCLUSION

On your behalf, I thank our corporate adviser, solicitors, accountants, geological and other technical advisers as well as all my colleagues for their hard work and support during the period under review

Finally, on behalf of the Board, I thank Shareholders for the trust and confidence they have placed in us I look forward to reporting further progress as events unfold

John Watkins

Chairman

17 August 2007

Managing director's report from Stuart Brand

EXPLORATION ACHIEVEMENTS DURING THE PAST YEAR

I am pleased to report that exploration for all of our main target minerals – Uranium, Gold, Copper and particularly Nickel – has continued with substantial progress achieved during the past year.

Gold

Gold exploration has focussed on the area of historical gold mining along a 12 km structural trend where ongoing overburden sampling has so far identified anomalous Gold with values of almost 1 gpt along a strike length of 1.6kms. It is planned to carry out trenching over the best developed anomalies when the present sampling programme is complete.

Copper / Gold

A Copper/Gold anomaly, which is believed to be associated with north-south rift faulting, is being investigated at **Nyuzudzi** where a copper outcrop occurs with 1.5% Copper and almost 0.2gpt Gold. Hand auger traverses have defined Copper anomalies along a strike of over 1 km. Trenches across the strongest of these encountered a boulder assaying more than of 3% Copper. Further trenching is planned with the possibility of a ground geophysical survey to test for sulphide/Gold mineralisation at depth.

Uranium

The airborne Uranium anomalies defined by the 1987 airborne radiometrics survey on the licences are being systematically tested by detailed ground radiometric traverses with encouraging bedrock Uranium being identified, so far, at sub-economic levels. However, recent widely spaced, reconnaissance traverses carried out over a well developed airborne anomaly on the newly issued licence are proving encouraging with ground total count readings at a higher level than earlier surveys. It is planned to carry out detailed infill traverses with the objective of defining possible ore grade Uranium mineralization.

Nickel

Nickel exploration is being carried out at two main areas – **Chimwadzulu Hill** and the recently acquired **Chimimbe Hill**. Both prospects are associated with ultra-basic intrusive rocks with the Nickel occurring as a secondary enrichment zone close to the surface leading to relative ease of mining.

Chimwadzulu Hill

Exploration over the Chimwadzulu area has been carried out under an agreement dated 2000 between the Group's operating subsidiary, Lisungwe Mineral Resources Limited (LMR), and the then holder of the Mining Licence, Mineral Exploration (pvt) (Minex). During 2006 the assets of Minex were acquired by Nyala Mines Ltd (Nyala). Nyala applied for a new Mining Licence over the same area, the negotiation of which has caused a temporary suspension of ground activities at Chimwadzulu. However, it is understood that the new licence has been signed by the Minister on behalf of the Malawi government but not released to Nyala pending further negotiations regarding local shareholders.

LMR has an agreement with Nyala similar to that with Minex and is now awaiting the release of the licence in order that it can continue with its exploration programme at Chimwadzulu. Notwithstanding the temporary suspension of field work, important advances have been made on the resource estimate and mineral processing programmes as described below.

Chimimbe Hill

This area located 100 km west of Lilongwe, the capital of Malawi, is in an area of excellent infrastructure with abundant water, nearby power and is close to a rail-link to the newly modernised deep sea port of Nacala on the Mozambique coast to the East.

The area, a prominent ultra-basic intrusion with exciting nickel potential, was pin-pointed by LMR from a study of historical Geological Survey records. Following the granting of a Reconnaissance Licence in mid-May 2007, the potential of the area is already being indicated by an ongoing pitting programme. Furthermore, preliminary mineral processing tests are very encouraging.

EXPLORATION WORK IN PROGRESS

Current programmes at both Chimwadzulu Hill and Chimimbe Hill are broadly similar, consisting of:

- **Pitting** – to establish a shallow resource estimate
- **Mineral processing test work** – to optimise the nickel extraction procedures to achieve production costs at a commercially acceptable level
- **Chimwadzulu Hill pitting**

  A total of 120 pits were dug to a target depth of 2 metres, where possible, over approximately 25% of the area. The majority of these finished in possible ore-grade material.

Managing director's report, continued

Pits over the remaining area will be completed to 2 metres as soon as possible, with infill where necessary to be followed by deepening to 4 metres where warranted This will facilitate the calculation of a resource estimate to a 4 metre depth

- **Chimimbe Hill pitting**

  The pitting programme is expected to be in progress for several more months

  A total of 344 pits (c 590 metres in all) have been sunk since the issue of the licence which almost completes the first phase of pitting to an initial target depth of 2m along lines 100m apart Preliminary assays of the material are in progress

  Potentially ore bearing material occurs in two main settings

  - In transported soils which contain nickel bearing material washed from mineralised material on the slopes of Chimimbe Hill Many of the pits in this material contained average values in excess of 0 3% Nickel and commonly greater than 0 5%
  - In saprolites (highly weathered bed rock) Of the pits which first intersected saprolites, two have been deepened to 4 metres in harder but still mineralised rock Preliminary assays from these indicate average Nickel values of about 1%
  - The latest analyses have confirmed the presence of extensive, strongly mineralised saprolites on the elevated slopes of Chimimbe Hill Average grades are commonly in excess of 0 5% Nickel, rising to a high of 0 9% with many pits ending in mineralised material containing values between 0 6% and 1 1% Assays from a large number of further pits are awaited
  - In addition to saprolites occurring extensively on the hillside, it is believed that they could occur widely below the soils and on its flanks below the mineralised soils
  - It is expected to complete infill pitting and the deepening of pits, initially to 4 metres where warranted within the next four month period During this time, it is also hoped to carry out preliminary drilling to examine the general depth of mineralisation prior to planning a full scale drilling programme

NICKEL RESOURCES ESTIMATES

Speculative estimates based on certain preliminary assumptions suggest that each of the deposits at Chimwadzulu Hill and Chimimbe Hill could contain in excess of 3 million tonnes of ore-grade Nickel bearing material

Assuming a grade of 0 5% Nickel, this would indicate 15,000 tonnes of nickel

MINERAL PROCESSING

A substantial amount of work has been undertaken during the past year towards establishing a cost effective method by which Nickel may be extracted and turned into a marketable product This research is ongoing

Mineral processing test work is designed to optimise the Nickel extraction procedures so as to achieve production costs at a commercially acceptable level One of the main costs of production is of sulphuric acid for the Nickel leaching process These tests are being carried out by Wardell Armstrong International Ltd in their laboratory in the UK

Normal sulphuric acid leaching processes fall into two main types

- **Vat leaching** requires a particle size of less than 250 microns, that is, 0 25mm, to ensure that the material stays in suspension in the vats This process needs to be completed in a very few days since a longer time could result in prohibitive costs
- **Heap leaching** requires a coarse particle size and the process can take several months

Mineral processing tests of samples from **Chimwadzulu** so far are

- **Hot acid extraction tests** on 3 samples achieved a remarkable 99% recovery of the Nickel within one day
- **Cold acid extraction tests** on 13 samples achieved over 79% recovery of the Nickel in one week and almost 95% after 6 weeks
- **Particle size analysis** Detailed studies of selected, weathered, nickel bearing saprolites and soils demonstrated that approximately 85% of the Nickel is contained in the finest grained fraction of less than 0 25mm This opens up the possibility of screening off and discarding the coarser material which is expected to result in a significant reduction in the amount of acid required and therefore of the cost
- **Acid strength and temperature tests** are in progress These tests examine the extraction times and acid consumption using different acid strengths and temperatures for a possible vat leaching operation, the results of which are awaited

Managing director's report, continued

- **Heap leaching tests** A 200kg sample of coarse material for heap leaching tests has been collected and is awaiting shipping

Mineral processing tests of samples from **Chimimbe Hill** so far are

- Test work on representative samples of the soils and saprolites is currently being conducted in the UK by Wardell-Armstrong International Ltd with the objective of optimising Nickel extraction procedures
- Preliminary test work on a random specimen of saprolite, returned a very encouraging Nickel recovery of greater than 87%, using cold, aqueous, sulphuric acid over a 28 day period
- Preliminary, on-site tests suggest that the bulk of the soils consist of particles of less than 250 microns which would be amenable to relatively inexpensive vat-leach extraction

EXPLORATION LICENCES

In accordance with normal practice, we are required to surrender part of the exploration ground after a pre-defined period Accordingly, we have selected and surrendered certain grounds no longer considered to be prospective and coupled this with the successful application for new areas, in August 2006 LMR was granted a Reconnaissance Licence over 2,195 sq kms for Uranium and in May 2007 over the 12sq kms Chimimbe Hill for Nickel The result of these changes is that our overall exploration ground is reduced from 5,375 sq kms in 2005 to 3,567 5 sq kms in July 2007

PERSONNEL

Our core team remains the same as that for the previous period with Dick Sanders and myself planning and supervising the field programmes, being strongly supported in Malawi by the directors of LMR – Grain Malunga and Wren Banda

Grain, a professional geologist, has held the post of Director of Mines and, until recently, was Principal Secretary for the Ministry of Irrigation and Water Development He now runs his own private consultancy specializing in the mineral industry, environmental matters, water and sanitation

Wren continues to use his considerable field experience gained over many years as a senior officer in the Geological Survey of Malawi In addition to facilitating day to day field progress and liaison with local people, he takes care of local expenditure monitoring and personnel matters

Further to the mineral processing consultancy provided by Wardell Armstrong International Ltd , we are very happy to welcome Bernard Siddall to Lisungwe as an internal consultant Bernard is a mineral processing engineer with over 40 years hands on industry experience in Africa, Australia and elsewhere and his considerable expertise in Nickel extraction processing is proving invaluable to our projects

All members of staff are strongly encouraged by the progress made during the year and are looking forward to continued positive development of the Group and the effect it will make to their lives Our field workers have continued to respond well to project work, most recently at the Chimimbe nickel project exploration camp in an area far from their homes

Our exploration progress continued to be supported by the use of numerous casual workers recruited from local communities As is normal in Malawi, LMR has been warmly welcomed by officials and local people alike who openly express their appreciation of the benefits resulting from our presence in a rural area with very little employment

GOVERNMENT RELATIONS

Lisungwe continues to be supported by the Ministry of Mines and Energy, the Department of Mines who have speedily facilitated the export of samples for testing and the Geological Survey who supplied us with reports one of which led us to the Chimimbe Hill prospect We also wish to extend our appreciation to the Minister of Mines and Energy for frank discussions on Government policy and to the many officials at all levels who have given freely of their time in such a friendly manner

Stuart Brand

Managing director

17 August 2007

Board of directors

John Watkins
Chairman

John is a chartered accountant and a former partner of Ernst & Young and Neville Russell He is finance director of AIM listed Starvest plc and non-executive director of AIM companies Greatland Gold plc, Red Rock Resources plc and Regency Mines plc all with substantial mineral exploration interests In addition, he is non-executive director of PLUS Markets listed Franchise Investment Strategies plc Since 1999 he has been a director of several start-up companies involved in biotech, web based auto trading and innovative software retailing

Stuart F Brand
Managing director

Stuart is a geologist with extensive experience in the mining and mineral exploration industry in Africa and Ireland

Since 1996 his work has focussed mainly on Malawi with the development of the present strategy for regional mineral exploration for LMR Previously he spent six years in Zambia involved in both exploration and mining

Stuart has worked as an independent consultant in the mineral exploration and development sector, managed exploration programmes principally for Anglo American and Newmont in Ireland, been an exploration geologist with Tara Exploration Ltd where he was a member of the exploration team which discovered a world class zinc/lead deposit near Navan He has also held positions as a senior mine geologist with Tara Mines Ltd and as exploration manager for Billiton Exploration in Ireland

Roy C Tucker
Finance director

Roy is a Chartered Accountant whose background is as a tax consultant He has co-founded and been involved in the management of various financial businesses particularly in the banking and commodity sectors He is chairman and co-founder of South Africa based Legend Lodges Group which holds significant tourism interests He is also finance director of AIM listed African Consolidated Resources plc which has mineral exploration interests in Zimbabwe

Shaun C Dowling
Non executive director

Shaun Dowling is an economist and experienced businessman who has worked in a number of different sectors during a long career including banking (NM Rothschild & Sons), marketing (J Walter Thompson), publishing (Pitmans), health (Champneys), lighters and gifts (Ronson), drinks (Guiness), hotels, construction materials and various manufacturing companies

Shaun Dowling's directorships have included Guinness Plc , he was chairman of Majestic Wines Plc, Hartstone Group Plc, Gleneagles Plc and deputy chairman and CEO of Arthur Bell & Sons plc

Dr Robert D Young
Non executive director

Bob holds a first class honours degree in geology and chemistry, a MSc in Mineral Exploration and Mining Geology and a PhD in geochemistry He has over 30 years of varied experience in the mining industry in Europe and South East Asia Positions held included director of Minerex Limited (Ireland), chief metals geologist for Shell Metals (Indonesia) and founding Managing Directors of Cambridge Mineral Resources plc and Angus & Ross plc He is currently executive chairman of AIM listed Beowulf Gold plc and of PLUS Markets listed Agricola Resources plc

Directors' report

The Directors present their second annual report on the affairs of the Company and Group, together with the financial statements for the year ended 31 March 2007

Principal activities and future developments

The principal activity of the company in the year under review is that of a management holding company providing administrative and management services to its group undertaking, Lisungwe Mineral Resources Limited (LMR) LMR is actively engaged in mineral exploration in Malawi, a small southern African country

The current developments during the period and those of the future are given in the Chairman's statement and in the Managing director's report

Results and dividends

The results for the year and the financial position of the Group and Company are show in the following financial statements

The Group has incurred a pre-tax loss of £470,252 (2006 restated Loss of £385,450)

The Group and Company have net assets of £702,188 (2006 £849,742) and £1,282,140 (2006 £1,110,440) respectively

The Directors do not recommend the payment of a dividend

Principle risks and uncertainties

The management of the business and the execution of the Board's strategy are subject to a number of risks

- Exploration is speculative in nature
- The economic viability of a project is affected by world commodity prices
- Commodity prices are subject to international economic trends, currency fluctuations and consumption patterns
- The Group's activities are undertaken in a developing country rather than the United Kingdom

Key performance indicators

Given the straightforward nature of the Group's activities, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

Directors and their interests

The Directors who served during the period, together with all their beneficial interests in the shares of the Company at the date of their appointment and at 31 March 2007 were as follows

	31 March 2007			31 March 2006 or date of appointment if later		
	Ordinary shares of £0 0005 each	%	Share options	Ordinary shares of £0 0005 each	%	Share options
Stuart F Brand	14,937,500	9 77	-	14,937,500	10 37	-
Shaun C Dowling – appointed 26 September 2006 (Note 1)	9,888,888	6 47	2,000,000	9,888,888	6 47	-
Roy C Tucker - beneficial	12,837,500	8 40	-	12,837,500	8 91	-
Roy C Tucker – non beneficial	5,400,000	3 53		8,100,000	5 62	
John Watkins	3,625,000	2 37	-	3,625,000	2 52	-
Robert D Young (Note 2)	-	-	3,125,000	-	-	3,125,000

Directors' report, continued

Note 1 The options over Ordinary shares were granted on 26 September 2006 and may be exercised at any time to 31 May 2009 at a price of 2 5 pence per share

Note 2 The options over Ordinary shares vested on 31 May 2006 and may be exercised at any time from 1 June 2006 to 31 May 2009 at a price of 1 1 pence per share

Apart from the interests disclosed above, no director held any other interest in the share capital of the Company during the year No changes in the interests disclosed above have taken place since the year end except as disclosed above

Substantial shareholdings

On 31 March 2007 the following were registered as being interested in 3% or more of the Company's ordinary share capital

	31 March 2007		31 March 2006	
	Ordinary shares of £0 0005 each	Percentage of issued share capital	Ordinary shares of £0 0005 each	Percentage of issued share capital
Stuart F Brand	14,937,500	9 77%	14,937,500	10 37%
Shaun C Dowling	9,888,888	6 47%	-	-
Greenfield Management Limited	54,000,000	35 31%	54,000,000	37 49%
Rock (Nominees) Limited	8,219,500	5 37%	7,000,000	4 86%
Roy C Tucker – beneficial	12,837,500	8 40%	12,837,500	8 91%
Roy C Tucker – non-beneficial	5,400,000	3 53%	8,100,000	5 62%

On 8 June 2007, the Company was advised that the holding of 54,000,000 Ordinary shares previously held by Greenfield Management Limited had been transferred to and were then held by Mr Bruce Littman

Share capital

Information relating to shares issued during the period is given in Note 14 to the accounts

Charitable and political donations

During the period there were no charitable or political contributions

Payment of suppliers

The Group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them It is usual for suppliers to be paid within 14 days of receipt of invoice At 31 March 2007, the Company's creditors were equivalent to seven day's costs (2006 one day's costs)

Financial instruments

The main financial risks arising from the Company's activities are liquidity risk and currency risk These are monitored by the Board and were not considered to be significant at the balance sheet date

The Company relies upon working capital injected via the issue of shares to support its exploration and administrative activities Budgets are regularly prepared and fund raising initiatives undertaken as and when required This risk is inherent to the nature of the business and is managed to the best of the Board's ability

Funds are primarily maintained in sterling to minimise foreign exchange risk which is inherent in the Company's activities and accepted as such

Post balance sheet events

The post balance sheet events are set out in Note 23 to the accounts

Directors' report, continued

Transition to International Financial Reporting Standards (IFRS)

The directors have decided to take advantage of the concession available to PLUS Markets companies and to defer the transition to IFRS until the year to 31 March 2008

The directors have identified the main areas of the financial statements that will be affected by the transition, namely the valuation of investments, share based payments and deferred tax Currently, steps are being taken to ensure all IFRS information is captured in our financial reporting systems

Auditors

The Directors will place a resolution before the annual general meeting to reappoint Thompson & Company as auditors for the coming year

Remuneration

The remuneration of the Directors has been fixed by the Board as a whole This has been achieved acknowledging the need to maximise the effectiveness of the Company's limited resources during the year

Details of directors' fees and of payments made for professional services rendered are set out in Note 6 to the accounts, directors' emoluments, and Note 22, related party transactions

Management incentives

The Company has granted options over Ordinary shares as follows

- 3,125,000 to a non executive director as noted above, vesting on 31 May 2006 and exercisable at any time from 1 June 2006 to 31 May 2009 at a price of 1 1 pence per share,
- up to 4,000,000 to a senior consultant geologist accruing at the rate of 320,000 for every full three months of service from 24 January 2006 until 23 January 2008, plus a further 1,440,000 if he remains in the group's service at that date, these options are exercisable at any time until 31 May 2009 at a price of 1 25 pence per share, as at 31 March 2007, options over 1,280,000 options had accrued,
- 1,500,000 to a non-executive director of Lisungwe Mineral Resources Limited, these options are conditional on the director remaining until 31 December 2007 and are exercisable from that date until 31 May 2009 at 1 1 pence per share,
- 2,000,000 to a non executive director as noted above exercisable at any time until 31 May 2009 at 2 5 pence per share

Otherwise, the Group has no bonus, share purchase, share option or other management incentive scheme

Corporate governance

It is the opinion of the Board that compliance with the recommendations of the Combined Code on corporate governance at this stage in its development would be unduly onerous bearing in mind the size of the business and limited cash resources However, the Board appointed Mr Shaun C Dowling as a non-executive director during the year in addition to Dr Robert Young and has established such procedures as are appropriate for the size of the business and will keep the matter under review

Control procedures

The Board has approved financial budgets and cash forecasts, in addition, it has implemented procedures to ensure compliance with accounting standards and effective reporting

By order of the Board

Roy C Tucker

Company secretary

17 August 2007

Statement of directors' responsibilities

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities They are also responsible for ensuring that the annual report includes information required by PLUS Markets

So far as the directors are aware, there is no relevant audit information (as defined by Section 234 ZA of the Companies Act 1985) of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The maintenance and integrity of the Company's website is the responsibility of the directors the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website

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

Report of the Independent Auditors to the Members of Lisungwe plc

We have audited the financial statements of Lisungwe plc for the year ended 31 March 2007, which comprise the Consolidated Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheets, the Cash Flow Statements and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As described in the statement of the Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Report of the Directors is consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Report and Financial Statements and consider whether it is consistent with the audited Financial Statements The other information comprises only the Directors' Report, Chairman's statement and Managing Director's Report We consider the implications to our report if we become aware of any misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and group's affairs as at 31 March 2007 and of the group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Going Concern

Without qualifying our opinion, we draw your attention to the disclosures made in note 1 of the financial statements concerning the directors' confidence in their ability to raise further capital In view of the significance of this fact that the preparation of the financial statements on the going concern basis assumes a successful outcome to such efforts, we consider that this disclosure should be brought to your attention Our opinion is not qualified in this respect

Thompson and Company

Thompson and Company
Chartered Certified Accountants
& Registered Auditor
The Corner House, 2 High Street
Aylesford, Kent, ME20 7BG

Date 17 August 2007

Consolidated profit and loss account for the year ended 31 March 2007

	Notes	Year ended 31 March 2007 £	Period 8 February 2005 to 31 March 2006 (as restated) £
Turnover		-	-
Exploration costs		311,870	252,555
Gross loss		(311,870)	(252,555)
Administrative expenses		(70,697)	(48,756)
Operating loss	3	(382,567)	(301,311)
Interest receivable		5,760	9,306
Amortisation of goodwill		(93,445)	(93,445)
Loss on ordinary activities before and after taxation		(470,252)	(385,450)
Loss per share – basic and diluted	8	(0 32) pence	(0 30) pence

There were no acquired or discontinuing operations during the year The operation involving exploration costs was acquired in the previous accounting period

The accompanying notes form an integral part of these financial statements

Consolidated statement of total recognised gains and losses for the year ended 31 March 2007

	Year ended 31 March 2007	Period 8 February 2005 to 31 March 2006 (as restated)
	£	£
Loss for the financial period	(470,252)	(385,450)
Unrealised translation differences on foreign currency net investments	100,022	83,174
Total recognised gains and losses relating to the period	(370,230)	(302,276)
Prior year adjustment – as explained in Note 15	(15,244)	
Total gains and losses recognised since the last annual report	(385,474)	

The accompanying notes form an integral part of these financial statements

Consolidated balance sheet
As at 31 March 2007

	Note	31 March 2007 £		31 March 2006 (as restated) £	
Fixed assets					
Intangible assets	9	560,669		654,114	
Tangible assets	10	34,035		20,266	
			594,704		674,380
Current assets					
Debtors	12	28,357		17,074	
Cash at bank		98,691		188,506	
		127,048		205,580	
Creditors – amounts falling due within one year	13	(19,564)		(30,218)	
Net current assets			107,484		175,362
Total assets less current liabilities			702,188		849,742
Capital and reserves					
Called-up share capital	14	76,459		72,014	
Share premium account	16	1,260,315		1,064,760	
Share option reserve	16	37,920		15,244	
Profit and loss account	16	(855,702)		(385,450)	
Other reserves	16	183,196		83,174	
			702,188		849,742
Equity shareholders' funds	17		702,188		849,742

The accounts on pages 13 to 28 were approved by the Board of Directors on 17 August 2007 and signed on its behalf by

John Watkins
Chairman

Roy C Tucker
Director

The accompanying notes form an integral part of these financial statements

Company balance sheet
As at 31 March 2007

	Note	31 March 2007 £	31 March 2007 £	31 March 2006 (as restated) £	31 March 2006 (as restated) £
Fixed assets					
Investments	11	1,169,945		915,277	
			1,169,945		915,277
Current assets					
Debtors	12	25,985		15,990	
Cash at bank		97,657		185,416	
		123,642		201,406	
Creditors – amounts falling due within one year	13	(11,447)		(6,243)	
Net current assets			112,195		195,163
Total assets less current liabilities			1,282,140		1,110,440
Capital and reserves					
Called-up share capital	14	76,459		72,014	
Share premium account	16	1,260,315		1,064,760	
Share option reserve	16	37,920		15,244	
Profit and loss account	16	(92,554)		(41,578)	
			1,282,140		1,110,440
Equity shareholders' funds	17		1,282,140		1,110,440

The accounts on pages 13 to 28 were approved by the Board of Directors on 17 August 2007 and signed on its behalf by

John Watkins
Chairman

Roy C Tucker
Director

The accompanying notes form an integral part of these financial statements

Consolidated cash flow statement
for the year ended 31 March 2007

	Notes	Year ended 31 March 2007	Period 8 February 2005 to 31 March 2006 (as restated)
		£	£
Net cash outflow from operating activities	18	(266,269)	(182,009)
Returns on investments and servicing of finance – bank interest		5760	9,306
Capital expenditure and financial investment	19	(29,306)	(28,007)
Cash outflow before financing		(289,815)	(200,710)
Financing	19	200,000	389,216
(Decrease)/increase in cash in the year	20	(89,815)	188,506

The accompanying notes form an integral part of these financial statements

Notes to financial statements for the year ended 31 March 2007

1 Accounting policies

The principal accounting policies are summarised below They have been applied consistently throughout the period

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The group accounts consolidate the accounts of Lisungwe plc, and its foreign subsidiary, Lisungwe Mineral Resources Limited, drawn up to 31 March 2007 The foreign subsidiary has been consolidated using the closing rate method in accordance with SSAP20, Foreign Currency Translation

Basis of preparing financial statements

The accounts have been prepared on the going concern basis The appropriateness of the going concern basis is dependent on the success of the directors' ongoing investigation, evaluation and generation of revenue from mineral projects

The company meets its day to day operating expenses from its existing liquid resources in the absence of an ongoing income stream

As detailed in Note 23, the directors have approved an expenditure budget for the period to September 2008 for which additional funding will be required

The directors have complete confidence in their ability to raise further capital and that their efforts will generate sufficient ongoing cash to meet the company's outgoings for the foreseeable future On this basis the directors believe it is appropriate to prepare these financial statements on a going concern basis

Turnover

The Group had no turnover during the period

Exploration and development costs

Exploration and development costs include expenditure on prospects at an exploratory stage These costs include the cost of acquisition, exploration, determination of recoverable reserves, economic feasibility studies and all technical and administrative overheads directly associated with those projects These costs are written off as 'exploration expenditure'

Goodwill

Goodwill represents the difference between the cost of an acquired business and the aggregate of its identifiable assets and liabilities Goodwill is capitalised and amortised through the profit and loss account on a straight line basis over its useful economic life

Tangible fixed assets

Fixed assets are depreciated on a straight-line basis at annual rates that will reduce book amounts to estimated residual values over their anticipated useful lives, as follows

Field equipment	20%
Motor vehicles	20%
Computers	33%

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Foreign currency assets and liabilities are translated into sterling at the balance sheet date and the resulting gains or losses are taken to the profit and loss account

Notes to financial statements
for the year ended 31 March 2007, continued

1 Accounting policies, continued

The results of overseas operations are translated at the average rate of exchange during the year and the balance sheet translated into sterling at the rate ruling at the balance sheet date Exchange differences which arise from the translation of the opening assets and results of the foreign subsidiary undertaking are taken to reserves

Investments

Fixed asset investments are stated at cost less any provision for impairment Impairment is a subjective evaluation undertaken by the directors having regard to the risks and uncertainties attaching to the investment

The loan to Lisungwe Mineral Resources Ltd (LMR) is not due for repayment until December 2010 Repayment or part repayment of that loan will be dependent upon the future success of LMR developing/exploiting any mineral deposits on a commercial basis

Deferred tax

Deferred tax is provided on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date

Share based payments

Previously no charge to profit was made in respect of the options over the Company's shares held by Directors and others In 2006, the Company adopted FRS20 (share based payments) for the first time As this required a change of accounting policy, the comparative numbers for the previous period have been restated

The fair value of options granted to directors and others in respect of services provided is recognised as an expense in the profit and loss account with a corresponding increase in equity reserves – the share option reserve

On exercise or cancellation of share options, the proportion of the share option reserve relevant to those options is transferred to the profit and loss account reserve On exercise, equity is also increased by the amount of the proceeds received

The fair value is measured at grant date and spread over the accounting periods during which the option becomes unconditional

The fair value of options is calculated using the Black-Scholes model taking into account the terms and conditions upon which the options were granted Vesting conditions are non-market and there are no market vesting conditions The exercise price is fixed at the date of grant and no compensation is due at the date of grant

2 Segmental analysis

The Group's only business segment is mineral exploration There is no turnover within the Group for the current or previous periods

The Group operates within two geographical segments, the United Kingdom and Africa The UK sector consists of the parent company which provides administrative and management services to the subsidiary undertaking based in Malawi, southern Africa

An analysis of net assets and pre tax losses by geographical segment is as follows

	2007	2006 (as restated)
Net assets	£	£
UK	672,864	849,277
Africa	29,324	465
	702,188	849,742

Notes to financial statements
for the year ended 31 March 2007, continued

2 Segmental analysis, continued

Pre tax losses	2007 £	2006 (as restated) £
UK	(170,054)	(135,023)
Africa	(300,198)	(250,427)
	(470,252)	(385,450)

Included within UK net assets is goodwill of £560,669 (2006 £654,114) arising from the acquisition of the African segment

The pre tax loss for the UK includes amortisation of goodwill of £93,445 (2006 £93,445)

3 Operating loss

	2007 £ Group	2006 (as restated) £ Group
Operating loss is stated after charging		
Auditors' remuneration – audit	6,500	3500
Depreciation	11,628	7,741
Directors' emoluments	42,000	38,500
Share based payments including consultants	22,676	15,244
Exchange differences	93,425	84,931

Auditors' remuneration for non-audit services provided during the year for taxation advice amounted to £500 (previous period £2,729 related to the provision of accountants' reports for the purpose of the Company's fundraising prospectus and was charged to the share premium account as part of share issue expenses, of this £975 related to services provided by the Group auditors)

4 Taxation

Based on the results for the period, there is no charge to UK or foreign tax

The Group has tax losses available to carry forward calculated at the prevailing rates of tax of approximately £143,000 (2006 £80,000)

This amount has not been recognised in the financial statements as its recovery cannot be reasonably foreseen

Factors affecting the tax charge	2007 £	2006 (as restated) £
Loss on ordinary activities	(470,252)	(385,450)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(141,075)	(115,635)
Effect of		
Expenses not deductible for tax purposes	62,947	58,148
Losses available to carry forward	78,128	57,487
Current tax charge	-	-

Notes to financial statements for the year ended 31 March 2007 continued

5 Staff and directors

The company's average number of employees during the period was five No remuneration for directors' services was paid although they received various monies from the company as set out in Note 22, related party transactions

6 Directors' emoluments

	2007	2006 (as restated)
	£	£
Stuart F Brand	42,000	38,500
Share based payments	11,003	11,095
	53,003	49,595

Year ended 31 March 2007	Executive services	Share based payments	Total
	£	£	£
Stuart F Brand	42,000	-	42,000
Dr Robert D Young	-	1,811	1,811
Shaun C Dowling	-	9,192	9,192
	42,000	11,003	53,003
Period ended 31 March 2006			
Stuart F Brand	38,500	-	38,500
Dr Robert D Young	-	11,095	11,095
	38,500	11,095	49,595

No pension benefits are provided for any director

Directors' share options

During the year options were granted to Directors over a total of 2,000,000 ordinary shares (2006 3,125,000) as set out in Note 15

7 Loss attributable to parent undertaking

The loss for the period attributable to the parent undertaking amounted to £50,976 (2006 £41,578) As permitted by Section 230 if the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company

8 Loss per share

	2007	2006 (as restated)
	£	£
The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue		
Loss for the period	(470,252)	(385,450)
Weighted average number of Ordinary shares of £0 0005 in issue	148,558,307	128,630,869
Loss per share – basic	(0 32) pence	(0 30) pence

Notes to financial statements
for the year ended 31 March 2007, continued

8 Loss per share, continued

ue to the losses incurred during the year a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share

As detailed in note 15, there are options outstanding at the year end which have the potential to dilute basic earnings per share in the future and reduce the basic loss per share

9 Intangible fixed assets

Group	2007 £ Goodwill
Cost	
At 31 March 2006	747,559
Additions during the period	-
At 31 March 2007	747,559
Amortisation	
At 31 March 2006	93,445
Amortisation for the period	93,445
At 31 March 2007	186,890
Net book amount at 31 March 2007	560,669
Net book amount at 31 March 2006	654,114

The company acquired the entire share capital of Lisungwe Mineral Resources Limited on 2 March 2005 for a fair value consideration of £360,380 which gave rise to goodwill of £747,559 This is being amortised on a straight line basis over its estimated useful life of 8 years In the opinion of the directors, this period represents a reasonable and prudent estimate of the time during which the company will derive economic benefit from the goodwill acquired

10 Tangible assets

Group	2007 £ Motor vehicles & equipment
Cost	
At 31 March 2006	28,007
Additions during the period	29306
Foreign exchange rate fluctuations	(4,038)
At 31 March 2007	53,275
Depreciation	
At 31 March 2006	7,741
Charge for the period	11,628
Foreign exchange rate fluctuations	(129)
At 31 March 2007	19,240
Net book amount at 31 March 2007	34,035
Net book amount at 31 March 2006	20,266

Notes to financial statements
for the year ended 31 March 2007, continued

11 Fixed asset investments

	2007 £	2006 £
Company		
Investments in group undertakings		
Shares in group undertakings	360,380	360,380
Loans to group undertakings	809,565	554,897
At 31 March 2007	1,169,945	915,277

Movements during the period were as follows

	Shares £	Loans £	Total £
At 31 March 2006	360,380	554,897	915,277
Additions during the period	-	254,668	254,668
At 31 March 2007	360,380	809,565	1,169,945

The parent Company of the Group holds more than 20% of the share capital of the following companies

Company	**Country of registration**	**Class**	**Proportion held by group**	**Nature of business**
Lisungwe Mineral Resources Limited	Malawi	Ordinary	100%	Mining exploration and development

12 Debtors

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Prepayments	9,653	5,400	7,281	4,316
Other taxes	18,704	11,674	18,704	11,674
Total	28,357	17,074	25,985	15,990

13 Creditors

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Amounts falling due within one year				
Trade creditors	7,101	328	2,356	328
Accruals	12,463	29,890	9,091	5,915
Total	19,564	30,218	11,447	6,243

Notes to financial statements
for the year ended 31 March 2007, continued

14 Share capital

The authorised share capital of the Company and the called up and fully paid amounts were as follows

Authorised	Number	Nominal £
As at 31 March 2006 and 31 March 2007, Ordinary shares of £0 0005	1,000,000,000	500,000
Called up, allotted, issued and fully paid		
As at 31 March 2006, Ordinary shares of £0 0005	144,028,627	72,014
Issued 26 September 2006	8,888,888	4,445
As at 31 March 2007	152,917,515	76,459

Consideration for the issued shares was £200,000

15 Share based payments

During the year, the Company adopted FRS 20 with respect to the treatment of share options As detailed under the accounting policies note 1 'share based payments', the Company now includes the fair value of these options as an expense to the profit and loss account with a corresponding increase in equity

The expense is spread over the accounting periods during which the option becomes unconditional

The Company has an established share option scheme under which options have been granted to subscribe for ordinary shares as follows

	At 31 March 2006	Granted during the period	At 31 March 2007	Exercisable at 31 March 2007	Exercise price	Date from which exercisable	Expiry date
G P W Malunga	1,500,000	-	1,500,000	-	1 1p	31 December 2007	31 May 2009
R Sanders	4,000,000	-	4,000,000	1,280,000	1 25p	24 April 2006 – see note	31 May 2009
Dr R D Young	3,125,000	-	3,125,000	3,125,000	1 1p	1 June 2006	31 May 2009
S C Dowling	-	2,000,000	2,000,000	2,000,000	2 5p	26 September 2006	31 May 2009
Total	8,625,000	2,000,000	10,625,000	6,405,000			

The options granted to Richard Sanders vest over the period from 24 April 2006 to 23 January 2008 as set out in the Directors' report under management incentives

The fair value of the options using the Black-Sholes method and assumptions were as follows

Year ended 31 March 2007

Grant date	29 September 2006
Fair value at measurement date	0 4596 pence
Share price at grant date	2 0 pence
Exercise price	2 5 pence
Expected volatility	50%
Option life	32 months
Expected dividends	0 00%
Risk free interest rate	4 5%

Notes to financial statements for the year ended 31 March 2007, continued

15 Share based payments, continued

Period ended 31 March 2006

Grant dates	21 March 2005	5 July 2005	21 November 2005
Fair value at measurement date	0 4130 pence	0 3768 pence	0 4282 pence
Share price at grant date	1 1 pence	1 1 pence	1 25 pence
Exercise price	1 1 pence	1 1 pence	1 25 pence
Expected volatility	50%	50%	50%
Option life	36 months	3-37 months	15 months
Expected dividends	0 00%	0 00%	0 00%
Risk free interest rate	4%	4%	4%

The fair value of the above share options as expensed is £22,676 (2006 as restated £15,244)

The volatility is set by reference to the historic volatility of the share prices of the Company and comparable companies The Black-Scholes model assumes that an option is only capable of exercise at expiry This date has been modified so that it is reflective of the likely date each individual is likely to exercise

On adoption of FRS20 the comparative numbers have been restated, the effect of which for the period to 31 March 2006 is to

	£
Increase the net loss	15,244
Increase the reserves – share option reserve by	15,244

16 Reserves

The movements on reserves during the period were as follows

Group	Share premium account £	Share option reserve £	Profit and loss account (as restated) £	Other reserves £
As at 31 March 2006	1,064,760	-	(370,206)	83,174
Share based payments – see note 15	-	15,244	(15,244)	-
As restated at 31 March 2006	1,064,760	15,244	(385,450)	83,174
Issue of shares	195,555	-	-	-
Loss for the period	-	-	(470,252)	-
Share based payments – see note 15	-	22,676	-	-
Currency translation differences on foreign currency net investments	-	-	-	100,022
As at 31 March 2007	1,260,315	37,920	(855,702)	183,196

Notes to financial statements
for the year ended 31 March 2007, continued

Reserves, continued	Share premium account	Share option reserve	Profit and loss account (as restated)
Company	£	£	£
As at 31 March 2006	1,064,760	-	(26,334)
Share based payments – see note 15	-	15,244	(15,244)
As restated at 31 March 2006	1,064,760	15,244	(41,578)
Issue of shares	195,555	-	-
Loss for the period	-	-	(50,976)
Share based payments – see note 15	-	22,676	-
As at 31 March 2007	1,260,315	37,920	(92,554)

17 Reconciliation of movement on equity shareholders' funds

Group	2007	2006 (as restated)
	£	£
Loss for the period	(470,252)	(385,450)
Proceeds of share issues	200,000	1,212,790
Share issue expenses	-	(76,016)
Share based payments – see note 15	22,676	15,244
Currency translation differences on foreign currency net investments	100,022	83,174
Net (decrease)/ increase in shareholders' funds	(147,554)	849,742
Opening shareholders' funds – as restated	849,742	-
Closing equity shareholders' funds	702,188	849,742

Company	2007	2006 (as restated)
	£	£
Loss for the period	(50,976)	(41,588)
Proceeds of share issues	200,000	1,212,790
Share issue expenses	-	(76,016)
Share based payments – see note 15	22,676	15,244
Net increase in shareholders' funds	171,700	1,110,440
Opening shareholders' funds – as restated	1,110,440	-
Closing equity shareholders' funds	1,282,140	1,110,440

Notes to financial statements
for the year ended 31 March 2007, continued

18 Reconciliation of operating profit to operating cash flows

	2007	2006 (as restated)
	£	£
Operating loss	(382,567)	(301,311)
Depreciation	11,628	7,741
Increase in debtors	(11,283)	(17,074)
Increase in creditors	(10,654)	30,218
Share based payments	22,676	15,244
Currency gain	103,931	83,173
Net cash outflow from operating activities	(266,269)	(182,009)

19 Analysis of cash flows

	2007	2006
	£	£
Financing		
Company Issue of ordinary share capital for cash	200,000	462,790
Share issue expenses	-	(76,016)
	200,000	386,774
Cash acquired with subsidiary acquisition	-	9,248
Less creditors assumed	-	(6,806)
Net cash inflow	200,000	389,216
Capital expenditure and financial investment		
Purchase of tangible fixed assets	29,306	28,007
Net cash outflow	29,306	28,007

20 Analysis and reconciliation of net funds

	31 March 2006	Cash flow	31 March 2007
	£	£	£
Cash in hand and at bank	£188,506	(89,815)	98,691

21 Non cash transactions

There were no non cash transactions in the year In the previous period, the whole of the issued share capital of Lisungwe Mineral Resources Limited plus the outstanding loan stock amounting to £389,620 was acquired by the issue of 75,000,000 ordinary shares at a price of 1 penny per share, a total non cash consideration of £750,000

Notes to financial statements
for the year ended 31 March 2007, continued

22 Related party transactions

The director, Roy C Tucker FCA, received the sum of £6,000 plus VAT (2006 £9,500 plus VAT) for the provision of professional services relating to management, company secretarial and financial advisory services

The director, John Watkins FCA, received the sum of £6,000 plus VAT (2006 £9,500 plus VAT) for the provision of professional services relating to management, accounting and financial advisory services

The director, Dr Robert D Young, received the sum of £5,000 (2006 £4,583) for the provision of professional consultancy services

The director, Shaun C Dowling received the sum of £2,500 for the provision of professional consultancy services

Included in fixed asset investments for the company is a loan to its subsidiary, Lisungwe Mineral Resources Limited in the sum of £809,565 (2006 £554,897) This represents loan stock not repayable before 31 December 2010 and carries interest at the rate of 0 404% per annum

23 Post balance sheet events

On 19 May 2007, the directors approved a grant of options to Bernard Siddall, a mineral processing consultant

On 15 August 2007 the directors approved an expenditure budget for the period August 2007 to September 2008 in the sum of £1,250,000 for which funding is being sought Fundraising costs will be additional

On 15 August 2007 the Company placed 3,443,182 new Ordinary shares at a price of 2 pence per share for a total consideration of £68,863

24 Financial instruments

The Group has taken advantage of the exemption in Financial Reporting Standard 13, "Derivatives and Other Financial Instruments", in respect of short term debtors and creditors

25 Control

There is considered to be no controlling related party