

# Emerging Metals Limited

Directors' report and financial statements

**For the year ended 31 March 2010**

Registration number: 1415559

# Emerging Metals Limited

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# Emerging Metals Limited

## ***FINANCIAL AND OPERATIONAL HIGHLIGHTS***

- Equity shareholder funds increased to £35,867,184 (31 March 2009: £26,652,271) – an increase of 34.6%.
- Non-current assets valuation decreased to £nil (31 March 2009: £5,319,860) following the directors decision to write off this investment.
- Current assets valuation increased to £35,920,430 (31 March 2009: £21,392,111).
- 4.53% of Kalahari Minerals Plc held at an average cost of 54.50 pence per share (31 March 2009: 8.04% held at an average cost of 45.04 pence per share) following sale of 8,917,647 shares at £1.85 on the 25 March 2010.
- 0.17% of Extract Resources Limited held at an average cost of A\$1.0707 per share (31 March 2009: 0.17% held at an average cost A\$1.1945 per share).
- Holdings in Kalahari Minerals and Extract Resources are valued at £18,238,155 against a purchase price of £5,101,008.
- Tsumeb Option was written down to £nil at year end (31 March 2009: £4,818,455) to anticipate the expiry at end July 2010.
- Our cash reserves have increased to £17,676,956 (31 March 2009: £3,757,960) – an increase of 370%, following the receipt of £16,472,899 relating to the sale of 8,917,647 Kalahari Minerals Plc shares on the 25 March 2010.
- Net profit for the year was £8,408,770 (2009: £10,005,933).
- Operating expenses are below budget at £396,888 (2009: £973,230).
- Net asset value per share at 31 March 2010 is 10.41 pence.

## ***SUBSEQUENT EVENT***

- A Special Dividend of 7.13 pence per share was paid on 18 May 2010 at a total cost of £25,352,097.
- As of the 31 August 2010, the Company's cash balances were £10,050,679, representing 2.83 pence per share.

# Emerging Metals Limited

## *Chairmen's statement*

**Dear Shareholders,**

Our results for the second year of operations are extremely pleasing, with a positive comprehensive income for the year of £8,408,770 (2009: £10,005,933). This figure includes an investment gain of £14,427,398 (2009: £10,259,493), an exchange loss of £61,521 (2009: Profit £798,146) and impairment losses on the write off of the Tsumeb land options and related capitalised intangible fixed asset costs of £5,319,860 (2009: £nil). Following the implementation of operating efficiencies, the expenses are below budget at £396,888 (2009: £973,230).

As a result, equity shareholder funds have increased to £35,867,184 (2009: £26,652,271), a rise of 34.6%. Investments stand at £18,238,155 (2009: £22,947,634), which relates to our remaining holdings in Kalahari Minerals and Extract Resources. The entire value of the Tsumeb Option was written off during the period under review (2009: £5,319,860) due to the imminent expiry at end July 2010.

Our cash reserves have increased to £17,676,956 (2009: £3,757,960) – a growth of 370%, following the receipt of £16,472,899 relating to the sale of 8,917,647 Kalahari Minerals Plc shares on the 25 March 2010.

Our share premium has increased to £15,245,789 (2009: £14,560,530), which includes the exercise of share options by Ambrian Investments for 13,705,179 shares at 5 pence per share on the 31 March 2010.

## **Tsumeb Project**

During the past twelve months, Emerging Metals Limited (“EML”) continued its studies and test work on the Tsumeb Slag stockpiles to determine the viability of extracting the contained metals, principally germanium but also zinc and gallium. As the market conditions for these metals remained extremely weak throughout the year, the Company minimised its evaluation and test work costs and reassessed the market conditions on a monthly basis to evaluate the continuing scope and viability of this project. During March 2010, the Directors decided that because of the continuing weak market conditions, better returns would be achievable in the short term by looking to build exposure in Investment Metals and accordingly decided to exit the Tsumeb Slag Stockpiles Project altogether.

The exit cost including the land option costs and all associated capitalised survey, development and professional costs was £5,319,860.

## **Investments**

During the period under review, the Company invested a further £2.6 million in Kalahari Minerals, at an average cost of £1.287 per share.

On the 26 March 2010, your Board announced that it had entered into an Agreement to sell 50% of the holding of Kalahari Shares to Nippon Uranium Resources (Australia) Proprietary Limited, a wholly owned subsidiary of Itochu Corporation of Japan. The number of shares sold was 8,917,647 at a price 185 pence per share, and the Company received gross proceeds of £16,497,647 resulting in an investment gain of £11,612,665.

# Emerging Metals Limited

## *Chairmen's statement (continued)*

Under the terms of the Agreement, the Directors conditionally agreed to sell the remaining 50% holding at the same price of 185 pence per share, the balance of the Company's holdings of Kalahari Shares subject to Shareholder approval being obtained.

After the period under review and following approval from Shareholders at the EGM held on the 16 April 2010, the Company completed the sale of the remaining 8,917,647 Kalahari Shares at 185p on the 26 April 2010, generating a further investment gain of £11,612,665.

The Board declared a Special Dividend of 7.13 pence per share on 16 April 2010 which was paid on 18 May 2010, being an aggregate amount of £25,352,097.

The Company has subsequently also disposed of its holding in Extract Resources Limited generating additional investment gains of £1,499,735.

## **Investing Policy**

It remains the intention of the Board to continue to broadly pursue the existing business strategy of the Company as approved by shareholders at the general meeting of the Company on 10 April 2009. Following the sale of shares in Kalahari Minerals, the Company has been reclassified as an "investing company" (as defined by AIM Rules) and the effective business strategy of the Company has since been re-named its Investing Policy.

The Board anticipates that the cash it has retained will provide sufficient working capital for the Directors to continue to develop opportunities for investment in situations which are, in their opinion, undervalued or capable of producing a satisfactory return and the Board intends therefore to continue to implement its Investing Policy.

The Company plans to target exposure to Investment Metals which include all metals other than base metals (such as copper and lead, but excluding for these purposes zinc) and bulk commodities metals (such as iron, potassium and aluminium) in addition to minor metals. Exposure to Investment Metals will be achieved by a number of methods, including but not limited to the acquisition or purchasing of the following:

- physical quantities of Investment Metals commodities,
- interests in Investment Metals projects, such as direct licenses or rights over such projects or licenses,
- strategic minority equity stakes in publicly traded or private companies with a focus on Investment Metals, and
- positions in securities or any other interest (including but not limited to loan capital, joint ventures, partnerships, convertibles or other financial instruments as the Directors deem appropriate).

All of these opportunities may include interests in exploration permits and licences, mining projects under development, operating mines, smelters, slag stockpiles, refineries, and associated activities. Such activity may be undertaken in the ordinary course of its business and as an alternative to holding cash reserves on a day-to-day basis. The Directors continue to believe that current market conditions will provide good opportunities for a positive return from the above investments where prices of the Investment Metals to which the Company has exposure increase. The Directors do not envisage that the Company's investment portfolio will

# Emerging Metals Limited

## *Chairmen's statement (continued)*

be leveraged initially; however, this position may be reviewed should the Board become aware of available and commercially prudent financing arrangements. The Company will consider cross holdings of shares in circumstances that would benefit its broader investment strategy.

In evaluating possible additional opportunities in Investment Metals the Directors will take into account the goal of achieving a diversified exposure to different Investment Metals as well as the market outlook for individual elements, although there will be no maximum exposure limits. The Directors estimate that investments will be held for periods of up to five years.

The Directors believe that their collective experience in the areas of mining, acquisitions, accounting and corporate and financial management, together with the opinion of expert consultants in the evaluation and exploitation of Investment Metals opportunities, will enable the Company to achieve its objectives. Furthermore the Directors intend to take an active role in the management and development of any future projects.

Finally, we would like to express our appreciation to the shareholders for their continued support.

**Stephen Dattels**  
Co-chairman

**James Mellon**  
Co-chairman

# Emerging Metals Limited

## Directors' report

The Directors' present their annual report and the financial statements for Emerging Metals Limited ("EML") for the year ended 31 March 2010.

## Principal activity

The Company was formed for the purpose of making investments and/or acquisitions in projects and companies with exposure to Investment Minor Metals in order to build the Project Portfolio and/or trading in Investment Minor Metals as the Company builds the Trading Portfolio.

## Results and transfer to reserves

The results and transfers to reserves for the year are set out on page 10.

The Company made a profit for the year after taxation of £8,408,770 (2009: £10,005,933).

## Dividend

On 16 April 2010 the Directors proposed the payment of a dividend of 7.13 pence per share (2009: £nil)

## Directors

The Directors who served during the year and to date were:

Mitchell Alland  
Denham Eke  
Stephen Dattels  
James Mellon  
Patrick Weller

## Directors Remuneration

	2010 £	2009 £
Mitchell Alland	70,676	180,586
Denham Eke	95,329	89,313
Stephen Dattels	25,000	25,000
James Mellon	25,000	25,000
Patrick Weller	25,000	25,000
<b>Total</b>	<b>241,005</b>	<b>344,899</b>

From November 2008 the Directors passed a resolution to accept 50% of Director remuneration to be settled by way of shares issued in the Company (see note 1(j)).

# Emerging Metals Limited

## Directors' report (continued)

### Share capital

The Company is authorised to issue an unlimited number of no par value shares of a single class. The Company may issue fractional shares and a fractional share shall have the corresponding fractional rights, obligations and liabilities of a whole share of the same class or series of shares.

344,464,479 (2009: 330,759,300) shares are in issue as at 31 March 2010 with a share premium value of £15,245,789 (2009: £14,560,530).

### Directors' Interests

As at 31 March 2010, the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the UK Companies Act 1985 ("Connected Person")) are as follows:

	<b>Number of Ordinary Shares</b>	<b>Percentage of Issued Capital</b>
Mitchell Alland	3,500,000	1.02%
Denham Eke <sup>1</sup>	2,045,847	0.59%
Stephen Dattels <sup>2</sup>	19,792,504	5.75%
James Mellon <sup>3</sup>	28,205,684	8.19%
Patrick Weller	2,545,847	0.74%

As at 31 March 2010 the Directors (and all persons connected with the Directors within the meaning of Section 346 of the UK Companies Act 1985 ("Connected Person")) hold the following Options over Ordinary Shares:

	<b>Date of Grant</b>	<b>Number of Ordinary Shares</b>	<b>Exercise Price</b>	<b>Exercise Period</b>
Mitchell Alland	21 January 2008	477,364	5 pence	5 years
Denham Eke <sup>1</sup>	21 January 2008	204,585	5 pence	5 years
Stephen Dattels <sup>2</sup>	21 January 2008	1,109,457	5 pence	5 years
James Mellon <sup>3</sup>	21 January 2008	1,009,457	5 pence	5 years
Patrick Weller	21 January 2008	1,004,585	5 pence	5 years

Notes to Directors' Interests:

- 1 Denham Eke is a director of Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.
- 2 Stephen Dattels' entire shareholding of 19,792,504 shares is held by Regent Mercantile Holdings Limited, a company which is owned by the trustee of a discretionary trust under which Stephen Dattels is a beneficiary
- 3 James Mellon's entire shareholding is held by Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.

### Auditors

Our Auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue in office.

By order of the Board

Secretary

Craigmuir Chambers  
Road Town  
Tortola  
British Virgin Islands



# Emerging Metals Limited

## Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to allow for the preparation of financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

# Emerging Metals Limited

## Report of the Independent Auditors, KPMG Audit LLC, to the members of Emerging Metals Limited

We have audited the financial statements of Emerging Metals Limited for the year ended 31 March 2010, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body. 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 auditor's 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 Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 7.

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. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and any other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

### ***Basis of opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

# Emerging Metals Limited

## Report of the Independent Auditors, KPMG Audit LLC, to the members of Emerging Metals Limited (continued)

### *Opinion*

In our opinion, the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended.

### **KPMG Audit LLC**

*Chartered Accountants*

Heritage Court

41 Athol Street

Douglas

Isle of Man

IM99 1HN

# Emerging Metals Limited

## Statement of comprehensive income

For the year ended 31 March 2010

	<i>Notes</i>	<b>2010</b>	2009
		£	£
<b>Income</b>			
Exchange (losses)/gains		<b>(61,521)</b>	798,146
Unrealised gains on investments		<b>2,814,733</b>	10,259,493
Realised gains on investments		<b>11,612,665</b>	-
		<b>14,365,877</b>	11,057,639
<b>Operating expenses</b>			
Directors' fees	8	<b>(241,005)</b>	(344,899)
Other costs	3	<b>(396,888)</b>	(973,230)
Impairment losses	5	<b>(5,319,860)</b>	-
		<b>(5,957,753)</b>	(1,318,129)
<b>Profit before interest income</b>		<b>8,408,124</b>	9,739,510
Interest income	1(e)	<b>646</b>	266,423
<b>Profit before taxation</b>		<b>8,408,770</b>	10,005,933
Taxation	9	-	-
<b>Profit for the year</b>		<b>8,408,770</b>	10,005,933
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>8,408,770</b>	10,005,933
Earnings per share	15	<b>0.0254</b>	0.0306
Diluted earnings per share	15	<b>0.0237</b>	0.0285

The Directors consider that the Company's results derive from continuing activities.

The notes on pages 14 to 26 form part of these financial statements.

# Emerging Metals Limited

## Statement of financial position

as at 31 March 2010

	<i>Notes</i>	2010 £	2009 £
<b>Assets</b>			
<b>Non-current assets</b>			
Land options	<i>1(f),4</i>	-	4,818,455
Intangible fixed assets	<i>1(c),5</i>	-	501,405
		-	5,319,860
<b>Current assets</b>			
Investments	<i>1(f)</i>	<b>18,238,155</b>	17,627,774
Trade and other receivables	<i>1(f)</i>	<b>5,319</b>	6,377
Cash and cash equivalents	<i>1(f)</i>	<b>17,676,956</b>	3,757,960
		<b>35,920,430</b>	21,392,111
<b>Total assets</b>		<b>35,920,430</b>	26,711,971
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	<i>6</i>	-	-
Share premium	<i>6</i>	<b>15,245,789</b>	14,560,530
Share option reserve	<i>7,14</i>	<b>1,201,674</b>	3,504,144
Equity share based payment reserve	<i>1(j)</i>	<b>201,124</b>	80,240
Accumulated profit		<b>19,218,597</b>	8,507,357
<b>Total equity</b>		<b>35,867,184</b>	26,652,271
<b>Current liabilities</b>			
Trade and other payables		<b>53,246</b>	59,700
<b>Total liabilities</b>		<b>53,246</b>	59,700
<b>Total equity and liabilities</b>		<b>35,920,430</b>	26,711,971

The notes on pages 14 to 26 form part of these financial statements.

# Emerging Metals Limited

## Statement of changes in equity

for the year ended 31 March 2010

	Share Premium £	Share Option Reserves £	Share Based Option Payments £	Share Capital £	Accumulated Profits £	Total £
Balance at 31 March 2008	11,831,373	3,504,144	-	-	(1,498,576)	13,836,941
<b>Total comprehensive income for the year</b>						
Profit	-	-	-	-	10,005,933	10,005,933
<b>Other comprehensive income for the year</b>	-	-	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Shares issued	2,729,157	-	-	-	-	2,729,157
Share based payment reserve	-	-	80,240	-	-	80,240
<b>Total contributions by and distributions to owners</b>	<b>2,729,157</b>	<b>-</b>	<b>80,240</b>	<b>-</b>	<b>10,005,933</b>	<b>12,815,330</b>
<b>Balance at 31 March 2009</b>	<b>14,560,530</b>	<b>3,504,144</b>	<b>80,240</b>	<b>-</b>	<b>8,507,357</b>	<b>26,652,271</b>
<b>Total comprehensive income for the year</b>						
Profit	-	-	-	-	8,408,770	8,408,770
<b>Other comprehensive income for the year</b>	-	-	-	-	-	-
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Exercise of share options	685,259	(2,302,470)	-	-	2,302,470	685,259
Share based payment reserve	-	-	120,884	-	-	120,884
<b>Total contributions by and distributions to owners</b>	<b>685,259</b>	<b>(2,302,470)</b>	<b>120,884</b>	<b>-</b>	<b>10,711,240</b>	<b>9,214,913</b>
<b>Balance at 31 March 2010</b>	<b>15,245,789</b>	<b>1,201,674</b>	<b>201,124</b>	<b>-</b>	<b>19,218,597</b>	<b>35,867,184</b>

The notes on pages 14 to 26 form part of these financial statements.

# Emerging Metals Limited

## Statement of cash flows

for the year ended 31 March 2010

	<i>Notes</i>	2010 £	2009 £
<b>Net cash outflow from operating activities</b>	<i>10</i>	<b>(583,280)</b>	(157,672)
<b>Cash flows from investing activities</b>			
Amount paid in cash for intangible fixed assets		-	(501,405)
Amount paid in cash for investments		<b>(2,655,882)</b>	(7,368,281)
Proceeds on sale of investments		<b>16,472,899</b>	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>13,817,017</b>	(7,869,686)
<b>Cash flows from financing activities</b>			
Increase in share premium		<b>685,259</b>	2,729,157
<b>Net cash inflow from financing activities</b>		<b>685,259</b>	2,729,157
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>13,918,996</b>	(5,298,201)
Cash and cash equivalents at beginning of year		<b>3,757,960</b>	9,056,161
<b>Cash and cash equivalents at the end of year</b>		<b>17,676,956</b>	3,757,960

The notes on pages 14 to 26 form part of these financial statements.

# Emerging Metals Limited

## Notes

*(forming part of the financial statements for the year ended 31 March 2010)*

### 1 Accounting policies

Emerging Metals Limited is a Company domiciled in the British Virgin Islands.

The financial statements incorporate the principal accounting policies set out below.

#### **a) Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

#### **b) Basis of preparation**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods. The key estimate and judgement made by the Directors is the fair value of the land option.



# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 1 Accounting policies (continued)

#### b) Basis of preparation (continued)

A number of new standards, amendments to standards and interpretations are not yet effective for the year, and have not been applied in preparing these financial statements:

	Effective date (accounting periods commencing after)
<b>New/Revised International Accounting Standards / International Financial Reporting Standards (IAS/IFRS)</b>	
IAS 1 Presentation of Financial Statements (Revised 2009)	1 January 2010
IAS 7 Statement of Cash Flows (Revised 2009)	1 January 2010
IAS 36 Impairment of Assets (Revised 2009)	1 January 2010
IFRS 2 Share-based Payment - Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Revised 2008)	1 July 2009
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Revised 2009)	1 January 2010
IFRS 8 Operating Segments (Revised 2009)	1 January 2010
IAS 24 Related Party Disclosures - Revised definition of related parties	1 January 2011
IFRS 9 Financial Instruments	1 January 2013
<b>IFRIC Interpretation</b>	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors do not expect the adoption of the other standards and interpretations to have a material impact on the Company's financial statements in the period of initial application.

#### c) Intangible assets

Exploration rights and associated survey costs are capitalised as incurred and reviewed annually for impairment and are carried at cost less accumulated impairment losses.

#### d) Impairment

The carrying amounts of the Company's assets not carried at fair value through profit and loss are reviewed at least at each statement of financial position date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset 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.

An impairment loss would be recognised whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 1 Accounting policies (continued)

#### d) *Impairment (continued)*

An impairment loss is recognised and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

#### e) *Interest Income*

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

#### f) *Financial instruments*

##### *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

##### *Land options*

Land options are stated at fair value, as estimated by the Directors. This is estimated to be the current market value of the options. There will be no amortisation of the premium paid.

##### *Investments*

Investments relate to holdings in two entities which were acquired to realise gains from fluctuations in the prices or margins of traders and are accounted for on a trading basis. These assets are valued at fair value based on quoted bid prices. Any realised and unrealised gains and losses are presented within 'Other Income'.

##### *Trade and other receivables*

Trade and other receivables originated by the Company are stated at amortised cost less impairment losses.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 1 Accounting policies (continued)

#### *f) Financial instruments (continued)*

##### *Cash and cash equivalents*

Cash and cash equivalents are measured at amortised cost and due on demand.

##### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost.

#### *g) Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### *h) Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### *i) Share based payments*

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Weatherly International plc as part consideration of the land option (as per the Tsumeb Option Agreement (note 4)) share option reserves in the statement of financial position.

The Company determines the fair value of options issued to Directors remuneration and recognises the amount as an expense in the statement of comprehensive income with a corresponding increase in equity.

#### *j) Directors equity share based payments*

The fair value of the incentive granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the directors become unconditionally entitled to the incentives.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 2 Operating segments

It is the Directors' opinion that the Company operates within a single segment.

### 3 Other costs

	2010	2009
	£	£
Professional fees	305,560	824,854
Audit fee	19,025	15,000
Travel and transport expenses	3,045	43,618
Office expenses	69,258	89,758
	<u>396,888</u>	<u>973,230</u>

### 4 Land option

The land option comprises the Tsumeb Option as described below and is stated at fair value. Fair value, as estimated by the Directors, as at 31 March 2010 is £nil (2009: £4,818,455). Please refer to note 5.

On 28 January 2008, the Company entered into an amended and restated option agreement with Ongopolo Mining Limited (OML), a company incorporated in Namibia (the "Tsumeb Option Agreement") under which the Company was granted an option to acquire all right, title and interest in and to the Tsumeb Slag Stockpiles (the "Tsumeb Option") in consideration of:

- (i) the payment by the Company to OML, or as it directs, of £1,421,000 in cash;
- (ii) the issue and allotment of 21,899,698 Ordinary Shares credited as fully paid to Weatherly International plc (Weatherly); and
- (iii) the grant to Weatherly of an option over 13,705,179 Ordinary Shares.

The consideration paid for the Tsumeb Option comprised £1,421,000 in cash, 21,899,698 ordinary shares issued as at zero par value to Weatherly at a cost of £0.05 per share. An option was also granted to Weatherly to subscribe for up to 13,705,179 ordinary shares at £0.05 per share, exercisable at any time for five years from the date of completion of the Tsumeb Option Agreement.

#### Land option consideration

	£
Cash consideration	1,421,000
Shares issued at £0.05 per share	1,094,985
Fair value of share options	2,302,470
	<u>4,818,455</u>

# Emerging Metals Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 March 2010)*

### 4 Land option (continued)

The grant of the Tsumeb Option was subject to a number of conditions, which were satisfied on 28 January 2008. The exercise term of the Tsumeb Option (the "Tsumeb Option Period") shall expire on the 30 month anniversary of the date of the satisfaction of the conditions, such period comprising a total of 24 months for completion of an initial programme of work, plus six months for a decision by the Company to proceed with commercial production from any portion of the Tsumeb Slag Stockpiles and announcement of that decision to AIM.

Under the Tsumeb Option Agreement, OML provides the Company with a number of warranties regarding the Tsumeb Slag Stockpiles. In particular, OML warrants to the Company that:

- it has the requisite power and authority to enter into and perform the Tsumeb Option Agreement;
- it is, and will remain during the Tsumeb Option Period, the legal and beneficial owner of 100 per cent of the Tsumeb Slag Stockpiles; and
- no further consent, approval or authorisation of any governmental agency or other person is required by it for the entry into and performance of its obligations under the Tsumeb Option Agreement.

Under the Tsumeb Option Agreement, OML was required to provide the Company with a legal opinion from counsel duly qualified to practice in Namibia, confirming OML's 100 per cent. ownership of the Tsumeb Slag Stockpiles (the "OML Legal Opinion"). Under the Tsumeb Option Agreement, if OML was unable to supply the OML Legal Opinion, OML and the Company would enter a new agreement, agreed in good faith between the parties, establishing a contractual relationship between OML and the Company that would ensure that the Company was placed in the same economic position as was the intention under the Tsumeb Option Agreement – with the Company bearing the cost incurred and receiving the profit or other benefit arising out of the Tsumeb Slag Stockpiles. Under the Tsumeb Option Agreement, OML and the Company agreed that, in the event of termination of the Tsumeb Option Agreement, and in circumstances where the parties could not legally enter or enforce the Toll Gate Agreement for whatever reason, the parties agreed to take all such steps as necessary to return each other to the legal and financial position each was in prior to the execution of the Tsumeb Option Agreement. In particular, under the Tsumeb Option Agreement it was agreed that:

- Weatherly and/or OML shall return to the Company all consideration paid under the Tsumeb Option Agreement together with interest at 2 per cent above the base rate from time to time of Barclays Bank PLC per annum accruing monthly;
- Weatherly and/or OML shall return, transfer or cancel as directed by the Company all Ordinary Shares issued and allotted to Weatherly or OML under the Tsumeb Option Agreement;

# Emerging Metals Limited

## Notes (continued)

*(forming part of the financial statements for the year ended 31 March 2010)*

### 4 Land option (continued)

- Weatherly and/or OML shall return, cancel and/or extinguish all and any options over Ordinary Shares granted to Weatherly or OML pursuant to the Tsumeb Option Agreement; and
- OML shall pay the reasonable costs of the Company incurred in the preparation, negotiation and completion of the obligations under the Tsumeb Option Agreement.

### 5 Impairment losses

The impairment losses recognised in the statement of comprehensive income, as a separate line item within operating profit are as follows:

	2010	2009
	£	£
Intangible fixed assets	501,405	-
Cost of land options	4,818,455	-
	<hr/>	<hr/>
	5,319,860	-
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2010, land options acquired under an agreement with Ongopolo Mining Limited (OML) on 28 January 2008 for mineral extraction rights to the Tsumeb Slag Stockpiles in Namibia were tested for impairment following a worldwide decrease in the market price of germanium. In addition capitalised intangible fixed asset costs relating to development, survey and consultancy costs along with associated professional fees for the Tsumeb site were also tested for impairment.

It was the Directors' opinion that as at 31 March 2010, the carrying value of these assets were not deemed recoverable and exceeded their fair value and that the current carrying values be written off at the year end anticipating the expiry at the end of July 2010.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 6 Share capital and share premium

	2010	2009
	£	£
<i>Authorised</i>		
The Company is authorised to issue an unlimited number of no par value shares of a single class	-	-
<i>Issued</i>		
344,464,479 (2009: 330,759,300 ordinary shares of £0.00 each) ordinary shares of £0.00 each.	-	-
<i>Share premium</i>		
1 share at incorporation	-	-
71,528,234 shares at £0.0001 per share	<b>7,153</b>	7,153
214,584,704 shares at £0.0500 per share	<b>10,729,235</b>	10,729,235
21,899,698 shares at £0.0500 per share	<b>1,094,985</b>	1,094,985
22,746,663 shares at £0.1200 per share	<b>2,729,157</b>	2,729,157
13,705,179 shares at £0.0500 per share	<b>685,259</b>	-
	<hr/>	<hr/>
<b>Total</b>	<b>15,245,789</b>	14,560,530
	<hr/> <hr/>	<hr/> <hr/>

The shares issued during the year with share premium of £685,259 relate to the exercise of share options. Please refer to note 7.

### 7 Share based payments

The following share options are in issue as at 31 March 2010:

- 21,899,698 shares at £0.05 per share to the Founders issued on 28 January 2008.

The following table lists the inputs to the models used for the year ended 31 March 2010:

	2010	2009
Dividend yield (%)	-	-
Expected volatility (%)	<b>65</b>	65
Risk-free interest rate (%)	<b>5</b>	5
Share price at grant date	<b>0.05</b>	0.05
Share price (market value)	<b>0.20</b>	0.20
Exercise price	<b>0.05</b>	0.05

All options were issued in prior periods. No options lapsed or were cancelled during the year.

On 29 March 2010 the Company issued 13,705,179 ordinary shares at no par value to Ambrian Investments Limited in respect of an exercise of share options.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 7 Share based payments (continued)

In summary, as at 31 March 2010, the value of the share options in issue is:

Name	Options in issue	Date Granted	Vesting Period (Years)	Option Valuation Per Share £	Value £
Founders	7,152,823	21 January 2008	-	0.168	1,201,674
<b>Total</b>					<b>1,201,674</b>

### 8 Directors' Fees

	2010 £	2009 £
Mitchell Alland	70,676	180,586
Denham Eke	95,329	89,313
Stephen Dattels	25,000	25,000
James Mellon	25,000	25,000
Patrick Weller	25,000	25,000
<b>Total</b>	<b>241,005</b>	<b>344,899</b>

The Company has granted equity share-based payments following a resolution passed in November 2008 for the Directors of the Company to accept 50% of their remuneration in the form of new shares issued at mid-market prices.

To date no shares have been issued to the Directors under this scheme and as such is accounted for in a share based payment reserve at the year end.

The Company has no employees other than the Directors.

### 9 Taxation

The Company is exempt from the provisions of the Income Tax Ordinance of the British Virgin Islands.



# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 10 Notes to the cash flow statement

*Reconciliation of profit for the year to net outflow from operating activities*

	2010	2009
	£	£
Profit for the year	8,408,770	10,005,933
Adjustment for:		
Decrease in trade and other receivables	1,058	29,978
Decrease in trade and other payables	(6,454)	(14,330)
Share based payment charge	120,884	80,240
Unrealised gains on investments	(2,814,733)	(10,259,493)
Impairment losses	5,319,860	-
Realised gains on investments	(11,612,665)	-
	)	
<b>Net cash outflow from operating activities</b>	<b>(583,280)</b>	<b>(157,672)</b>

### 11 Financial risk management

The Company's financial instruments are exposed to a number of risks as detailed below:

#### ***Credit risk***

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations.

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

	2010	2009
	£	£
Cash and cash equivalents	<b>17,676,956</b>	<b>3,757,960</b>

The Company invests available cash and cash equivalents with an Isle of Man licensed bank, which has a strong history on the Island.

The Company has a nominal level of debtors, and as such the Company is able to determine that credit risk is considered minimal in relation to debtors.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by the Company by means of cash flow planning to ensure that future cash requirements are anticipated. All liabilities are due within one month.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 11 Financial risk management (continued)

#### *Market price risk*

Market price risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity price will affect the Company's income or the value of its holdings of financial instruments.

The Company is exposed to market price risk to the extent that it holds a land option for which no developed market exists. Therefore the Company might not be able to sell such a stake quickly at close to estimated fair value.

All investments present a risk of loss of capital due to unexpected and unforeseen events in the financial markets, and these can have a material and unpredictable impact on the portfolio value. The maximum risk resulting from the portfolio is equivalent to their fair value.

	2010 £	2009 £
Land option	-	4,818,455
Intangible fixed assets	-	501,405
Investments	<b>18,238,155</b>	<b>17,627,774</b>

#### *Interest rate risk*

The Company holds current assets in the form of cash at bank. As a result, the Company is subject to risk due to fluctuations in the prevailing level of market interest rates. The weighted average interest rate at 31 March 2010 was 0.0152% (31 March 2009: 1.922%) and all balances are held on demand.

The Directors do not regard that interest income is a core revenue stream of the Company and therefore fluctuations in interest rates will not adversely impact the continuing operations of the Company.

#### *Fair values of financial instruments*

At 31 March 2010 the carrying amounts of cash resources, trade and other receivables, and trade and other payables approximate their fair values due to their short-term maturities.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 12 Significant shareholdings

Except for the interests disclosed in this note, the Directors are not aware of any holding of Ordinary Shares as at the date of these accounts representing 3% or more of the issued share capital of the Company:

	Number of Ordinary Shares	Percentage of Issued Capital
Vidacos Nominees Limited	103,256,500	29.98%
Roy Nominees Limited	54,087,204	15.70%
HSBC Global Custody Nominee (Uk)	36,420,833	10.57%
Lynchwood Nominees Limited	13,375,000	3.88%
<i>Directors interests</i>		
Stephen Dattels <sup>1</sup>	19,792,504	5.75%
James Mellon <sup>2</sup>	28,205,684	8.19%

Notes to Directors' Interests:

- 1 Denham Eke is a director of Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.
- 2 Stephen Dattels' entire shareholding of 19,792,504 shares is held by Regent Mercantile Holdings Limited, a company which is owned by the trustee of a discretionary trust under which Stephen Dattels is a beneficiary
- 3 James Mellon's entire shareholding is held by Galloway Limited, a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.

### 13 Related party transaction

The Company has entered into a service agreement with Burnbrae Limited for the provision of administrative and general office services. Mr James Mellon and Mr Denham Eke are both directors of Burnbrae Limited and the Company. During the year the Company paid £32,162 (2009: £24,609) under this agreement and as at 31 March 2010 an amount of £8,488 (2009: £nil) was owed to Burnbrae Limited.

During the year the Company paid £55,872 (2009: £87,567) and issued 943,396 options to Mr James Mellon and Mr Denham Eke in respect of Directors fees.

### 14 Subsequent events

- i. On 13 April 2010 the Company announced that it had received exercise notices and payment in respect of all 7,152,823 outstanding 5p options and has accordingly issued 7,152,823 new ordinary shares of nil par value for a total consideration of £357,641.
- ii. On 16 April 2010, and as a result of a Shareholders Meeting, it was announced that the Company was to distribute a Special Dividend to qualifying shareholders of 7.13 pence per qualifying share.

The Special Dividend was paid on 18 May 2010 to all Qualifying Shareholders on the register of members of the Company at the Record Date, which was 30 April 2010.

# Emerging Metals Limited

## Notes (continued)

(forming part of the financial statements for the year ended 31 March 2010)

### 14 Subsequent events (continued)

- iii. On 16 April 2010, and as a result of a Shareholders Meeting, it was announced that the Completion of the sale of the Company's remaining 8,917,647 Kalahari Shares at 185p per share had been approved. Under an agreement with Nippon Uranium Resources (Australia) Proprietary Limited dated 25 March 2010 the Company had agreed terms for the disposal of the second tranche of 8,917,647 Kalahari Minerals plc shares (being the entire balance of Emerging Metals Limited's holding) for a gross cash consideration of £16,497,647. The fair value of the Company's investment as at 31 March 2010 was £16,497,647.
- iv. On 20 April 2010 the Company allotted 3,952,084 new ordinary shares of nil par value in lieu of salary and fee payments to Directors in accordance with the announcement of final results made on 8 July 2009.
- The new shares were issued in respect of 50% of Directors' remuneration at month end mid-market prices/exchange rates (USD/GBP) in respect of the period November 2008 to March 2010 inclusive. The volume weighted average issue price in respect of each Director was approximately 5.089p.
- v. On 19 July 2010 the Company disposed of its entire holding of 368,721 shares in Extract Resources Limited to Nippon Uranium Resources (Australia) Proprietary Limited at a price of A\$7.00 per share. The gross proceeds of the sale were A\$2,581,047, approximately £1.49 million.
- vi. On 28 July 2010 the Tsumeb Option, as referred to in note 4, expired not being exercised by the Company. As at 31 March 2010, the fair value of the Tsumeb Option was £nil.

### 15 Basic and diluted earnings per share

The calculation of basic earnings per share of the Company is based on the net profit attributable to shareholders for the year of £8,408,770 (2009: £10,005,933) and the weighted average number of shares of 330,759,300 (2009: 326,833,164) in issue during the year.

The calculation of diluted earnings per share of the Company includes the weighted average number of share options and shares to be issued in respect of share based payments (see note 1(j)) for the year.

	2010 £	2009 £
Retained Earnings for basic and diluted earnings per share:	<u>8,408,770</u>	<u>10,005,933</u>
	2010	2009
Weighted average number of shares for basic earnings per share	330,759,300	326,833,164
Effect of dilutive share options	24,242,379	24,252,214
Weighted average number of shares for diluted earnings per share	<u>355,001,679</u>	<u>351,085,378</u>