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Redwing UK Limited

Report and Financial Statements

Period Ended

30 September 2008

BDO Stoy Hayward
Chartered Accountants

Redwing UK Limited

Annual report and financial statements
for the period ended 30 September 2008

Contents

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Directors

K Akosah – Bempah

Secretary and registered office

St James's Corporate Services Limited, 6 St James's Place, London, SW1A 1NP.

Company number

06223345 (England and Wales)

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

Redwing UK Limited

Report of the director
for the period ended 30 September 2008

The director presents his report together with the audited financial statements for the period ended 30 September 2008. The company was incorporated on 23 April 2007.

Principal activities

The company acquired the Metallon Gold Zimbabwe mining operations from Cableair Limited as of 1 October 2007. The company is the holding company of a group whose principal business during the period was that of gold mining, as well as the development and exploration of gold mines. The group's principal operating mines were Arcturus Mine (Arcturus), How Mine (Bulawayo), Mazowe Mine (Mazowe), Redwing Mine (Penhalonga) and Shamva Mine (Shamva).

Limitations on financial reporting in the Zimbabwean economic environment

The Zimbabwe economic environment has created an extraordinary situation whereby entities are not able to present financial statements that present a true and fair view. For this reason the directors are unable to properly prepare financial statements for the fully owned subsidiary in accordance with IFRSs as adopted by the European Union, or the Companies Act 1985.

There is a high level of subjectivity with respect to measurement of inflation in Zimbabwe, resulting in inflation measures that vary considerably depending on the methods applied and the inputs into the inflation measurement model. The rate of increase of inflation in Zimbabwe has reached extraordinary levels. Inflation indices are outdated as soon as they are available. Inflation adjusted financial statements are therefore considered inherently unreliable. The existence of multiple exchange rates and other price distortions in the economy presented significant difficulties in financial reporting. Therefore there is no comparability in the reported results of most entities. As such the financial results of Metallon Gold Zimbabwe have not been included as part of the audited financial statements.

Financial instruments

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 12 of the financial statements.

Directors

The directors of the company during the period were:

I Murray	(appointed 3 September 2007, resigned 6 March 2008)
K Akosah-Bempah	(appointed 6 March 2008)
M Wellesley-Wood	(appointed 23 April 2007, resigned 6 March 2008)
M F Williamson	(appointed 23 April 2007, resigned 3 September 2007)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them during the financial period.

Going concern

These financial statements have been prepared on a going concern basis. The company currently has net liabilities of $282,892 and in addition the company needs further funding to continue in operational existence. The directors are confident that the recommencement of the operations of the company's subsidiary will allow the company's subsidiary to produce economic quantities of gold which could be sold for foreign currency and therefore generate funds for the Group. Clearly there can be no certainty of this given the political and economic environment in which the subsidiary operates. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern.

Director's responsibilities

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Director's Report which complies with the requirements of the Companies Act 1985.

The director is responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The director has chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

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

Auditors

The current director has taken all the steps that he ought to have taken to make himself 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 director is 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 and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

K Akosah-Bempah

Director

15-05-09

Date

Redwing UK Limited

Report of the independent auditors

To the shareholders of Redwing UK Limited

We have audited the company financial statements (the "financial statements") of Redwing UK Ltd for the period from 23 April 2007 to 30 September 2008 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of director's 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 director's 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 the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 director 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.

Adverse opinion arising from failure to prepare group financial statements

The company has not prepared group financial statements, which is contrary to the provisions of s227 of the Companies Act 1985 and the requirements of International Accounting Standard 27 ("IAS 27") 'Consolidated and Separate Financial Statements'.

In view of the non compliance with the Companies Act 1985 and IAS 27 referred to above, in our opinion the financial statements do not give a true and fair view of the state of the affairs of the group as at 30 September 2008 and of its profit and loss for the period then ended.

Opinion on the parent company financial statements

In our opinion, the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2008 and of its loss for the period then ended.

In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

Notwithstanding our adverse opinion regarding the lack of group financial statements, in our opinion the information given in the director's report is consistent with the financial statements.

Emphasis of matter – going concern

In forming our opinion we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the ability of the company to continue as a going concern.

The company needs further funding to continue in operational existence. However, the directors are confident that the recommencement of the operations of the company's subsidiary will result in the receipt of foreign currency for gold deliveries, but clearly there can be no certainty of this given the political and economic environment of Zimbabwe, in which the subsidiary operates. The Directors are also considering other options for raising alternative funds should the need arise.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the company to continue as a going concern. These financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
London

Date 15 May 2009

Redwing UK Limited

Income Statement
for the period ended 30 September 2008

	Note	$
Revenue	3	**523,314**
Gross profit		**523,314**
Administrative expenses	4	**(354,057)**
		169,257
Profit from operations		
Finance income	6	**308**
Finance expense	6	**(400,127)**
Loss before taxation		**(230,562)**
Tax expense	7	**(52,331)**
Loss for the period		**(282,893)**

All amounts relate to continuing activities.

The notes on page 9 to 19 form part of these financial statements

Redwing UK Limited

Statement of changes in equity
for the period ended 30 September 2008

	Share capital $	Retained earnings $	Total $
Balance on incorporation date 23 April 2007	-	-	-
Loss and total recognised income and expense for the period	-	(282,893)	(282,893)
Issued shares	1	-	1
Closing balance 30 September 2008	**1**	**(282,893)**	**(292,892)**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Retained earnings	Cumulative net gains and losses recognised in the income statement

The notes on page 9 to 19 form part of these financial statements

Redwing UK Limited

Balance sheet
at 30 September 2008

	Note	$	$
ASSETS			
Non - current assets			
Investment in subsidiary	8	11,954,000	
Shareholder's loan		1	
			11,954,001
Current assets			
Trade and other receivables	9	575,466	
Cash and cash equivalents		13,234	
			588,700
Total assets			12,542,701
LIABILITIES			
Non - current liabilities			
Loan from related party	11		11,954,000
Current liabilities			
Trade and other payables	10		871,593
Total liabilities			12,825,593
Total net liabilities			(282,892)
Capital and reserves attributable to equity holders of the company			
Share capital	13	1	
Retained earnings		(282,893)	
			(282,892)
Total equity			(282,892)

The financial statements were approved by the Board of Directors and authorised for issue on

K Akosah – Bempah
Director

The notes on page 9 to 18 form part of these financial statements

Redwing UK Limited

Cash flow statement
for the period ended 30 September 2008

	Note	$	$
Cash flows from operating activities			
Loss before taxation			(230,562)
Adjustments for:			
Finance income			(308)
Finance expense			400,127
Withholding tax			(52,331)
Cash flows from operating activities before changes in working capital and provisions			116,926
Increase in receivables			(575,466)
Increase in payables			472,174
Cash flows from operating activities			13,634
Investing activities			
Interest received		308	
Net cash from investing activities			308
Financing activities			
Interest paid		(708)	
Net cash used in financing activities			(708)
Increase in cash and cash equivalents			13,234
Cash and cash equivalents at beginning of period			-
Cash and cash equivalents at end of period			13,234

Significant non-cash transactions are as follows:

	$
Investing activities	
Consideration for acquisition of subsidiary (note 8)	(11,954,000)
Financing activities	
Loan from related party (note 8)	11,954,000
	-

The notes on page 9 to 19 form part of these financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company and group's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union 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 financial statements are presented in US dollars ($) being the most applicable reporting currency for the sector in which the company and group operates.

Going concern

The company currently has net liabilities of $282,892 and in addition the company requires further funding to continue in operational existence. The directors are confident that the recommencement of the operations of the company's subsidiary will allow the company's subsidiary to produce economic quantities of gold which could be sold for foreign currency and therefore generate funds for the Group. Clearly there can be no certainty of this given the political and economic environment in which the subsidiary operates. Current political unrest, variable foreign currency control policies and practices and the determination of Zimbabwe as a hyper-inflationary economy causes significant uncertainty over the subsidiary's ability to recommence operations. However, the Directors are positive that major positive changes will occur in Zimbabwe in the next year or two.

However, at present the company must deal with the issue that the foreign currency account approval process of the Central Reserve bank does not, in practice, operate in line with the published Central Reserve Bank terms of trade and adversely affects the timing of receipt of foreign currency for the company and group. The directors are in continual dialogue with the Central Reserve Bank with respect to the foreign currency account process and proposals are continually being discussed to improve receipt of foreign currency for gold deliveries for the group and company.

Should the company not be able to receive foreign currency for gold deliveries, the directors would need to raise alternative funds. The directors are currently considering a number of options which may include loans from related companies or individuals and are confident that these funds can be raised if required, but clearly there can be no guarantee of this in the current economic climate.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern.

Redwing UK Limited

Notes forming part of the financial statements
for the period ended 30 September 2008 *(Continued)*

1 Accounting policies *(Continued)*

The IASB and IFRIC have issued the following standards and interpretations which are effective for reporting periods beginning after the date of these financial statements:

International Accounting Standards (IAS/IFRS)		Effective date
IAS 1	Amendment - Presentation of financial statements: a revised presentation	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 23	Amendment – Borrowing costs	1 January 2009
IFRS 2	Amendment - Share based payment: vesting conditions and cancellations	1 January 2009
IAS 27*	Amendment - Consolidated and separate financial statements	1 July 2009
IFRS 3*	Revised - Business combinations	1 July 2009
IFRS 1*	Revised - First time adoption of IFRS	1 January 2009
IAS32 & IAS1*	Amendment - Puttable financial instrument and obligations arising on liquidation. Improvements to IFRSs*	1 January 2009
IFRS1 & IAS27*	Amendment - Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
IAS39*	Amendment - Financial Instruments: recognition and measurement: eligible hedged Items	1 July 2009
IAS39*	Amendment -Reclassification of financial assets: effective date and transition	1 July 2009
IFRS7*	Amendment - improving disclosures about financial instruments	1 January 2009

International Financial Reporting Interpretations (IFRIC)			Effective date
IFRIC 12*	-	Service concession arrangements	1 January 2008
IFRIC 15*	-	Agreements for the construction of real estate	1 January 2009
IFRIC 16*	-	Hedges of a net investment in a foreign operation	1 October 2008
IFRIC 17*	-	Distributions of non-cash assets to owners	1 July 2009
IFRIC 18*	-	Transfers of assets from customers	1 July 2009

* These have not been endorsed by the EU. The group is currently evaluating the impact of the above pronouncements on the group's earnings and shareholders' funds.

1 Accounting policies *(Continued)*

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 company has not prepared group financial statements, which is contrary to the provisions of the Companies Act 1985 and the requirements of International Accounting Standard 27 ("IAS 27") 'Consolidated and Separate Financial Statements'. These financial statements include the state of affairs of the Company only as at 30 September 2008 and of its loss for the period then ended.

Revenue

Revenue represents management fees earned by the company. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount can be measured reliably.

Foreign currencies

Transactions in foreign currencies are recorded using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

Income tax on the income statement for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated based on the tax rates that are expected to apply to the period when the asset or liability is settled. The effect on deferred tax of any changes in tax rates is charged to the income statement, except to the extent that it relates to the items previously charged or credited directly to equity.

The company's investments in subsidiaries

The company recognises its investments in subsidiaries at cost, less any impairment for permanent diminution in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

1 Accounting policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Unless otherwise indicated, the carrying amounts of the company's financial instruments are a reasonable approximation of their fair values.

Financial assets

The company's financial assets fall into the one category discussed below. The company does not hold any held to maturity, available for sale or fair value through the profit or loss financial assets.

Loans and receivables

Trade receivables, loans and other receivables, are stated at amortised cost less any provision for impairment.

For cash flow statement purposes cash and cash equivalents comprise cash balances, call deposits, and other short term highly liquid investments with original maturities of three months or less.

Impairment of financial assets

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been impacted. For financial assets the amount of the impairment is the difference between the asset's net carrying amount and the present value of the future expected cash flows associated with the impaired asset, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

Financial liabilities

The company has classified its financial liabilities into the one category discussed below.

Financial liabilities held at amortised cost

Trade payables and other short-term monetary liabilities, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Loans payable are recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and operating costs during the reporting period. Actual results could differ from these estimates.

The accompanying financial statements reflect management's assessment of the impact of the Zimbabwean business environment on the operations and the financial position of the company. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the company may be significant.

1 Accounting policies *(Continued)*

Critical accounting estimates and judgements (Continued)

Recoverability of investment in subsidiary
The investment in subsidiary is assessed for impairment on an annual basis and when circumstances suggest that the carrying amount may exceed its recoverable value and, therefore, there is a potential risk of an impairment adjustment.

This assessment involves judgement as to: (i) the likely future commerciality of the subsidiary; (ii) future revenues and costs pertaining to the subsidiary; and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

Recoverability of trade and other receivables
The recoverability of trade and other receivables is dependent on the counterparty being able to discharge its obligation in respect of the receivable. The carrying amount of receivables is reduced through the use of an allowance account where the amount is unlikely to be recovered. The assessment of recoverability involves judgement as to whether counterparties will be able to meet their debts as and when they fall due.

Key sources of estimation uncertainty

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

Interest expense on loan from related party
The loan from related party (note 11) does not bear any fixed repayment terms. The loan bears interest at 1 month US LIBOR. Should the interest rate increase significantly or the terms of the loan be re-negotiated, the related change in interest expense may impact the profit and loss and net asset position of the company significantly.

2 Segmental information

All profits and losses, assets, and liabilities of the parent relate to the company's principle activity of acting as a holding company and arise solely within the UK. The subsidiary's operations all arise within Zimbabwe.

3 Revenue

	2008 $
Revenue arises from:	
Management fees	**523,314**

During the period, Redwing UK Limited ('Redwing') entered into an agreement with its 100% owned subsidiary Metallon Gold Zimbabwe Limited ('Metallon Gold').

In this agreement Redwing undertakes to provide Metallon Gold with technical and management services.

As compensation for these management and technical services, Redwing is entitled to charge a fee which is 2% (two percent) of the annual turnover of Metallon Gold.

The management fee payable in 2008 in terms of this agreement was $523,314.

4 Loss from operations

	2008
	$
This has been arrived at after charging:	
Audit fee	27,628
Consulting fees	96,491
Staff costs (see note 5)	221,348
Other	8,590
	354,057

5 Staff costs

	2008
	$
Staff costs (including directors) comprise:	
Wages and salaries	171,165
Social security costs	29,498
Pension costs	20,685
	221,348

Staff costs consist of directors' remuneration only. The company had no employees during the period. The highest paid director received emoluments totalling $221,348.

During the period the company paid $51,220 to Ikan Consultancy for consultancy services performed by Ian Murray. Ian Murray was a director of the company during the period.

6 Finance income and expense

	2008
	$
Finance income	
Interest received on bank deposits	308
Finance expense	
Interest paid on overdraft	708
Interest on loan from related party	399,419
	400,127

7 Tax expense

Current tax expense	2008
	$
Withholding taxes payable	52,331

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the period are as follows:

	2008
	$
Loss for the period	282,893
Expected tax charge based on the standard rate of corporation tax in the UK of 29%	(82,039)
Withholding tax	52,331
Unrecognised tax losses	82,039
Total tax expense	**52,331**

No deferred tax asset has been recognised in respect of the carried forward tax losses of approximately $282,893 as the recoverability of this benefit in future periods is uncertain.

8 Investment in subsidiary

On 30 September 2007 the company acquired 100% of the share capital of Metallon Gold Zimbabwe Limited, a company incorporated in Zimbabwe whose principal activity is gold mining in Zimbabwe, from Cableair Limited for consideration of $11,594,000 The settlement was to be met through a loan granted to Redwing UK Limited by Cableair Limited.

9 Trade and other receivables

	2008
	$
Trade receivables	264,939
Due from related party	310,527
	575,466

10 Trade and other payables - current

	2008
	$
Other payables	27,628
Due to related party	843,965
	871,593

11 Trade and other payables - non-current

	$
Loan from related party	11,954,000

The amount due to the related party bears interest at 1 month US LIBOR. The loan has no fixed terms of repayment and is not secured against any of the company's assets.

12 Financial instruments

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

All financial assets are designated as loans and receivables and all financial liabilities are measured at amortised cost.

	Loans and receivables $	Financial liabilities measured at amortised costs $
Current financial assets		
Receivables from related party	310,527	-
Trade and other receivables	264,939	-
Cash and cash equivalents	13,234	-
Current financial liabilities		
Trade and other payables	-	27,628
Payables to related party	-	843,965
Non-current liabilities		
Loan from related party	-	11,954,000
Total	588,700	12,825,593

General objectives, policies and procedures

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risks affecting such instruments are interest rate risk and foreign currency risk which are discussed below. Throughout the period ending 30 September 2008 no trading in financial instruments was undertaken.

There is no material difference between the book value and fair value of the company cash balances, receivables and payables.

Market risk

Market risk arises from the company's use of interest bearing and foreign currency financial instruments. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), and foreign exchange rates (currency risk).

12 Financial instruments *(Continued)*

Interest rate risk

The company manages the interest rate risk associated with the company's cash assets by ensuring that interest rates are as favourable as possible. The only interest bearing liability in the company is the loan from related party which bears interest at 1 month US LIBOR. The average interest rate on the loan during the period was 3.34%. If interest rates had been 0.5% higher during the period, loss for the period would have increased and net assets decreased by $104,000.

Currency risk

Foreign exchange risk arises because the company carries out transactions with its subsidiary and uses the services of other companies that do not operate in US dollars.

The table below shows the company's currency exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the financial assets and financial liabilities of the company that are not denominated in the operating ('functional') currency of the operating unit involved.

As at 30 September 2008, these exposures were as follows:

Net foreign currency financial assets/(liabilities)

	Financial assets $	Financial liabilities $
British Pounds	-	27,628
US Dollars	588,700	12,797,965
At 30 September 2008	588,700	12,825,593

The foreign currency exposures disclosed above arise in the UK only. The Company's overseas subsidiary's functional currency is US dollars, it has no significant exposure to other currencies.

If the exchange rate on uncovered exposures were to move significantly between the period end and date of payment or receipt there could be an impact on the company's gross loss. At period end a 10% increase in the value of the British pound against the US dollar would have increased the loss for the period and decreased net assets by $3,000.

Liquidity risk

The company's practice is to regularly review cash needs and to place excess funds on fixed term deposits for periods not exceeding one month. The company's trade and other payables are due within one month. There are no fixed terms of repayment for the company's payables to related parties.

Credit risk

Credit risk arises from the company's receivables from related parties. There are no fixed terms for the receivables. The company's maximum exposure to credit risk is the carrying value of the receivables. The company only deposits cash with reputable banks with high credit ratings.

12 Financial instruments *(Continued)*

Capital

The company considers its capital to comprise its ordinary share capital and retained earnings.

In managing its capital, the company's primary objective is to maintain a sufficient funding base to enable the company to meet its working capital and strategic investment needs.

13 Share capital

	Number	$
Authorised		
Ordinary shares of £0.1 each	**10,000**	**2,000**

	Number	$
Allotted, called up and fully paid		
Ordinary shares of £0.1 each	**2**	**1**

14 Related party disclosure

Companies in the group have entered into a number of related party transactions with entities that are under common control.

	2008 $
Receivable due from related party	
Redwing Mining Limited	**310,527**

Redwing Mining Limited is the holding company of Redwing UK Limited ("Redwing") and is therefore a related party. The receivable relates to payments made by Redwing on behalf of Redwing Mining Limited. The receivable is not subject to any fixed terms.

Payables due to related party

Cableair Limited ('Cableair')

Loan from related party (see notes 8 and 11)	**11,594,000**
Interest payable on loan	**399,419**
Other payable	**444,546**

Cableair is a company under common control and is therefore a related party. The loan bears interest at 1 month US LIBOR and has no fixed terms of repayment. The loan is denominated in US dollars. The other payable relates to management fees received by Redwing on behalf of Cableair.

Consultancy fees

During the period the company paid $51,220 to Ikan Consultancy for consultancy services performed by Ian Murray. Ian Murray was a director of the company during the period.

15 Ultimate parent company

At 30 September 2008 the company's ultimate parent company was Redwing Mining Limited, a company incorporated in Jersey.