Sirius Exploration PLC

Report and Consolidated Accounts

For the year ended
31 March 2008

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DIRECTORS AND ADVISERS

DIRECTORS	R O'D Poulden Dr J P N Badham J C Harrison D C W Stonley Professor M R Mainelli
SECRETARY	I W Saunders
REGISTERED OFFICE	Barnards Inn 86 Fetter Lane London EC4A 1DA
AUDITORS	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
BANKERS	The Royal Bank of Scotland 9-13 Paternoster Row London EC4M 7EH
NOMINATED ADVISER	Beaumont Cornish Limited 10-12 Copthall Avenue London EC2R 7DE
BROKER	S P Angel & Co Limited 35 Berkeley Square London W1J 5BF
LAWYERS	Vizards Tweedie Barnards Inn 86 Fetter Lane London EC4A 1AD
REGISTRARS	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
COMPANY'S REGISTERED NUMBER	4948435

HIGHLIGHTS OF THE YEAR

Results

- Loss before tax and aborted reverse acquisition costs £301,731
- Loss before tax of £676,358 (2007: £278,703)

Macedonia

- Favourable mineral legislation in Macedonia
- Moving forward on excellent base and precious metal targets at Kadiica and Osogovo

China

- Option on Bobai Bishop Tungsten operation in China lapses but discussions are continuing with CIC Mining Resources Ltd and the Judian Group
- Successful outcome to discussions anticipated
- Planning to acquire minority (10-30%) stakes in Chinese mining and mineral processing assets which are in production or close to production
- New strategy should provide Sirius shareholders with an investment in one of the most robust and fastest growing economies in the world and an investment that is underpinned by holding in strategic natural resources

Outlook

- Looking forward to delivering substantial growth in the future

The Annual Report will be published and mailed on 30 September 2008 and is available on the Company's website www.siriusexploration.com

CHAIRMAN'S STATEMENT

Our operations in Macedonia are continuing and the Managing Director's report which follows gives the results of our work there and the prospects.

However, the most significant event of the last few months, and indeed of the year, was the signing of the option agreement to acquire a stake in the Bobai Bishop Tungsten operation in China. This option lapses today, 30 September 2008 but I am pleased to report that discussions are continuing with our partners in China and we are confident of a successful outcome to these discussions.

Deals in China take time to conclude and one of the major issues is working with trusted partners. We are fortunate in this regard to be working with CIC Mining Resources Ltd and the Judian Group and believe that this is a relationship which can be extended in the future.

Going forward our intention is to continue the strategy of exploiting other opportunities in China which we are currently examining. This will involve the acquisition of minority (10-30%) stakes in Chinese mining and mineral processing assets which are in production or close to production.

This will provide Sirius shareholders with an investment in one of the most robust and fastest growing economies in the world and an investment that is underpinned by holdings in strategic natural resources.

It is perhaps hard from inside the crumbling infrastructure of Britain to comprehend what is happening in China. Too often the press talk of a lack of democracy and miss the huge freeing of the human spirit which has occurred in China in the past 20 years. Hundreds of millions of Chinese who thought themselves destined for a lifetime of poverty now believe they can improve their lives through their own efforts: that is an unstoppable force for growth.[1]

As regards the consumption of minerals, again China's economy needs to be put into perspective. We often read that China's growth is reliant on exports to the West. Whilst this is part of the equation we should remember that up until 1820 the two largest economies in the world were India and China.[2] In 1820 The United States, Canada, Australia and New Zealand combined accounted for 1.9% of Global GDP while Asia accounted for 59.2%.[3] Goldman Sachs predicts[4] that by 2050 three of the world's largest economies will be Asian with this ranking: China, USA, India, Japan.

In addition China has massive infrastructure projects underway which underpin domestic consumption, a few statistics will give a feel for the scale of this: 78 new regional airports,[5] multiple new urban mass transit systems; in 1991 there were 30 cities with a population over 1 million, by 2015 there will be over 70.[6] By comparison the EU has 17 cities with a population over 1 million.[7] All of this speaks to rapid growth and massive infrastructure investment which will lead to a major consumption of Commodities.

We believe that our focus on this region of the world and the creation of a portfolio of holdings in operating mineral producing assets will provide a strong and exciting investment for our shareholders.

I am grateful to you for your support during the year and I and your board look forward to delivering substantial growth in the future

Richard Poulden

Chairman

[1] This is the opinion of the Chairman and other commentators on China
[2] Angus Madison, "The World Economy: A Millennial Perspective" 2007
[3] Ibid
[4] Goldman Sachs "Playing with the BRICS"
[5] Financial Times
[6] Kishore Mahbubani "The New Asian Hemisphere"
[7] Ibid

MANAGING DIRECTOR'S OPERATIONAL REVIEW

Introduction

We have retained the two target porphyry copper deposits, Osogovo and Kadiica, in Macedonia which are held in trust for the Company by Freeport McMoran subject to a 1% Net Smelter Return.

During the year, the previous government had proposed certain changes to the mining law which would have meant a mandatory reduction in size of the claims and also the loss of the automatic right of transfer from exploration to exploitation status should anything workable be discovered. In fact there was a proposal to enact a system whereby claims on which a discovery was made were to be put out to tender for exploitation. On the grounds that we felt that it would be incautious expenditure of your Company's funds to carry out expensive exploration under such conditions we held back on our plans to carry out the planned geochemical programmes and drilling campaigns.

I am happy to report that the recent elections have empowered a government who have confirmed their desire to retain the original mining law. We can now confirm the spatially zoned nature of both targets from a cupriferous core to a flanking lead-zinc-silver zone with local outlying significant gold enrichments. It is important for us to retain the entire original claim holdings so as to be sure of having these attractive outer zones of mineralisation within our properties. We may therefore once again be more confident of being able to carry on exploration in Macedonia on our two targets.

These legal uncertainties, when considered alongside the instability in the financial markets, have led the Company not to make significant expenditure on either property during the year under review. We have managed to acquire a significant amount of outstanding geochemical data from previous exploration campaigns. Furthermore we have sorted and moved the core from Phelps Dodge's exploration, including from our joint venture drilling. It is now in our proprietary core store in Pehcevo on the flanks of the Kadiica mineralised system where it is held along with assay pulps from the first stage of our joint exploration. Further to this our Balkan staff have managed to confirm the presence of old mine workings and dumps as probably Roman and obtained some significant assay results from surface on these old dumps.

Kadiica

During the year we have concentrated our efforts on locating outlying zones of precious metal mineralisation. The two anomalous gold areas defined by the Rio Tinto surveys were used as training areas for mineralogical identification from satellite data. Six potentially significant anomalous areas were identified for follow up.

Re-examination of recently acquired Phelps Dodge geochemical database (steam sediment, soil and rock chip surveys) defined one of the larger of these areas as anomalous for silver, gold, lead and zinc with lesser copper and molybdenum. Ground follow-up confirmed that this is one of the old workings and dumps from Roman mining.

A field inspection visit located the old dumps and adits as well as slags typical of Roman-style *in situ* smelting for precious metals. Two grab samples demonstrated hydrothermal alteration typical of the epithermal outer zones of a porphyry system as well as significant metal values:

- 0.1ppm Gold 30ppm Silver
- 0.5ppm Gold 114ppm Silver

A second inspection sampled characteristic examples of quartz-sericite-pyrite alteration with mineralized quartz veining. Ten grab samples from this contained up to 0.8ppm gold and 271ppm silver with significant lead, zinc, copper and molybdenum. In fact these samples contain the diagnostic geochemistry of the epithermal outer part of a porphyry system. These metal values are extremely significant for the potential of local high grade and value near surface mineralisation.

Geochemical anomalies sourcing in the other satellite anomalies suggest that these too could be other similar outlying mineralisations around the central porphyry, even if they may not have been discovered or worked by the ancients.

We therefore have in Kadiica, not only one well localised precious metal mineralised system and also five further possible look-alikes in need of testing, but also the original porphyry enrichment blanket ready for drilling and leach tests.

Osogovo

The threats to the mining law led us to make no significant expenditures on Osogovo. We have however consolidated all previous data. In particular we have re-examined these against the results from our proprietary ground magnetic survey. This confirms that the powerful anomaly on the south east flank of the porphyry on the margins of our claim is likely sourced in cupriferous skarn. This is an attractive drilling target.

The internal breccia identified by Phelps Dodge within the mineralised porphyry is a source of anomalous base metal geochemistry. Futhermore it contains mineralised clasts. These data indicate a target at depth also ready for drill testing.

It is likely that your Company will look to share the risk of drilling these targets. Now that the mining legislation appears to have stabilised and favourable there should be no shortage of interested parties.

Conclusion

The stabilised and favourable mineral legislation in Macedonia encourages us to move forwards on our excellent base and precious metal targets at Kadiica and Osogovo. We also continue to review exploration opportunities for acquisition or joint venture. New opportunities are always being actively sought. We will continue seeking opportunities as well as advancing those the Company holds in Macedonia.

Dr Nicholas Badham BA (Hons.Oxon)PHD, Chartered Geologist
Managing Director

DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 31 March 2006.

Activities and review of business

The Group's principal activity is finding properties with good mineral potential and bringing them to a point of proven reserves where they can be sold or joint ventured for exploitation.

The directors' comments concerning the results and future prospects are included in the Chairman's Statement and Managing Director's Operational Review.

Results for the year and dividends

The Group's loss for the year on ordinary activities after taxation was £676,358 (2007: £278,703), which is after the write off of £374,627 (2007: £nil) relating to the costs associated with the abortive reverse acquisition of Njahili Resources Limited. The Company's loss for the year on ordinary activities after taxation was £676,807 (2007: £278,670), which is after the write off of £374,627 (2007: £nil) relating to the costs associated with the abortive reverse acquisition of Njahili Resources Limited. The directors do not recommend a payment of a dividend for the year (2007: £nil).

Directors

The following are the directors who all served on the board for the years ended 31 March 2007 and 31 March 2008:
R O'D Poulden
Dr J P N Badham
J C Harrison
D C W Stonley
Prof M R Mainelli

Financial risk management

The Group's current activities result in the following financial risks and management's responses to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

Foreign exchange risk

The Group's reporting currency is Sterling. Its principal activities of finding properties with good mineral potential and bringing them to a point of proven reserves where they can be sold or joint ventured for exploitation are mainly transacted in US dollars. The Group does not undertake any specific foreign currency hedging to mitigate its exposure to fluctuations in foreign currency.

Interest rate risk

Interest rate risk arises from cash held on deposit. The Group's cash balances are kept in interest bearing current accounts and on short-term deposit, so as to maximise the level of return while maintaining an adequate level of liquidity.

Credit risk

The Group has not generated revenue up to 31 March 2008 and therefore has no significant credit risk.

Principal risks and uncertainties

The principal risk and uncertainty facing the Group is whether there is resource available to be sold. Further information on this can be found in the Managing Director's operational review on pages 5 and 6.

Creditor payment policy

Liquidity risk

The availability of adequate cash resources is managed by the Group through managing its funds conservatively thereby ensuring it meets its continual operational requirements.

The Group does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions.

At the year end, the Group had creditor days of 74 (2007: 55).

Corporate governance

The Directors intend, in so far is practicable given the Group's size and the constitution of the board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice which is consistent with the recommendations on Corporate Governance Guidelines of the Quoted Companies Alliance for AIM companies.

The Directors are and intend to comply with Rule 21 of the AIM Rules relating to the Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance with Rule 21 by the Group's relevant employees.

Post balance sheet events

On 29 April 2008 the Company issued 14,800,907 new ordinary shares at 2.5p per share.

On 30 April 2008 the Company issued 3,075,292 new ordinary shares at 1.6259p per share.

On 12 June 2008 the Company increased its authorised ordinary share capital from £600,000 to £1,250,000 by the creation of 260,000,000 ordinary shares of 0.25p per share.

On 19 June 2008 the Company issued 258,041 new ordinary shares at 2.5p per share.

On 25 June 2008 the Company issued 2,222,222 new ordinary shares at 2.25p per share.

On 27 June 2008 the Company issued 1,200,000 new ordinary shares at 1.5p per share.

On 29 August 2008 the Company issued 7,000,000 new ordinary shares at 1p per share.

On 31 May 2008 the Company signed an Option Agreement with CIC Mining Resources Limited (“CICM”) and Judian Group shareholders to purchase up to 25% of the equity of certain tungsten production assets in Jiangxi Province and Guangxi (“Target Assets”) in China. The term of the Option Agreement has been extended to 30 September 2008. The Target Assets have been in trial production with full production anticipated to commence in 2009.

Subject to due diligence, the initial interest of 10% of the Target Assets will be sold to the Company for £6,000,000 payable in ordinary shares valued at 22p per ordinary share, plus £2,000,000 cash payable out of future capital raising.

The cash payment may be converted into shares in the Company if CICM elects to do so at 22p per ordinary share. The further 15% of the equity to take the total purchased by the Company will be on the same cash pricing terms, £600,000 for each one percent, as per the initial tranche.

On 12 June 2008 the Company established a new Executive Management Incentive Share Option Scheme and a new General Share Option Scheme.

On 25 September 2008 the Company signed an equity credit facility agreement with an investor which provides a funding line of £500,000, subject to certain terms and conditions, for working capital purposes. As a result of this facility and other actions taken by the Directors as described in Note 1 to the accounts, the Directors believe it is appropriate to prepare the accounts on a going concern basis.

The £500,000 will be available in share subscriptions of no less than £25,000 each and will be made based on no less than 70% of the average bid price of the shares traded during a five consecutive trading day draw down period.

Statement regarding disclosure of information to the auditor

Each director of the Group has confirmed that, in fulfilling their duties as a director, they are aware of no relevant audit information of which the Group's auditors are not aware and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

After the year our auditors, Nexia Audit Limited changed their name to Nexia Smith & Williamson Audit Limited and now trade as Nexia Smith & Williamson.

A resolution for the re-appointment of Nexia Smith & Williamson will be proposed at the next Annual General Meeting.

Approved by the Board of Directors

and signed on behalf of the Board

R O'D Poulden

Director

Date: 29 September 2008

DIRECTORS

The Board comprises three executive Directors and two non-executive Directors

Executive Directors

Mr Richard Poulden
Executive Chairman, aged 56

Following a law degree from Oxford University, Mr Poulden qualified as a Barrister, after which he moved into merchant banking where he worked for Samuel Montagu & Co Limited. Following an MBA at London Business School, he joined the international management consultancy firm, Arthur D Little, where he worked in their European strategy practice and was co-founder of their Financial Industries Group. He worked on natural resource projects in South America and the United States in ammonia production and oil and natural gas respectively. He has advised at a corporate finance level, on the securing of natural resource projects in the Middle East and Central Asia. He served in the UK Leadership Team of Electronic Data Systems where he worked on the merger of EDS's global energy practice.

Dr Nicholas Badham
Managing Director, aged 62

After graduating from Oxford and obtaining a PhD from the University of Alberta, Canada, Dr Badham established the School of Economic Geology at the University of Southampton in 1973. Subsequently, he left academia to join Selection Trust as area selection and exploration research manager. In this role he transferred to BP Minerals International following their takeover of Selection Trust. He then spent 7 years with RTZ Mining & Exploration Limited, rising to the position of Chief Geologist and as such was responsible for worldwide regional are selection and exploration research. Since 1996, he has run his own exploration consulting business including amongst his consulting clients Rio Tinto plc, BHP World Minerals, Noranda Inc., Exxon Minerals S.A., Inco Technical Services Limited, Anglo American Corporation, WMC Corporate Services Inc. and Phelps Dodge. During this period he was a director of West African Gold Limited and Chief Geologist of Azco Mining Limited. He is a Fellow of the Geological Society, a Chartered European Geologist, a Fellow of the Society of Economic Geologists and has written as author or co-author a substantial number of geological papers.

Jonathan Harrison
Finance Director, aged 61

Mr Harrison is a Chartered Accountant with experience in quoted and unquoted companies. Previously, he spent 16 years at Intercontinental Hotels Corporation, where he held various positions of Vice President of Finance responsible for Europe, Middle East and Africa. In 1989 he joined Boddington Group Plc, where he developed and became Operations Director of the Village Leisure Hotels division, responsible for the operation of six leisure hotels. Between February 1994 and May 1996, while still at the Boddington Group, he was Finance Director of Country House Retirement Homes Limited business during which time the number of nursing homes nearly doubled to 31 nursing homes and assisted with the sale of the business to BUPA.

In March 1997 he led a management buy-in of 25 hotels from Queens Moat Houses plc with Duke Street Capital. Six months later he managed the refinancing of the new Group, County Hotels Group plc, through a listed bond offering and, in January 1999, successfully sold the company to Regal Hotels Group plc. After researching the health and fitness market, he joined Topnotch Health Clubs plc in September 1999 and oversaw the company's listing on AIM in March 2000. At the same time, as seed capital investor in UK Explorer Limited and a non-executive director, nurtured this internet business through the dot-com boom bust to a successful trade sale in February 2005. He is a Non Executive Director of Plus listed Fundy Minerals Limited and a Director of Plus listed World Mining Services Limited and Circle Resources Plc.

Non-Executive Directors

Professor Michael Mainelli
Non-Executive Director, aged 50

Professor Mainelli is Chairman of Z/Yen, the UK's leading risk/reward Group, where he has worked since 1994 on strategy, technology, finance and business development. He started his career as a research scientist in aerospace and computer graphics and then spent seven years as a partner in a leading accountancy firm directing much of their consultancy work in the UK and overseas. Prof. Mainelli's natural resources experience dates back to 1979 where his early research work led him to starting companies in seismology, cartography and oil and gas information for a Swiss firm. In the early 1980's Prof. Mainelli initiated and ran the Swiss firm's multi-million dollar oil industry consortium (Shell, BP, Chevron and Elf Aquitaine were primary partners plus 10 minor partners) to digitise the world which culminated in the development of Geodat and Mundocart, oil industry standard sets of cartographic data at scales of 1:50,000 to 1:1,000,000 and over 60 million geographic features. Prof. Mainelli has worked for public, private and not-for-profit companies, led several privatisation projects, was Chief Scientist of the DTI Foresight Challenge award-winning Financial Laboratory, and Corporate Development Director on the board of Europe's largest R&D organisation – the 12,000 strong Defence Evaluation and Research Agency of the UK's Ministry of Defence.

Derek Charles William Stonley
Non-Executive Director, aged 67

Mr Stonley graduated from Cambridge with a BA in Natural Sciences and has over forty years experience in the mining sector. From 1980 to 1987, Mr Stonley held senior positions at BP Minerals International Limited in exploration in Europe and North America for stratiform copper and lead-zinc, diamonds, gold and copper-gold porphyries. As Consulting Geologist at BP Minerals, he was responsible for the development of methodologies for valuing exploration properties worldwide. Following the sale of BP Minerals to RTZ, Mr Stonley was Senior Geologist and ultimately Consulting Geologist at Rio Tinto Mining and Exploration Limited, involved in the exploration and assessment of projects in Africa, Russia and Europe for iron ore, diamonds, gold and bauxite. Since 2002 he has been running his independent consultancy, Derek Stonley Consulting, with particular focus in Africa and Europe.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are required to prepare accounts for each financial year which present fairly the financial position of the Company and the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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; and
- state that the Company and the Group have complied with IFRS, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements and, having a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence in the foreseeable future and continue to adopt the going concern basis in preparing the accounts.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of Sirius Exploration plc

We have audited the Group and parent Company accounts (the 'accounts') of Sirius Exploration plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Recognised Income and Expense, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes 1 to 23. These accounts have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Managing Director's Operational Review that is cross referred from the Business Review section of the Directors' Report. 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 the information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report, the Chairman's Statement and the Managing Director's Operational Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Nexia Smith & Williamson

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the Group's and parent Company's affairs as at 31 March 2008 and of the Group's loss for the year then ended; and
- the accounts have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the accounts.

Emphasis of matter – Going concern

In forming our opinion on the accounts, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the accounts concerning the Group's and Company's ability to continue as a going concern for a period of twelve months from the date of signing these accounts. The Group incurred a net loss of £676,358 during the year ended 31 March 2008 and, at that date, the Group had net liabilities of £112,051. These conditions, along with other matters explained in note 1 to the accounts, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The accounts do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

The maintenance and integrity of the Sirius Exploration plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.

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

CONSOLIDATED INCOME STATEMENT for the year ended 31 March 2008

	Notes	2008 £	2007 £
Continuing operations			
Revenue		-	-
Administrative expenses		(677,285)	(280,829)
Exceptional administrative expenses- aborted reverse acquisition	5	(374,627)	-
Other administrative costs		(302, 658)	(280,829)
Operating loss	6	(677,285)	(280,829)
Finance income	7	927	2,126
Loss before taxation		(676,358)	(278,703)
Taxation	9	-	-
Loss for the financial year		(676,358)	(278,703)
Attributable to:			
Equity holders of the Company		(676,358)	(278,703)
Loss per share:			
Basic and diluted	10	(1.0p)	(0.5p)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 31 March 2008

	2008 £	2007 £
Income and expense recognised directly in equity	-	-
Loss for the year	(676,358)	(278,703)
Total income and expense recognised in the year	(676,358)	(278,703)
Attributable to:		
Equity holders of the Company	(676,358)	(278,703)

CONSOLIDATED BALANCE SHEET as at 31 March 2008

	Notes	2008 £	2007 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	679	480
Intangible assets	12	567,994	464,022
		568,673	464,502
Current assets			
Trade and other receivables	14	10,462	17,711
Cash and cash equivalents	15	3,685	61,821
		14,147	79,532
TOTAL ASSETS		582,820	544,034
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	172,199	149,199
Share premium account	18	1,241,334	1,019,364
Share based payment reserve	17,18	1,205	1,205
Retained earnings	18	(1,526,789)	(850,431)
Total equity		(112,051)	319,337
Current liabilities			
Trade and other payables	19	694,871	224,697
Total liabilities		694,871	224,697
TOTAL EQUITY AND LIABILITIES		582,820	544,034

The accounts were approved by the Board of Directors on 29 September 2008 and were signed on its behalf by:

J Harrison
Director
Date: 29 September 2008

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2008

	Notes	2008 £	2007 £
Cash outflow from operating activities	20	(199,318)	(115,504)
Cash flow from investing activities			
Purchase of intangible assets		(103,972)	(108,847)
Purchase of property, plant and equipment		(743)	(980)
Net cash used in investing activities		(104,715)	(109,827)
Cash flow from financing activities			
Net proceeds from issue of shares		244,970	263,082
Finance income		927	2,126
Net cash generated from financing activities		245,897	265,208
Net (decrease)/increase in cash and cash equivalents		(58,136)	39,877
Cash and cash equivalents at beginning of year		61,821	21,944
Cash and cash equivalents at end of year		3,685	61,821

COMPANY BALANCE SHEET as at 31 March 2008

	Notes	2008 £	2007 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	679	480
Intangible assets	12	564,776	464,022
Investments	13	3,427	3,427
		568,882	467,929
Current assets			
Trade and other receivables	14	10,462	17,711
Cash and cash equivalents	15	3,026	58,427
		13,488	76,138
TOTAL ASSETS		582,370	544,067
EQUITY AND LIABILITIES			
Attributable to equity holders of the Company			
Share capital	16	172,199	149,199
Share premium account	18	1,241,334	1,019,364
Share based payment reserve	17,18	1,205	1,205
Retained earnings	18	(1,527,205)	(850,398)
Total equity		(112,467)	319,370
Current liabilities			
Trade and other payables	19	694,837	224,697
Total liabilities		694,837	224,697
TOTAL EQUITY AND LIABILITIES		582,370	544,067

The accounts were approved by the Board of Directors on 29 September 2008 and were signed on its behalf by:

J Harrison

Director

Date: 29 September 2008

COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 31 March 2008

	2008 £	2007 £
Income and expense recognised directly in equity	-	-
Loss for the year	(678,807)	(278,670)
Total income and expense recognised in the year	(676,807)	(278,670)
Attributable to:		
Equity holders of the Company	(676,807)	(278,670)

COMPANY CASH FLOW STATEMENT for the year ended 31 March 2008

	Notes	2008 £	2007 £
Cash outflow from operating activities	20	(199,801)	(115,471)
Cash flow from investing activities			
Purchase of intangible assets		(100,754)	(108,847)
Purchase of property, plant and equipment		(743)	(980)
Acquisition of subsidiary		-	(3,427)
Net cash used in investing activities		(101,497)	(113,254)
Cash flow from financing activities			
Net proceeds from issue of shares		244,970	263,082
Finance income		927	2,126
Net cash generated from financing activities		245,897	265,208
Net (decrease)/increase in cash and cash equivalents		(55,401)	36,483
Cash and cash equivalents at beginning of year		58,427	21,944
Cash and cash equivalents at end of the year		3,026	58,427

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2008

1. Accounting policies

Basis of preparation

The annual accounts of Sirius Exploration plc ("the Company") and its subsidiary ("the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") ("IFRS") applied in accordance with the provisions of the Companies Act 1985.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") and there is an ongoing process of review and endorsement by the European Commission. The accounts have been prepared on the basis of the recognition and measurement principles of IFRS that are applicable at 31 March 2008.

The accounts have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

Going concern

The Group has incurred trading losses during the year ended 31 March 2008. At the date of approval of these accounts, the Directors have made certain arrangements to allow the Group to continue to trade as a going concern for a period of twelve months from the date of approval of these accounts. These arrangements are as follows:

(i) Equity credit facilities:

On 31 March 2008 the Company signed a 24 month equity credit facility agreement with an investor which provides a funding line of £300,000, subject to certain terms and conditions, for working capital purposes. The £300,000 will be available in share subscriptions of no less than £50,000 each and will be made based on no less than 65% of the average bid price of the shares traded during a five consecutive trading day draw down period. As at 30 September 2008 £100,000 of this facility had been drawn down.

On 25 September 2008 the Company signed an additional 24 month equity credit facility agreement with an investor which provides a further funding line of £500,000, subject to certain terms and conditions, for working capital purposes. The £500,000 will be available in share subscriptions of no less than £25,000 each and will be made based on no less than 70% of the average bid price of the shares traded during a five consecutive trading day draw down period.

(ii) Directors and consulting fees:

All outstanding fees as at 31 March 2008 and all fees up to the 30 September 2009 due to Directors and related consulting fees are to be settled in shares in lieu of fees if required by the Company.

Accordingly, the Directors believe that, having made these arrangements, the Group will be able to meet its third party liabilities as and when they fall due for a period of at least twelve months from the date on which these accounts are approved. However, inherently there can be no certainty in relation to these matters.

Therefore, given all of the above, the Directors consider it appropriate to prepare these Group accounts on a going concern basis and hence the accounts do not include any adjustments that would result from the Group failing to secure necessary funding.

IFRS transition

IFRS 1, First-time Adoption of International Reporting Standards ("IFRS 1") permits companies adopting IFRS for the first time to take certain exemptions from the full retrospective application of IFRS. The accounts have been prepared without any exemptions

1. Accounting policies (contiuned)

available being applied as the directors do not consider the exemptions to be applicable to the Group.

International Financial Reporting Standards in "issue" but not yet effective

At the date of authorisation of these consolidated accounts, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of these consolidated accounts:

IAS 1: Presentation of Financial Statements (Revised 2007) (effective as of 1 January 2009)

IAS 23: Borrowing costs (Revised 2007) (effective as of 1 January 2009)

IAS 27: Consolidated and Separate Financial Statements (Amended) (effective as of 1 July 2009)

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective as of 1 January 2009)

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective as of 1 July 2009)

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards

Amendment to IFRS 2: Share Based Payments: Vesting conditions and cancellations (Amended) (effective as of 1 January 2009)

IFRS 3: Business Combinations (Revised) (effective as of 1 July 2009)

IFRS 8: Operating Segments (effective as of 1 January 2009)

IFRIC Interpretation 12: Service Concession Agreements (effective as of 1 January 2008 – not yet endorsed by the EU)

IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1 July 2008 – not yet endorsed by the EU)

IFRIC Interpretation 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1 July 2008 – not yet endorsed by the EU)

IFRIC Interpretation 15: Agreements for the Construction of real Estate (effective as of 1 January 2009 – not yet endorsed by the EU)

IFRIC Interpretation 16: Hedges of a Net Investment in a Foreign Operation (effective as of 1 October 2008 – not yet endorsed by the EU)

The directors anticipate that the adoption of these standards and interpretations will not have a material impact on the Group's accounts in the period of initial adoption with the exception of IFRS 3: Business Combinations (Revised), which will require transaction costs arising on business combinations to be expensed to the income statement as opposed to the existing treatment of capitalisation, in the event that acquisitions are undertaken.

Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary undertaking. As a consolidated income statement is published, a separate income statement for the parent Company is omitted from the Group accounts by virtue of section 230 of the Companies Act 1985.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is provided on all tangible fixed assets and is calculated on a straight-line basis to allocate cost, other than assets in the course of construction, over the estimated useful lives, as follows:

Computer and diagnostic equipment: 33.3% per annum

Exploration and evaluation assets

Costs arising from exploration and evaluation activities are accumulated separately for each area of interest and only capitalised where such costs are expected to be recouped through successful development, or through sale, or where exploration and evaluation activities have not, at the reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Expenditure capitalised comprise direct costs and an appropriate portion of expenditure not having a specific connection with a particular area of interest.

Capitalised expenditure in respect of areas of interest is written off in the income statement when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount.

Capitalised costs in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

Once production commences, capitalised expenditure in respect of an area of interest is amortised on a unit of production basis by reference to the reserves of that area of interest.

The Group determines whether the capitalised exploration and evaluation costs are impaired at least each financial reporting date. This requires an estimation of the remaining reserves and the mine life and assumptions about the success of the Group's exploration pursuits in order to estimate the recoverable amount of the cash-generating unit.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of the impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currencies

The reporting and functional currency of the Group is Sterling. Transactions dominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account

1. Accounting policies (contiued)

Investments

Where investments in equity instruments do not have a quoted market price in an active market and whose fair value cannot be measured reliably they are measured at cost. If an investment measured at cost is determined to be impaired, the impairment loss is recognised directly in the income statement for the period and such impairment losses cannot be reversed.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at initial fair value less provision for impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits held with banks.

Trade and other payables

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of any direct issue costs.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity-settled share-based payments to certain directors and sales agents. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions.

Segmental information

The Group's primary segmentation is by business line of which there is one segment: resource evaluation and exploitation.

The Group's secondary segmentation is geographical, based on the location of the Group's assets. There is one segment: Macedonia.

2. Critical accounting estimates and judgements

The critical accounting estimates and judgements made by the Group regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year are:

Impairment of exploration and evaluation assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Financial risk management

The Group's current activities result in the following financial risks and management's responses to those risks in order to minimise any resulting adverse effect on the Group's financial performance.

Foreign exchange risk

The Group's reporting currency is Sterling. Its principal activities of finding properties with good mineral potential and bringing them to the point of proven reserves where they can be sold or joint ventured for exploitation will be transacted in US$. All fund raising and other operational costs are in Sterling. The Group does not undertake any specific foreign currency hedging to mitigate its exposure to fluctuations in foreign currency.

Interest rate risk

Interest rate risk arises from cash held on deposit. The Group has no external borrowings and no significant cash held on deposit therefore the Group currently has no material interest rate exposure. The Group's cash balances are kept in interest bearing current accounts and on short term deposit, so as to maximise the level of return while maintaining an adequate level of liquidity.

Credit risk

The Group has not generated revenue up to 31 March 2008 and therefore has no significant credit risk.

Liquidity risk

The availability of adequate cash resources is managed by the Group through managing its funds conservatively thereby ensuring it meets its continual operational requirements.

4. Segmental analysis

Primary reporting format – business segment

No primary segmental analysis has been presented since the Group operates within a single business segment: resource evaluation and exploitation.

Secondary reporting format – geographic segments

No geographical segmental analysis has been presented since the Group operates within a single geographic segment: Macedonia.

5. Exceptional administrative expenses

The Group and Company incurred £374,627 (2007: £nil) of expenditure in due diligence costs on the proposed reverse acquisition of Njahili Resources Limited. These costs were written off in the year ended 31 March 2008 as the acquisition was not completed.

6. Operating loss is stated after charging:

	2008 £	2007 £
Auditors' renumeration		
- audit of parent Company and consolidated accounts	16,500	12,500
- taxation services (paid to related companies of the auditors)	9,300	8,000
- services relating to corporate finance transactions proposed to be entered into by the Company	120,000	-
Depreciation	544	333

7. Finance income

	2008 £	2007 £
Bank interest	927	2,126

8. Staff costs (including directors)

There were no staff costs, including directors emoluments, incurred during the year (2007: £nil). There were no employees, including directors, during the year (2007: 3nil).

9. Taxation on loss on ordinary activities

	2008 £	2007 £
Corporation tax payable based on the loss for the year at 20% (2007: 19%)	-	-
Taxation reconciliation		
Loss on ordinary activities before taxation	(676,358)	(278,703)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 20% (2007: 19%)	(135,272)	(52,954)
Taxation effects of:		
Expenses not deductible for tax purposes	75,256	370
Depreciation in excess of capital allowances	12	35
Trading losses not utilised	60,004	52,549
	-	-

The Group has an unrecognised deferred tax asset of £238,476 (2007: £167,116) relating to trading losses not utilised. The deferred tax asset has not been recognised in the accounts due to the uncertainty surrounding its recoverability. The deferred tax asset can be recovered against suitable future trading profits.

10. Loss per share

Given the loss for both years the share warrants are anti-dilutive and have therefore not been taken into consideration for the purpose of calculating earnings per share.

The calculation of the basic and diluted earnings per share is based on the following data:

Loss	2008 £	2007 £
Loss for the purpose of basic earnings per share being net loss adjustable to equity share holders of the parent	(676,358)	(278,703)
Loss for the purpose of diluted earnings per share	(676,358)	(278,703)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	68,299,784	57,968,384
Earnings per share		
Basic and diluted loss per share - pence	(1.0)	(0.5)

11. Property, plant and equipment - Group and Company

	Computer and diagnostic equipment £
Cost	
At 1 April 2006 and 1 April 2007	980
Additions	743
At 31 March 2008	1,723
Depreciation	
At 1 April 2006	167
Charge for year	333
At 1 April 2007	500
Charge for year	544
At 31 March 2008	1,044
Net book value	
At 31 March 2008	679
Net book value	
At 31 March 2007	480

12. Intangible fixed assets

	Company exploration costs £	Group exploration costs £
At 1 April 2006	355,175	355,175
Additions	108,847	103,847
At 31 March 2007	464,022	464,022
Additions	100,754	103,972
At 31 March 2008	564,776	567,994

No exploration and evaluation expenditure has been expensed to the income statement during the year ended 31 March 2008 (2007: £nil)

13. Fixed asset investments - Company

	2008 £	2007 £
Sirius Exploration - Balkan DOOEL, Strumica	3,427	3,427

The Company formed a subsidiary, Sirius Exploration – Balkan DOOEL, Strumica, a company incorporated in Macedonia. The Company owns 100% of the issued ordinary share capital. The trading company of Sirius Exploration – Balkan DOOEL, Strumica is consistent with the Company as disclosed in the Directors' Report. The fixed asset investment is held at cost as it represents equity instruments which do not have a quoted market price in an active market and whose fair value cannot be measured reliably. As at 31 March 2007 and 2008, the Directors consider the fixed asset investment is not impaired.

14. Trade and other receivables - Group and Company

	2008 £	2007 £
Other debtors	7,445	8,226
Prepayments	3,017	9,485
	10,462	17,711

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.
No bad and doubtful debt charges have been recognised by the Group in the income statement during the year (2007: £nil).

15. Cash and equivalents - Group

	2008 £	2007 £
Cash at bank and in hand	3,685	61,821

Cash and cash equivalents - Company	2008 £	2007 £
Cash at bank and in hand	3,026	58,427

The directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counter-party is a bank with a high credit rating.

16. Share capital

	2008 £	2007 £
Authorised		
240,000,000(2007: 240,000,000) ordinary shares of 0.25p each	600,000	600,000
Allotted and called up		
68,879,511 (2007: 59,679,511) ordinary shares of 0.25p each	172,199	149,999

On 5 April 2007 the Company issued 2,500,000 ordinary shares of 0.25p nominal value per ordinary share at 2p per share, giving total consideration of £50,000.
On 4 May 2007 the Company issued 6,700,000 ordinary shares of 0.25p nominal value per ordinary shares at 3p per share, giving total consideration of £201,000.

17. Share-based payments

The Company issued warrants in connection with its flotation on AIM in August 2005. Each warrant was convertible into one ordinary share at an exercise price of 5p per share. 2,293,375 warrants expired on 1 August 2006. The remaining 200,000 warrants expire on 1 August 2010. Details of the warrants in issue during the years ended 31 March 2007 and 31 March 2008 are as follows:

	Number of warrants £	Weighted Average Exercise price £
Outstanding at 1 April 2006	2,725,000	0.05
Exercised during the year	231,625	0.05
Expired during the year	2,293,375	0.05
Outstanding at 31 March 2007	200,000	0.05
Exercisable at 31 March 2007	200,000	0.05
Outstanding at 1 April 2007 and 31 March 2008	200,000	0.05
Exercisable at 31 March 2008	200,000	0.05

The Group has applied the requirements of IFRS 2 – Share based payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested from 30 October onwards.

The Group issues equity-settled payments to certain employees and agents. Equity settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The fair value of warrants granted as at 31 March 2008 is £1,205. The warrants were fully vested on the date of issue.

The remaining warrants outstanding expire on 1 August 2010.

18. Reserves - Group

	Share capital £	Share premium account £	Share based payments reserve £	Profit and loss account £	Equity share-holders' funds £
At 31 March 2006	132,545	772,936	21,073	(591,596)	334,958
Loss for the year	-	-	-	(278,703)	(278,703)
Share capital issued in the year	16,654	253,928	-	-	270,582
Share-based payment transaction on exercise or expiry of warrants	-	-	(19,868)	19,868	-
Share issue costs	-	(7,500)	-	-	(7,500)
At 31 March 2007	149,199	1,019,364	1,205	(850,431)	319,337
Loss for the year	-	-	-	(676,358)	(676,358)
Share capital issued in the year	23,000	228,000	-	-	251,000
Share issue costs	-	(6,030)	-	-	(6,030)
At 31 March 2008	172,199	1,241,334	1,205	(1,526,789)	(112,051)

Reserves - Company

	Share capital £	Share premium account £	Share based payments reserve £	Profit and loss account £	Equity share-holders' funds £
At 31 March 2006	132,545	772,936	21,073	(591,596)	334,958
Loss for the year	-	-	-	(278,670)	(278,670)
Share capital issued in the year	16,654	253,928	-	-	270,582
Share-based payment transaction on exercise or expiry of warrants	-	-	(19,868)	19,868	-
Share issue costs	-	(7,500)	-	-	(7,500)
At 31 March 2007	149,199	1,019,364	1,205	(850,398)	319,370
Loss for the year	-	-	-	(676,807)	(676,807)
Share capital issued in the year	23,000	228,000	-	-	251,000
Share issue costs	-	(6,030)	-	-	(6,030)
At 31 March 2008	172,199	1,241,334	1,205	(1,527,205)	(112,467)

The share premium account is used to record the excess proceeds over nominal value on the issue of shares.
The share-based payment reserve is used to record the share based payments made by the Group.

19. Trade and other payables - Group

	2008 £	2007 £
Other creditors	368,336	201,307
Accruals	326,535	23,390
	694,871	224,697

Trade and other payables - Company

	2008 £	2007 £
Other creditors	368,336	201,307
Accruals	326,501	23,390
	694,837	224,697

20. Cash outflows from operating activities - Group

	2008 £	2007 £
Loss before tax	(676,358)	(278,703)
Depreciation	544	333
Finance income	(927)	(2,126)
Operating cash flow before changes in working capital	(676,741)	(280,496)
Decrease in receivables	7,249	5,607
Increase in payables	470,174	159,385
Net cash outflow from operating activities	(199,318)	(115,504)

Cash outflow from operating activities - Company

	2008 £	2007 £
Loss before tax	(676,807)	(278,670)
Depreciation	544	333
Finance income	(927)	(2,126)
Operating cash flow before changes in working capital	(677,190)	(280,463)
Decrease in receivables	7,249	5, 607
Increase in payables	470,140	159,385
Net cash out flow from operating activities	(199,801)	(115,471)

21. Related party transactions

During the year ended 31 March 2008, the Company was charged £60,000 (2007: £60,000) by Nicholas Badham, a director of the Company, for consulting services. As at the year end £50,000 (2007: £30,000) was due to Nicholas Badham

During the year ended 31 March 2008 the Company was charged £30,000 (2007: £30,000) by Easy Business Consulting Limited, in which Jonathan Harrison, a director of the Company, has an interest, for consultancy services. At the year end £27,500 (2007: £15,000) was due to Easy Business Consulting Limited.

During the year ended 31 March 2008 the Company was charged £60,000 (2007: £60,000) by Pacific Corporate Management Limited for management services. Richard Poulden, a director of the Company, is an employee of Pacific Corporate Management Limited. At the year end £50,000 (2007: £35,000) was due to Pacific Corporate Management Limited.

During the year ended 31 March 2008, the Company was charged £10,000 (2007: 10,000) by Derek Stonley, a director of the Company, for consulting services. At the year end £8,333 (2007: £nil) was due to Derek Stonley.

During the year ended 31 March 2008, the Company was charged £10,000 (2007: £10,000) by Z/Yen Group Limited, in which Michael Mainelli, a director of the Company, has an interest, for consulting services. At the year end £1,667 (2007: £1,667) was due to Z/Yen Group Limited.

During the year ended 31 March 2008, the Company was charged £nil (2007: £5,637) by Wendy Faulkner, the then Company Secretary of the Company, for consulting services.

22. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, bank borrowings and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, equity price risk and foreign currency exchange rate risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Classification of financial instruments

With the exception of investments held by the Company of £3,427 (2007: £3,427), which is held as available-for-sale, all other Company and Group financial assets are classified as loans and receivables and the carrying value of all financial assets approximates to its fair value. All of the Company and Group financial liabilities are held at amortised cost.

Capital management

The Group and Company's objectives when managing capital are to safeguard the Group and Company's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group and Company defines capital as being share capital plus reserves. The Board of Directors monitor the level of capital as compared to the Group and Company's commitments and adjusts the level capital as is determined to be necessary, by issuing new shares. The Group and Company is not subject to any externally imposed capital requirements.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

22. Financial instruments (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	2008	2007
	£	£
Trade receivables	7,445	8,226
Cash and cash equivalents	3,685	61,821
	11,130	70,047

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Group has a policy of maintaining debt at fixed rates to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of the policy should the Group's operations change in size or nature.

The Group has not entered into any derivative transactions during the period under review.

The Group's cash and cash equivalents earned interest at a variable rate based on a daily cleared credit balances at 2.5% (2007: 2.75%) below the base rate.

Liquidity risk

The Group actively maintains cash balances that are designed to ensure that sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as the fall due. The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost:

	Trade payables	Accruals	Total
	£	£	£
At 31 March 2007			
6 months or less	190,840	18,390	209,230
6-12 months	10,467	5,000	15,467
Total contractual cash flows	201,307	23,390	224,697
Carrying amount of financial liabilities measured at amortised cost	201,307	23,390	224,697
At 31 March 2008			
6 months or less	35,334	185,058	220,392
6-12 months	333,002	141,477	474,479
Total contractual cash flows	368,336	326,535	694,871
Carrying amount of financial liabilities measured at amortised cost	368,336	326,535	694,871

No separate analysis of liquidity risk has been provided for the Company as it is not materially different to that of the Group.

Market risk and sensitivity analysis

Foreign currency risk

The reporting currency of the Group is Sterling. Transactions dominated in a foreign currency are translated into sterling, the functional currency of the Company, at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are charged or credited to the income statement as appropriate. The Group and Company has no material financial assets held in a foreign currency. Therefore the Group and Company considers this to be a manageable risk to the extent that further sensitivity analysis is not required.

Interest rate risk

The Group and Company is exposed to interest rate risk as the result of positive cash balances, denominated in Sterling, which earn interest at a variable rate. As these cash balances are not material, the Group and Company considers this to be a manageable risk to the extent that further sensitivity analysis is not required.

23. Post balance sheet events

Share issues

On 29 April 2008 the Company issued 14,800,907 new ordinary shares at 2.5p per share.

On 30 April 2008 the Company issued 3,075,292 new ordinary shares at 1.6259p per share.

On 12 June 2008 the Company increased its authorised ordinary share capital from £600,000 to £1,250,000 by the creation of 260,000,000 ordinary shares of 0.25p per share.

On 19 June 2008 the Company issued 258,041 new ordinary shares at 2.5p per share.

On 25 June 2008 the Company issued 2,222,222 new ordinary shares at 2.25p per share.

On 27 June 2008 the Company issued 1,200,000 new ordinary shares at 1.5p per share.

On 29 August 2008 the Company issued 7,000,000 new ordinary shares at 1p per share.

Option agreement

On 31 May 2008 the Company signed an Option Agreement with CIC Mining Resources Limited ("CICM") and Judian Group shareholders to purchase up to 25% of the equity of certain tungsten production assets in Jiangxi Province and Guangxi ("Target Assets") in China. The term of Option Agreement has been extended to 30 September 2008. Currently the Target Assets are in trial production with full production anticipated to commence in 2009.

Subject to due diligence, the initial interest of 10% of the Target Assets will be sold to the Company for £6,000,000 payable in ordinary shares valued at 22p per ordinary share, plus £2,000,000 cash payable out of future capital raising. The cash payment may be converted into shares in the Company if CICM elects to do so at 22p per ordinary share.

On 12 June 2008 the Company established a new Executive Management Share Option Scheme and a new General Share Option Scheme.

On 25 September 2008 the Company signed an equity credit facility agreement with an investor which provides a funding line of £500,000, subject to certain terms and conditions, for working capital purposes.

The £500,000 will be available in share subscriptions of no less than £25,000 each and will be made based on no less than 70% of the average bid price of the shares traded during a 5 consecutive trading day draw down period.

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