55 96580

Carnegie Minerals Plc Annual Report December 2007

Contents	

Officers and Advisers

Directors

Timothy S Jones	Chairman
Alan G Hopkins	Managing Director
Boris V Matveev	Technical Director

Secretary
Colette M Gibbons

Registered office
1 Arbrook Lane
Esher, Surrey KT10 9EG

Registered number
5696680

Australian Office
First Floor, 16 Ord Street
West Perth
Western Australia
Telephone +61 8 9486 9999
Fax + 61 8 9486 4266

Nominated adviser and broker
Blue Oar Securities Plc
30 Old Broad Street
London EC2N 1HT

Auditors
BDO Stoy Hayward LLP
Emerald House, East Street
Epsom, Surrey KT17 1GS

Solicitors
UK
Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Australia
Wright Legal
1/103 Colin Street
West Perth
Western Australia 6005

The Gambia
Ida D Drameh & Associates
13A Marina Parade
PO BOX 2215
Banjul, The Gambia

Officers and Advisers (continued)

Senegal
Mazars Senegal
43 rue Wagane Diouf George Panpidan
Residence Mame Allassame Fall
Dahan, Senegal

Share Registry
Computershare Investor Services Plc
The Pavilions
Bridgewater Road
Bristol BS13 8FB

Stock Exchange
AIM
London Stock Exchange
Code CME

Carnegie Minerals Plc is listed on the Alternative Investment Market (AIM) of the London Stock Exchange (code CME)

Highlights

Senegal (50/50 contributing Joint Venture with Astron Ltd)

- Drilling of the first target at Niafarang resulted in a relatively small but high grade Indicated Mineral Resource being calculated for this deposit Planning for an environmental impact study over this area is well advanced

- Many of the priority exploration targets generated by the airborne geophysical survey were drilled resulting in several new mineralisation intersections

- Many targets are still to be drilled in the licence area

USA

- Since the year end, a Cooperative Research and Development Agreement has been entered into with the United States Geological Survey (an agency of the United States Government) This agreement seeks to help both parties identify areas with high potential for mineral deposits containing titanium, iron and zirconium

Other

- Since the year end, the Company's 50% free carried interest in The Gambia project has entered a significant dispute with the Gambian Government This is currently the subject of legal actions from both sides, but the project's carrying cost is fully provided for The possible restart of operations here is uncertain at the time of writing

Chairman's statement

A year of good progress has been overshadowed by an ongoing dispute between The Gambian Government and our joint venture company in that country In January 2008, operations were suspended by The Gambian Government who subsequently cancelled the mining licence The allegations that the joint venture company has been commercially mining titanium, iron ore and uranium from its mineral sands licence are strongly refuted It has previously been made clear to The Gambian Government that a component of mineral sands is titanium and iron oxide and that trace amounts of uranium of no commercial value are usual for such deposits This action has reinforced the Company's planned next phase to seek high potential projects in low sovereign risk areas

Of great concern to us is the withholding of the passport of Charlie Northfield, the in country manager for The Gambian joint venture company, by the Gambian authorities Carnegie is working to the utmost to regain Charlie's full freedom and have the strongly disputed charges of economic crimes against him and the joint venture company dropped

In financial terms, by accounting for our share of the joint venture losses and by writing off the associated goodwill, we have eliminated the entire value of the project from the group balance sheet

The Company made good progress with its evaluations in neighbouring Southern Senegal This resulted in the modelling of a small but high grade mineral sands deposit at Niafarang with it being categorised as an Indicated Mineral Resource as defined by the JORC Code 2004

We also undertook an exploration drilling programme in Southern Senegal over many of the priority targets identified by our airborne geophysical survey This resulted in several new mineralised intersections that have potential for further investigation Many of the exploration targets identified within the licence area have yet to be tested

Strategically, the Company's goal in this area is to discover further areas of mineralisation that can significantly add to the explored Niafarang deposit These areas in Senegal have not been not subject to any negative Senegalese Government action

A significant first step in the refocus of international project work to areas of lower political risk was the signing in March 2008 of a strategic research agreement with the US Geological Survey (USGS), an agency of the United States Government This co-operation involves combining the Company's resources and data with USGS data and experience in profiling geologic, geochemical and geophysical mineral indicators so that the capability of both parties to identify terrains with high potential for minerals of interest is significantly improved

This next generation of scientifically substantiated exploration targets will be a priority undertaking for the Company We believe this provides a platform for the Company to seek and procure quality project involvements in areas where we have expertise and working together with world leading partnerships in this low sovereign risk part of the world

Outlook

With the current turbulent world financial markets and the untimely Gambian Government action affecting The Gambian project, 2008 poses significant challenges to our group Out of adversity also comes the potential to reach higher levels and certainly the management team is focused on forging new project opportunities in more stable areas with significant potential while following up results in Senegal
We thank all our shareholders who have continued to support the Company during this period of change and refocus

Finally, I should like to pay tribute to my predecessor, Alan Burns, who has retired from the board as part of a broader scaling back of his business interests Alan founded the company and led us successfully through IPO and beyond as a listed business

Timothy Jones
Chairman
7 May 2008

Review of Operations

"Overcoming Challenges and Grasping New Opportunities"

2007 was a very active year for the Company with good progress made on our assets in Senegal Following the year end, we have faced significant challenges arising from the legal dispute with The Gambian Government over the JV operations there However, we have looked to diversify our operations towards developed, lower risk, countries such as the new opportunities opening up in the USA

Senegal (50% contributing JV with Astron Ltd)

In Southern Senegal, the Company completed the initial 3-year exploration programme in full compliance with the conditions of its exclusive exploration licence that was subsequently extended by the Senegalese Government for a further 3 years to November 2010 In accordance with the Senegalese mining legislation, Carnegie surrendered some already explored areas amounting to 27% of the original license area and retained about 550 km^2 for further exploration

Exploration of the Niafarang mineral sands deposit was completed in 2007 resulting in an independent Indicated Mineral Resource estimate as defined by the JORC Code 2004

Indicated Mineral Resource **(50% Carnegie interest)**

Sand (million tonnes)	**Grade (% of total heavy minerals)**	**Mineral Assemblage (% of total heavy minerals)**			
		Ilmenite	**Zircon**	**Rutile**	**Leucoxene**
4 8	12 4	75 2	13 7	2 3	0 4

Carnegie negotiated the mining licence conversion procedures with the Senegalese Department of Mines and Geology in September 2007 and has commissioned an independent and reputable Senegalese consulting firm for the statutory environmental impact assessment (EIA) of the Niafarang mining project as the first step in the licence conversion process

In addition to this work on the Niafarang deposit, a substantial drilling programme in Southern Senegal was undertaken to test the exploration targets identified in the north and in the south of the licence area In May – July 2007, 8,000 line metres of air-core drilling in two of these areas, using Australian drilling company Wallis Drilling, intersected some new mineralisation zones that warrant follow up exploration The intersected mineralised zones are related to linear radiometric and magnetic features extending parallel to the coast and identified based on the high resolution airborne geophysical survey over the licence area flown in 2006

These heavy mineral intersections are encouraging Further drilling is planned for mineralisation zones as well as drill testing of the yet to be tested geophysical and other exploration targets in the eastern part of the licence area

NEW OPPORTUNITIES

Carnegie entered into a Cooperative Research and Development Agreement with the US Geological Survey (USGS), an agency of the United States Government A major objective of the collaboration for the Company is to improve its assessment and modelling tools thereby allowing it to better identify areas with high potential for mineral deposits containing titanium, iron, zirconium as well as rare-earth elements – anywhere in the world we operate

The USGS have been at the forefront of mineral deposit research for over 125 years and the work in the USA creates an opportunity for the Company to investigate and develop new projects in highly prospective geographical regions with low sovereign risk

The objectives of the collaboration with the USGS are to

- define areas with potential for mineral deposits containing metals such as titanium, iron, zirconium and rare-earth elements,
- enable researchers from both parties to interpret geologic terrains favourable for staged field geological investigations,

- further test modelling methods developed by the USGS that integrate geologic, geochemical, and geophysical indicators, and
- assess mineral resource potential using the synthesis and analysis of USGS geosciences databases

The domestic and international locations jointly selected for study support both USGS's mission to assess the mineral resources of the US and the world and Carnegie's exploration strategy The benefits of this exchange include sharing of data, the refinement of mineralogical methods, and an expanded suite of mineralogical and chemical data for the US national-scale assessments

Under the terms of this 3-year joint project, Carnegie is providing approximately USD1million in cash and in-kind services in the form of labour, external consulting and contractual costs to the project The USGS is providing in-kind resources in the form of labour, equipment, facilities, information, and computer software estimated at USD225,000

At the time of writing this report, the database research as well as field investigations in the USA has been already started by a joint USGS and Carnegie team

We believe that this strategic partnering in the USA can provide a strong technical platform from which quality project involvement opportunities can arise

Since the end of the period under review, in February 2008, the Company raised £1 0 million net of expenses on the AIM market This provides the financial platform for the Company to meet its share of exploration expenditures in Southern Senegal and to fund the initial exploration in the USA under the joint project with the USGS

Carnegie has conducted preliminary investigations on the previously announced Indonesian prospect and further participation is currently under review

The Gambia (50/ 50 joint venture with Astron Ltd – Astron funded 100%)

Through 2007 and until the disruption of the mining operations by the Gambian Government in January 2008, the Carnegie / Astron JV operating company "Joint Venture Company" in The Gambia was able to successfully commission all 4 planned dredging and gravity concentration processing units at the Sanyang and Batukunku deposits The dry mining fleet had been acquired from The Peoples Republic of China and arrived in The Gambia in 2007 This enabled the production of primary concentrate as a precursor to the commissioning of the secondary concentrators that would have enabled the production of higher value concentrates The key components of the magnetic separation processing unit were already delivered into the country and the delivery of the remaining equipment and commissioning of this concentrate upgrade plant was scheduled for middle of 2008 The construction of onsite infrastructure such as laboratories, workshops, stores and offices was mostly completed

At 31 December 2007, a total of 166 personnel were employed in The Gambia comprising 135 Gambians and 31 expatriates (mostly dredging specialists from the People's Republic of China)

Since the beginning of the mining operations, the Joint Venture Company exported to the offtake partner more than 45,000 tonnes of primary heavy mineral concentrates with an additional ~35,000 tonnes produced and currently stockpiled at the Sanyang mining site The Joint Venture Company met the production target in primary HMC terms for 2007 and was well on its way to achieving its full production and processing capacity in 2008

Subsequent to year end, the Joint Venture Company received a notice cancelling its mining licence and a significant legal dispute has arisen The Gambian Government has announced that the Joint Venture Company has been illegally mining strategic minerals in addition to its mineral sands licence, which the Joint Venture Company vigorously disputes The Company has fully provided for its investment to date in this area by recognising its share of joint losses and by writing off the associated goodwill

Alan Hopkins
Managing Director
7 May 2008

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2007

Principal activity

The principal activity of the Company is the holding company of a group with minerals interests and strategic partnerships in the minerals field

Results and dividends

The results for the period are set out on page 14

The Directors do not recommend payment of a final dividend

Business and financial review

A review of the business and future developments is given in the chairman's statement on pages 4 and 5 and the review of operations on pages 6 to 8

The loss for the year amounted to £1 8 million, which included the group's share of the losses of the Gambian joint venture, together with the write off of associated goodwill These in aggregate amounted to £768,594 The losses of this joint venture were significantly affected by the writing down of the assets employed in that business following the actions of the Gambia Government

During the year, a further £138,147 was capitalised in respect of exploration and evaluation expenditure in the group's Senegalese joint venture

At 31 December 2007, cash amounted to £216,000 On 1 February 2008, a further £1,130,000 (before expenses) was raised by a placing of shares

Key performance indicators

The key performance indicators were established as volumes of production, sales prices achieved and earnings per share Details of the loss per share are given on page 13 and reflect the unforeseen losses arising from the suspension of Gambian operations Production in Senegal has yet to start, but volumes and market prices in Gambia have been in line with the board's forecasts and expectations

Principal risks

The principal risk factors are sovereign risk, exploration risk, and market sales price volatility for the group's products Exploration risk and price volatilities have not to date been problematic but recent events in the Gambia have highlighted the group's exposure to sovereign risk It is the board's stated strategy to seek future investment opportunities in areas where such risk is lower

Directors

The Directors of the Company during the period were as follows

Alan Burns
Alan Hopkins
Timothy Jones
Boris Matveev
Grant Mooney

Policy and practice on payment of creditors

It is group and company policy to settle all debts on a timely basis, taking account of the credit period given by each supplier The company had no trade creditors as at 31 December 2007 Group trade creditors at 31 December 2007 were equivalent to 30 days (2006 – 30 days) of purchases based on the average daily amount invoiced by suppliers during the period

Financial instruments

Details regarding the Group's use of financial instruments and their associated risks are given in note 15 to the consolidated financial statements

Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the directors, at the time of approving the financial statements, there is a reasonable expectation that the group will continue in operational existence for the foreseeable future

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

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

Timothy Jones
Director
7 May 2008

Statement of Directors' Responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985 The financial statements of the group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the parent company accounts have been prepared in accordance with UK Generally Accepted Accounting Practice

Group financial statements

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

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Parent company financial statements

Company law 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 of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

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

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions The maintenance and integrity of the group's website is the responsibility of the directors The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Independent Auditor's Report To The Shareholders Of Carnegie Minerals Plc

We have audited the group and parent company financial statements (the "financial statements") of Carnegie Minerals Plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements We also report to you if, in our opinion, 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 Annual Report and consider whether it is consistent with the audited financial statements The other information comprises only the Highlights, the Chairman's Statement, Review of Operations and the Directors' Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended,

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2007,

- the financial statements 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

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors, Epsom, 6 May 2008

Carnegie Minerals Plc consolidated income statement for the year ended 31 December 2007

	Notes	2007 £	2006 £
Revenue – management fees	2	81,606	25,844
Administrative expenses		(1,270,126)	(471,640)
Other operating income		-	183,970
Operating loss	3	(1,188,520)	(261,826)
Share of losses of joint venture	7	(598,719)	(73,369)
Finance income – bank interest		34,016	26,670
Loss before tax		(1,753,223)	(308,525)
Tax expense	8	-	-
Loss for the year/period attributable to equity holders of the parent entity		(1,753,223)	(308,525)

Loss per share attributable to equity holders of the parent entity

Basic and diluted	9	(3 188)p	(1 187)p

Carnegie Minerals Plc consolidated statement of recognised income and expense for the year ended 31 December 2007

	2007 £	2006 £
Foreign exchange (loss)/gain on retranslation of overseas operations	(60,533)	6,768
Net (loss)/income recognised directly in equity	(60,533)	6,768
Loss for the year	(1,753,223)	(308,525)
Total recognised income and expense for the year	(1,813,756)	(301,757)
Attributable to.		
Equity holders of the parent	(1,813,756)	(301,757)

Carnegie Minerals Plc consolidated balance sheet at 31 December 2007

	Notes	2007 £	2006 £
Assets			
Non-current assets			
Intangible assets	10	474,991	448,288
Property, plant and equipment	11	78,603	84,366
Interests in joint ventures	7	-	656,150
		553,594	1,188,804
Current assets			
Trade and other receivables	13	21,024	78,637
Cash and cash equivalents		215,737	1,205,322
		236,761	1,283,959
Total assets		790,355	2,472,763
Liabilities			
Current liabilities			
Trade and other payables	14	146,672	108,200
Total liabilities		146,672	108,200
Net assets		643,683	2,364,563
Equity attributable to equity holders of parent			
Share capital	17	550,000	550,000
Share premium	18	969,851	969,851
Merger reserve	18	839,346	839,346
Foreign exchange reserve	18	(53,765)	6,768
Warrant reserve	18	250,000	250,000
Retained earnings	18	(1,911,749)	(251,402)
Total equity attributable to equity holders of the parent		643,683	2,364,563

The financial statements were approved by the Board of Directors and authorised for issue on 7 May 2008 and were signed on its behalf by

Alan Hopkins
Director

Timothy Jones
Director

Carnegie Minerals Plc consolidated cash flow statement for the year ended 31 December 2007

	2007 £	2006 £
Net cash flow from operating activities		
Loss for the year/period	(1,753,223)	(308,525)
Depreciation and amortisation	13,162	7,648
Share-based payment expense	92,877	57,123
Share of losses of joint venture	598,719	73,369
Impairment of goodwill	168,875	-
Capitalised exploration expense	(138,147)	-
Interest received	(34,016)	(26,670)
Foreign exchange loss	(68,182)	(21,966)
Movement in working capital		
– trade and other receivables	57,613	(78,399)
– trade and other payables	38,472	(163,560)
Cash flow from operations	(1,023,850)	(460,980)
Cash flow from investing activities		
Purchase of property, plant and equipment	(10,401)	(80,536)
Disposal of property, plant and equipment	10,650	-
Net funds acquired with subsidiary undertakings	-	225,317
Interest received	34,016	26,670
Net cash flow from investing activities	34,265	171,451
Cash flow from financing activities		
Issue of shares	-	2,025,000
Listing expenses and share issue costs	-	(530,149)
Net cash flow used in financing activities	-	1,494,851
Net (decrease)/increase in cash and cash equivalents	(989,585)	1,205,322
Cash and cash equivalents at 31 December 2006	1,205,322	-
Cash and cash equivalents at 31 December 2007	215,737	1,205,322
Cash and cash equivalents comprises of		
Cash available on demand	180,603	58,496
Short-term deposits	35,134	1,146,826
	215,737	1,205,322

1 Accounting policies

Basis of preparation
The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS The consolidated financial statements have also been prepared in accordance with IFRSs adopted by The European Union

Revenue
Revenue comprises management fees (excluding VAT and similar taxes) received from the group's joint ventures Revenue is recognised in line with the provision of the related service

Basis of consolidation
Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity Intercompany transactions and balances between group companies are therefore eliminated in full

Business combinations
The consolidated financial statements incorporate the results of business combinations using the purchase method In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair value at the acquisition date The results of acquired operations are included in the consolidated income statement from the date on which control is obtained

Goodwill
Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement

Joint Ventures
The group's interest in Carnegie Minerals (Gambia) Limited is classified as a jointly controlled entity Jointly controlled entities are included in the financial statements using the equity method Investments in such joint ventures are initially recognised in the consolidated balance sheet at cost The group's share of post acquisition profits and losses is recognised in the consolidated income statement with a corresponding adjustment to the carrying value of the investment, except that losses in excess of the group's investment in the associate are recognised only until the point at which the investor's interest is reduced to nil

The group's interest in the Senegal joint venture is classified as a jointly controlled operation The group includes the assets it controls, its share of any income and the liabilities and expenses of jointly controlled operations in accordance with the terms of the underlying contractual arrangement

Foreign currency
Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign

exchange reserve") Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the group or the overseas operation concerned

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date

Exploration and evaluation assets

The group applies the full-cost method of accounting under which all expenditure relating to the acquisition, exploration, appraisal and development or mineral interests, including exploration licences and an appropriate share of directly attributable overheads, is capitalised Capitalised costs are amortised on a unit of production basis from the date production commences The Board regularly reviews the carrying values of intangible assets and writes down capitalised expenditure to levels it considers to be prudent Amortisation commences once production has started

Financial assets

The group's financial assets all of which are categorised as loans and receivables comprise the following

Trade and other receivables – these are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired

Cash and cash equivalents – comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value

Financial liabilities

The group's financial liabilities comprise trade and other payables and are recognised on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method

Share based payment

The share option programme allows directors and employees to acquire shares of the Company The fair value of options granted is recognised as an expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the directors and employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on

- the initial recognition of goodwill,
- goodwill for which amortisation is not tax deductible,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- the same taxable group company, or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

Impairment of non-financial assets

Impairment tests on intangible assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly

Impairment charges are included in the administrative expenses line item in the income statement, except to the extend they reverse gains previously recognised in the statement of recognised income and expense

Property, plant and equipment

Fixed assets are depreciated using the straight line method over their estimated useful lives, as follows

Fixtures, fittings, equipment and computers	13-40%
Motor vehicles	12-25%

Changes in accounting policies

New accounting standards adopted during the period

During the year the Group has adopted the following new standards for the first time

IFRIC 10 'Interim Financial Reporting and Impairment', and
IFRS 7 'Financial Instruments Disclosures'

IFRIC 10 prohibits impairment losses recognised in Interim Reports from being reversed in the next annual financial statements There has been no affect on the Group's reported results on financial position arising from the adoption of IFRIC 10

IFRS 7, and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', revises and enhances the previous disclosures required by IAS32 The impact of the adoption of IFRS 7 has been to expand the disclosures provided in these Financial Statements (see note 15) There has been no effect on the Group's reported results or financial position

New standards and interpretations not yet applied

The following new standards and interpretations, which have been issued by the IASB and the IFRIC , are effective for future periods and have not been adopted early in these financial statements A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below None are expected to have a material effect on the reported results or financial position of the Group

IAS 1 Presentation of Financial Statements A Revised Approach (Amendments) was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009

Revisions to IAS 32 'Financial Instruments Presentation' and consequential revisions to other standards was published in February 2008 to improve the accounting for and disclosure of puttable financial instruments The revisions are effective for accounting periods beginning on or after 1 January 2009 but together they may be adopted earlier

IFRS 3 'Business Combinations (Revised) and related revisions to IAS 27 'Consolidated and Separate Financial Statements' has been published following the completion in January 2008 of the IASB's project on the acquisition and disposal of subsidiaries The standards improve convergence with US GAAP and provide new guidance on accounting for changes in interests in subsidiaries The cost of an acquisition will comprise only consideration paid to vendors for equity, other costs will be expensed immediately Groups will only account for goodwill on acquisition of a subsidiary, subsequent changes in interest will be recognised in equity and only on a loss of control will there be a profit or loss on disposal to be recognised in income The changes are effective for accounting periods beginning on or after 1 July 2009, but both standards may be adopted together for accounting periods beginning on or after 1 July 2007

Amendment to IAS 23 'Borrowing Costs' was issued in May 2007 and is effective for accounting periods beginning on or after January 1, 2009 The amendment requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be added to the cost of that asset

IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' was issued in November 2006 and is effective for annual periods beginning on or after March 1, 2007 IFRIC 11 clarifies the accounting for share based transactions which fall within the scope of IFRS 2

IFRIC 12 'Service Concession Arrangements' was issued in November 2006 and is effective for annual periods beginning on or after January 1, 2008 IFRIC 12 prohibits private sector operators from recognising as their own those infrastructure assets which are owned by the grantor

IFRIC 13 'Customer Loyalty Programmes' was issued in June 2007 and is effective for annual periods beginning on or after July 1, 2008 IFRIC 13 requires the fair value of revenue relating to customer loyalty rewards to be deferred until all related obligations to the customer have been fulfilled

IFRIC 14 'IA S 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', was issued in June 2007 and is effective for annual periods beginning on or after January 1, 2008 IFRIC 14 clarifies how any asset to be recognised should be determined, in particular where a minimum funding requirement exists

IFRS 8 'Operating Segments' was issued in November 2006 and is effective for annual periods beginning on or after January 1, 2009 It requires reportable operating segments to be based on the entity's own internal reporting structure It also extends the scope and disclosure requirements of IAS 14 Segmental Reporting, the standard which it is replacing IFRS 8 will require the publication of segment reports, which will, as a minimum, disclose net result and total assets on a segment by segment basis based on management's own internal accounting information

Status of EU endorsement

Entities in EU Member States which report in accordance with EU-endorsed IFRS can only apply IFRSs and IFRICs where the endorsement process has been completed at the date of approval of their financial statements Of the standards and interpretations listed above, the following had not yet been endorsed by the European Union at the date these financial statements were authorised for issue

IFRIC 12 'Service Concession Arrangements',
IFRIC 13 'Customer Loyalty Programmes',
IFRIC 14 'IAS 19 - The limit on a defined benefit asset',
IAS 1 Presentation of Financial Statements A Revised Approach (Amendments),
IAS 23 'Borrowing Costs' (Amendment),
IAS 27 Consolidated and Separate Financial Statements (Amendments),
IFRS 2 Share-based Payment Vesting Conditions and Cancellations,
(Amendment),
IFRS 3 'Business Combinations (Revised)', and
Revisions to IAS 32 'Financial Instruments Presentation'

2 Revenue

Revenue disclosed in the income statement is as follows

	Dec 2007 £	Dec 2006 £
Provision of services to joint ventures	81,606	25,844

3 Operating loss

This is stated after charging the following

	Dec 2007 £	Dec 2006 £
– Depreciation	13,162	7,648
– Impairment of goodwill	168,875	-

Other operating income in 2006 of £183,970 consisted of a loan from a former holding company, Carnegie Corporation Limited, forgiven following the acquisition of Coast Resources Limited

4 Auditors' remuneration

	Dec 2007 £	Dec 2006 £
Fees payable to the company's auditors for audit of the company's annual accounts	37,500	45,000
Fees payable to the company's auditors and its associates for other services		
- Remuneration for tax compliance services	2,500	-
- Remuneration for corporate finance services	-	49,460
	40,000	94,460

5 Staff costs and Directors' emoluments

a) Staff costs (including directors)

Group	Dec 2007 £	Dec 2006 £
Wages and salaries	497,427	143,306
Expense of share-based payments	92,877	57,123
	590,304	200,429

Parent		
Wages and salaries	35,974	13,702
Expense of share-based payments	92,877	57,123
	128,851	70,825

The average monthly number of employees (including executive directors) during the year/period was as follows

	2007 Number	2006 Number
Group - Technical and administrative staff	8	6
Parent – Technical and administrative staff	3	3

b) Directors' emoluments

Group	**Dec 2007**	**Dec 2006**
	£	**£**
Fees and salaries	369,003	129,129
Expense of share-based payments	92,877	57,123
	461,880	186,252

The directors comprise the key management personnel of the group and the company

Included in the above is £195,187 (2006 - £74,621) in respect of the highest paid director

6 Segmental information

The group's primary reporting format for reporting segment information is business segments

	Business Segments					
	Mineral Resources		**Management Services**		**Total**	
	Dec 2007 £	**Dec 2006 £**	**Dec 2007 £**	**Dec 2006 £**	**Dec 2007 £**	**Dec 2006 £**
Revenue						
Received from equity accounted joint venture	-	-	81,606	25,844	81,606	25,844
Total	-	-	81,606	25,844	81,606	25,844
Other income	-	-	34,016	26,670	34,016	26,670
Loss for the year	(650,682)	(165,393)	(1,102,541)	(143,132)	(1,753,223)	(308,525)
Balance sheet						
Assets	442,082	2,275,021	348,273	197,742	790,355	2,472,763
Liabilities	(9,311)	(74,615)	(137,361)	(33,585)	(146,672)	(108,200)
Net assets	432,771	2,200,406	210,912	164,157	643,683	2,364,563
Other						
Capital expenditure	-	14,987	10,401	77,027	10,401	92,014
Depreciation	(5,124)	(5,931)	(8,038)	(1,717)	(13,162)	(7,648)
Investment in joint venture	-	656,150	-	-	-	656,150
Share of joint venture loss	(598,719)	(73,369)	-	-	(598,719)	(73,369)
Impairment of Goodwill	(168,875)	-	-	-	(168,875)	-

The group's secondary reporting format for reporting segment information is geographic segments

	Geographical Segments					
	Africa		**Rest of world**		**Total**	
	Dec 2007 £	**Dec 2006 £**	**Dec 2007 £**	**Dec 2006 £**	**Dec 2007 £**	**Dec 2006 £**
Revenue						
Received from equity accounted joint venture	81,606	25,844	-	-	81,606	25,844
Total	81,606	25,844	-	-	81,606	25,844
Other income	-	-	34,016	26,670	34,016	26,670
Loss for the year	(650,682)	(139,549)	(1,102,541)	(168,976)	(1,753,223)	(308,525)
Balance sheet						
Assets	442,082	879,800	348,273	1,592,963	790,355	2,472,763
Liabilities	(9,311)	(74,615)	(137,361)	(33,585)	(146,672)	(108,200)
Net assets	432,771	805,185	210,912	1,559,378	643,683	2,364,563

Other						
Capital expenditure	-	14,987	10,401	77,027	10,401	92,014
Depreciation	(5,124)	(5,931)	(8,038)	(1,717)	(13,162)	(7,648)
Investment in joint venture	-	656,150	-	-	-	656,150
Share of joint venture loss	(598,719)	(73,369)	-	-	(598,719)	(73,369)
Impairment of Goodwill	(168,875)	-	-	-	(168,875)	-

7 Joint ventures

(a) Senegal

The group has a 50% interest in an unincorporated joint venture, the Senegal Joint Venture, which has been accounted for based on the group's share of assets, liabilities, income and expense The following amounts have been recognised in the group's balance sheet relating to this joint venture

	Dec 2007 £	Dec 2006 £
Intangible assets	195,578	-
Current assets	34,679	27,326
Non-current assets	200,830	134,080
Current liabilities	(4,872)	(9,830)
Net assets	426,215	151,576
Income	1,958	997
Expenses	(41,108)	(52,638)
Loss after tax	(39,150)	(51,641)

(b) The Gambia

The movement in the equity accounted investment is analysed as follows

	Dec 2007 £	Dec 2006 £
Balance at beginning of period	656,150	-
Arising on acquisition (note 10)	-	729,519
Share of losses	(598,719)	(73,369)
Transfer to intangible assets (note 10)	(57,431)	-
	-	656,150

8 Taxation

a) Reconciliation of the total tax charge

The tax assessed on the loss for the period is lower than the standard rate of corporation tax in the UK of 30%

The differences are reconciled below

	Dec 2007 Total £	Dec 2006 Total £
Accounting loss before tax	(1,753,223)	(308,525)
Taxation at UK statutory income tax rate of 30%	(525,967)	(92,558)
Share based payments	27,863	17,137
Foreign subsidiary unrelieved tax losses	262,870	21,696
Holding company unrelieved tax losses	55,618	31,714
Share of losses of joint venture	179,616	22,011
Tax on loss	-	-

b) Deferred tax

Unrecognised deferred tax assets

	Dec 2007 £	Dec 2006 £
Unused losses carried forward	87,332	31,714
	87,332	31,714

9 Loss per share

The calculation of basic loss per ordinary share is based on a loss of £1,753,223 (2006 £308,525) and on 55,000,000 ordinary shares (2006 25,981,873), being the weighted average number of ordinary shares in issue during the period There is no difference between diluted loss per share and the basic loss per share presented as the Group reported a loss for the period

The company has issued share options and warrants over ordinary shares both of which could potentially dilute basic earnings per share in the future Further details are given in notes 16 and 17
Post 31 December 2007, the company placed additional 28,000,000 New Ordinary shares at 4p each and raised additional £1,120,000 (before expenses) This will further reduce the EPS after the reporting date

10 Intangible assets

	Goodwill £	Exploration licence (Senegal) £	Exploration and evaluation £	T
Cost				
At 3 February 2006	-	-	-	
Arising on acquisition	244,634	203,654	-	448
At 31 December 2006 and 1 January 2007	244,634	203,654	-	448
Transfer from joint venture (note 7b)	-	-	57,431	57
Additions	-	-	138,147	138
At 31 December 2007	244,634	203,654	195,578	643
Impairment				
At 31 December 2006 and 1 January 2007	-	-	-	
Charge for the year	168,875	-	-	168
At 31 December 2007	168,875	-	-	168
Net book value				
At 31 December 2007	75,759	203,654	195,578	474
At 31 December 2006	244,634	203,654	-	448

On 3 August 2006, the Group acquired 100% of the voting equity instruments of Coast Resources Limited, a company whose principal activity is exploration, resource and development activities of mineral sands projects through joint venture interests

Details of the fair value of identifiable net assets and liabilities acquired, purchase consideration and goodwill are as follows

Fair value of assets acquired	Bank and fair value £
Fixtures, fittings and office equipment	11,478
Licence	203,654
Investments in joint venture	729,519
Cash and cash equivalents	33,289
Receivables	238
Payables	(222,812)
22,500,000 ordinary shares	1,000,000
Goodwill	244,634

The group is required to test, on an annual basis, whether goodwill has suffered any impairment The recoverable amount is determined based on value in use calculations The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows Actual outcomes may vary

As reported in the review of operations and in note 20(a) to the financial statements, the Gambian joint venture company is involved in a legal dispute with the country's Government over alleged breaches of the terms of the mining licence during the year

The licence to operate was cancelled in January 2008 and operations have been suspended Further details are given in note 20

In these circumstances, it is the opinion of the directors that the goodwill associated with the Gambian venture has no realisable or income-generating value and accordingly a full provision for impairment has been made The remaining balance of £75,759 relates entirely to the group's operation in Senegal

As disclosed further in the review of operations, the Senegalese mining project is progressing in a very satisfactory manner In view of the forecast revenue streams and cashflows of this project, management is confident that the carrying amount of the related intangible assets as disclosed above will be recovered in full and that there is no current need for any impairment provision The situation will be monitored by management and adjustments made in future periods if future events indicate that such adjustments are appropriate

11 Property, plant and equipment

	Motor Vehicles £	Fixtures fittings and office equipment £	Total £
Cost			
At 3 February 2006	-	-	-
Additions	69,348	11,188	80,536
Acquired with subsidiary	5,216	6,262	11,478
At 31 December 2006 and 1 January 2007	74,564	17,450	92,014
Additions	-	10,401	10,401
Exchange difference	6,673	1,312	7,985
Disposals	(8,696)	(2,666)	(11,362)
At 31 December 2007	72,541	9,047	99,038
Depreciation			
At 3 February 2006	-	-	-
Charge for the period	5,386	2,262	7,648
At 31 December 2006 and 1 January 2007	5,386	2,262	7,648
Charge for the year	6,963	6,199	13,162
Exchange differences	42	247	289
Eliminated on disposals	(436)	(228)	(664)
At 31 December 2007	11,955	8,480	20,435
Net book value			
At 31 December 2007	60,589	18,017	20,435
At 31 December 2006	69,178	15,188	84,366

12 Subsidiaries and joint ventures

The consolidated financial statements include the financial statements of Carnegie Minerals plc and the following trading subsidiaries and joint ventures

		Proportion of voting rights and of equity interest 2007	2006
Subsidiaries			
Carnegie Minerals Limited *	Isle of Man	100%	100%
Coast Resources Limited *	Isle of Man	100%	100%
Carnegie Services Pty Ltd *	Australia	100%	100%
Jointly controlled entities			
Carnegie Minerals (Gambia) Ltd **	The Gambia	50%	50%
Jointly controlled operations		50%	50%
Senegal Joint Venture (unincorporated)**	Senegal		

* Held directly by Carnegie Minerals Plc
** Held by Coast Resources Limited

Principal place of business

Carnegie Minerals (Gambia) Ltd
54 Kairaba Avenue – KSMD
The Gambia

Senegal Joint Venture
Level 1, 16 Ord St
West Perth WA 60005

Nature of business

The principal activities of joint ventures during the period were the exploration, resource and development of mineral sands projects

13 Trade and other receivables (current)

	Dec 2007 £	Dec 2006 £
Trade receivables	7,639	3,695
Prepayments	5,644	6,964
Other receivables	7,741	67,978
	21,024	78,637

Amounts shown in respect of trade receivables represent the maximum credit risk exposure at the balance sheet date

14 Trade and other payables (current)

	Dec 2007 £	Dec 2006 £
Trade payables	37,828	36,007
Other payables and accruals	108,844	72,193
	146,672	108,200

15 Financial instruments

The Group's principal financial instruments are trade and other receivables, trade and other payables, cash and short-term deposits The main purpose of these financial instruments is to finance the Group's ongoing operational requirements The Group does not trade in derivative financial instruments

The major financial risks faced by the Group which remained unchanged throughout the year are interest rate risk, credit risk, foreign exchange risk and liquidity risk

Policies for the management of these risks are shown below and have been consistently applied

Market risks

a) Interest rate risk

The group is exposed to interest rate risk as cash balances in excess of immediate needs are placed on short-term deposits in the money markets at variable rates of interest The group seeks to optimise the rates received by continuously monitoring those available

b) Foreign exchange risk

The group's activities expose it to fluctuations in the exchange rate for the Central African Franc and the Australian Dollar

Funds are maintained in sterling and foreign currency is acquired on the basis of committed expenditure

The Group's results are not considered to be materially sensitive to the above risks and therefore no sensitivity analysis has been provided

Non-market risks

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group The group's policy is to deal only with credit worthy counterparties Trade receivables are exclusively owed by joint venture partners and as such are regarded as low risk

b) Liquidity risk

Group management has responsibility for reducing exposure to liquidity risk and for ensuring that adequate funds are available to meet anticipated requirements It operates according to the policies and guidelines established by the Board Cash management is carried out centrally

Fair and book values

	Carrying amount Dec 2007 £	Carrying amount Dec 2006 £
Financial assets – classified as loans and receivables		
– Cash and short – term deposits	215,737	1,205,322
– Trade and other receivables (current)	21,024	78,637
Financial liabilities – measured at amortised cost		
– Trade and other payables (current)	146,672	108,200

The Directors believe that as they are short term, the fair values for all items approximate to their book value The year end position for financial instruments other than cash and short-term investments, which have reduced during the year with expenditure, is materially representative of that during the year

Interest rate risk

	Dec 2007 £	Dec 2006 £
Floating rate financial assets maturing within 1 year		
– Cash and short – term deposits	215,737	1,205,322

Interest free financial assets and liabilities maturing within one year

	Dec 2007 £	Dec 2006 £
Trade and other receivables	21,024	78,637
Trade and other payables	146,672	108,200

Cash balance analysis by currency

	Dec 2007 £	Dec 2006 £
Sterling	163,754	1,160,525
Australian Dollar	51,983	44,797
	215,737	1,205,322

Capital risk management

The group manages its capital to ensure that entities within the group will be able to continue as going concerns

The capital structure of the group consists of equity, comprising issued share capital and reserves as disclosed in note 18, and cash and cash equivalents

16 Share-based payments

The Company has an equity-settled share based payment scheme for directors and employees Options are exercisable at a price equal to the market price of the Company's shares on the date of grant which was the placing price on 14 August 2006 The vesting period was 1 year If the options remain unexercised after a period of 6 years from the date of grant, the options expire Options are forfeited if the directors or employees leave the group before the options vest

During the year, no options were granted, exercised, expired or forfeited in the current year or previous period At 1 January and 31 December 2007, options over a total of 5,000,000 Ordinary Shares at an exercise price of 8p per share were outstanding and were exercisable The estimated total fair value of the options is £150,000 or 3p per option (calculated with the Black-Scholes model)

The inputs into the Black-Scholes model were as follows

Share price	8p
Exercise price	8p
Expected volatility	30%
Risk free rate of interest	4 75%
Expected dividend yield	0%

Expected volatility was determined by reference to the historical volatility of similar listed entities

The Company recognised total expenses of £92,877 (2006 £57,123) related to equity-settled share-based payment transactions during the year

17 Share capital

	2007 Number of shares	2007 £	2006 Number of shares	2006 £
Authorised				
– Ordinary shares of 1p each	100,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid				
– Ordinary shares of 1p each	55,000,000	550,000	55,000,000	550,000

Warrants

In connection with the placing of 25,000,000 Ordinary Shares on 14 August 2006, 12,500,000 warrants were issued at the rate of one warrant for each two shares subscribed Each warrant entitles the holder to subscribe for one Ordinary Share in the Company at a price of 12p The warrants expire on 14 August 2008

These warrants were all outstanding at 1 January and 31 December 2007 The estimated total fair value of the warrants is £250,000 or 2p per warrant (calculated with the Black-Scholes model)

The inputs into the Black-Scholes model were as follows

Share price	10 5p
Exercise price	12p
Expected volatility	30%
Risk free rate of interest	4 75%
Expected dividend yield	0%

Expected volatility was determined by reference to the historical volatility of similar listed entities

18 Reserves

	Share Capital	Share Premium Account	Merger reserve	Foreign exchange reserve	Warrant reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
At 3 February 2006	-	-	-	-	-	-	-
On placing of shares	550,000	1,500,000	-	-	-	-	2,050,000
Expenses of placing	-	(530,149)	-	-	-	-	(530,149)
Arising on acquisition	-	-	839,346	-	-	-	839,346
On issue of warrants	-	-	-	-	250,000	-	250,000
Gain/(loss) for the period	-	-	-	6,768	-	(308,525)	(301,757)
Fair value of share based payments	-	-	-	-	-	57,123	57,123
At 31 December 2006	550,000	969,851	839,346	6,768	250,000	(251,402)	2,364,563
At 1 January 2007	550,000	969,851	839,346	6,768	250,000	(251,402)	2,364,563
Loss for the period	-	-	-	(60,533)	-	(1,753,223)	(1,813,756)
Fair value of share based payments	-	-	-	-	-	92,876	92,876
At 31 December 2007	550,000	969,851	839,346	(53,765)	250,000	(1,911,749)	643,683

The following describes the nature and purpose of each reserve within total equity

Reserve	**Description and purpose**
Share capital	Amount of the contributions made by shareholders in return for the issue of shares
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Premium on shares issued in consideration of the acquisition of subsidiaries
Foreign exchange	Gains/losses arising on retranslating the net assets of overseas operations into sterling
Warrant reserve	Fair value of warrants issued in connection with share placing
Retained earnings	Cumulative net gains and losses recognised in the consolidated balance sheet

19 Related party transactions

The group received fees of £81,606 (2006 £25,844) in respect of management services provided to Carnegie Minerals (Gambia) Ltd

Disclosure regarding remuneration of key management personnel is given in note 5 Details of the group's subsidiaries and joint ventures, all of which are considered to be related parties, are given in note 12

20 Subsequent events

a) Government action in The Gambia

On 16 January 2008, the Gambian joint venture company received an instruction from the Government of The Gambia directing it to stop all operations and to provide certain information in relation to production, grades and prices An additional letter with a request for further information was received by the Company on 18 January 2008 Both letters received from The Gambian Government required the information requested to be supplied within 24 business hours in default of which there would be a risk of the cancellation of the Gambian joint venture company's licence and other potential action The Company responded to each of the letters within the prescribed time limits The Company believes it has supplied all the required information including independent SGS laboratory assays and offered to fund an independent industry expert to assist them in interpreting these results

On 13 February 2008, the Company announced that the Gambian joint venture company had received notification from the Government of The Gambia of the cancellation of the licence to mine heavy mineral sands

On 18 February 2008, the Company announced that the Gambian police had detained the recently appointed British mining engineer, Charlie Northfield, over allegations that the joint venture company has been commercially mining Titanium, Iron Ore and Uranium from its mineral sands Licence in The Gambia The Company strongly refutes these charges The Company has since secured Mr Northfield's release on bail

The Company has made clear that a component of mineral sands (Ilmenite, for which it is licensed to mine) is Titanium and Iron oxide Trace amounts of Uranium occurring in the Gambian mineral sands are usual for such deposits and cannot be economically extracted and therefore have no commercial value The Company has previously notified the Government of The Gambia of this trace occurrence in its previous information submission and that Carnegie was willing to pay for independent international industry experts to review the Company's mining data to assist with their understanding of it

The Company has provided to The Gambian Government continuous full disclosure with each shipment since the start of the project This included all weights, Independent SGS laboratory results and pricing calculations SGS is on of the world's leading testing and inspection businesses

Under the agreement signed with The Gambian Government prepared under the guidance of the Commonwealth Development Corporation Ltd of the UK, in the event any issue arose in relation to the project, there is a clear pre-agreed process which involves independent arbitration in London

b) Issue of Ordinary Shares and Warrants

On 1 February 2008, the Company announced that it had raised £1 0 million net of expenses by a placing of 28,000,000 New Ordinary shares at 4p per share In addition 28,000,000 New Warrants were issued to the placees on the basis of one New Warrant for every New Ordinary Share subscribed for Subject to their terms, the New Warrants ware exercisable at any time prior to the fifth anniversary of the date of Admission to trading on AIM of the New Ordinary Shares are at price of 6p per ordinary share The New Warrants will not be admitted to trading on AIM but are freely transferable

Carnegie Minerals Plc parent company balance sheet at 31 December 2007

	Notes	Dec 2007 £	Dec 2006 £
Fixed assets			
Investments in subsidiaries	4	1,114,346	1,114,346
Current assets			
Debtors	5	1,260,295	418,484
Cash and short-term deposits		104,286	1,127,420
		1,364,581	1,545,904
Creditors Amounts falling due within one year	6	160,839	156,767
Net current assets		1,203,742	1,389,137
Net assets		2,318,088	2,503,483
Capital and reserves			
Issued capital	8	550,000	550,000
Share premium	9	1,219,851	1,219,851
Merger reserve	10	839,346	839,346
Profit and loss account	11	(291,109)	(105,714)
Shareholders funds		2,318,088	2,503,483

The financial statements were approved by the Board of Directors and authorised for issue on 7 May 2008 and were signed on its behalf by

Alan Hopkins
Director

Timothy Jones
Director

The separate financial statements of the company are presented as required by the Companies Act 1985

1 Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards

Investments

Investments are stated at cost less provision for any permanent diminution in value

Share based payment

The share option programme allows directors and employees to acquire shares of the Company The fair value of options granted is recognised as an expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the directors and employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted

2 Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £278,272 (2006 £162,837) As permitted by s230 of the Companies Act 1985, the company has elected not to present its own profit and loss account for the period

3 Staff costs and Directors' emoluments

These are disclosed in note 5 to the consolidated financial statements

4 Investments

	Dec 2007 £	Dec 2006 £
Cost	1,114,346	1,114,346

Details of holdings in subsidiary companies are set out in the note 12 to the consolidated financial statements

5 Debtors

	Dec 2007 £	Dec 2006 £
Current		
Amount owing by group undertaking	1,239,619	352,619
Other debtors	15,033	58,901
Prepayments	5,643	6,964
	1,260,295	418,484

6 Creditors Amounts falling due within one year

	Dec 2007 £	Dec 2006 £
Amount owed to group undertaking	111,507	111,507
Accruals	49,332	45,260
	160,839	156,767

7 Interest rate risk

Cash balances in excess of immediate needs are placed on short-term deposits in the money markets No investment exceeds one month's maturity

8 Share capital

	2007 Number of shares	2007 £	2006 Number of shares	2006 £
Authorised				
– Ordinary shares of 1p each	100,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid·				
– Ordinary shares of 1p each	55,000,000	550,000	55,000,000	550,000

9 Share premium account

	£
Balance at 1 January and 31 December 2007	1,219,851

10 Merger reserve

	£
Balance at 1 January and 31 December 2007	839,346

11 Profit and loss account

	Dec 2007 £	Dec 2006 £
Balance at 1 January 2007	(105,714)	-
Loss for the year		
	(278,272)	(162,837)
Fair value of share based payments	92,877	57,123
Balance at end of year	(291,109)	(105,714)