

Carlton Resources Plc

(Registration number 05399993)

Report and Financial Statements
Year Ended 30 June 2010

Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

| | |
|--|----|
| Company information | 1 |
| Chairman's statement | 3 |
| Directors' report | 4 |
| Statement of Directors' responsibilities | 11 |
| Report of the independent auditors | 12 |
| Statement of comprehensive income | 14 |
| Statement of financial position | 15 |
| Statement of changes in equity | 16 |
| Statement of cash flows | 17 |
| Notes to the financial statements | 18 |

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Company information

Directors

Melissa Sturgess, Non-Executive Chairman
Mark Burchnall, Chief Executive Officer
Richard Jarvis, Finance Director
Martyn Churchouse, Non-Executive Director

Registered office

Fifth Floor
Manfield House
1 Southampton Street
London WC2R 0LR

Registration number

05399993

Company Secretary

EPS Secretaries Limited

Registered Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Lawyers

Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Nabarro Nathanson
Lacon House
84 Theobald's Road
London WC1X 8RW

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Company information *(continued)*

Bankers

HSBC plc
70 Pall Mall
London
SW1Y 5EZ

National Australia Bank
100 St George's Terrace
Perth
Western Australia 6000

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Chairman's statement

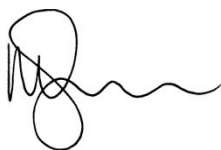
During the last 12 months, Carlton Resources Plc (“**Carlton**” or the “**Company**”) considered and evaluated a number of potential opportunities with a view to the Company acquiring a new business which was, in the opinion of the directors, suitable to re-launch the Company and provide a sound basis for shareholder growth. In assessing opportunities for the Company in this regard, the directors focussed upon assets and projects which were:

- located in countries or regions in which the Board was confident in doing business, through prior experience or otherwise having regard to sovereign risk, tenure and business climate;
- in a commodity or commodities thought to be attractive to investors and offer the possibility of value uplift; and
- at a development stage where the Board believed that significant value could be unlocked or generated as a result of the Company making the relevant acquisition.

Despite your directors having assessed a number of acquisition opportunities (and conducted detailed due diligence in relation to many of them), none of the opportunities considered met all of the criteria considered necessary by the Board to provide the Company with a basis on which to re-list with a positive medium-to-long term outlook sufficient to meet shareholder expectations and generate growth.

At this point in time, accordingly, the Company continues to investigate opportunities to acquire a suitable project which will lead to a re-listing of the Company on AIM. Although a lengthy process, the Board remains convinced that that any asset acquired by Carlton must be high-quality, readily financeable and offer significant upside potential – a view which is supported by the Company’s largest shareholder, Nyota Minerals Limited, which itself took more than a year to identify and subsequently acquire the Ethiopian assets with which it is currently enjoying continued success.

In the meantime, I would like to take this opportunity to reassure shareholders that the Company remains active and your directors remain committed to re-launching Carlton on AIM once a suitable acquisition is made.



Melissa Sturgess
Chairman
12 November 2010

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Directors' report

Your directors present their report on the entity Carlton Resources Plc (“**Carlton**” or the “**Company**”).

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

| Name | Current Role | Appointment | Resignation |
|-------------------|------------------------|------------------|-------------|
| Melissa Sturgess | Non-Executive Chairman | 15 October 2009 | - |
| Mark Burchnall | Chief Executive | 17 February 2009 | - |
| Richard Jarvis | Finance Director | 17 February 2009 | - |
| Martyn Churchouse | Non-Executive Director | 21 March 2005 | - |

Principal activities

The principal activity of the Company, following the disposal of its diamond and industrial operations in December 2009, is that of an ‘investing company’.

The Company’s investment strategy is to acquire minority or controlling interests in one or more privately held or publicly-listed resource projects, with a focus on Africa.

Review of operations

Information on the operations and financial position of the Company and its business strategies and prospects are set out in the Chairman’s Statement.

Principal risks and uncertainty facing the Company

The principal risk and uncertainty currently facing the Company, being an investment company, is the risk of not being able to source adequate financing to enable it to pursue its investment strategies. The development of any property will depend upon the Company’s ability to obtain financing primarily through the raising of new equity capital. There is no assurance that the Company will be successful in obtaining the required financing.

Directors' report *(continued)*

On raising new equity capital, there is no assurance that the Company's exploration activities will be successful and statistically few properties that are explored are ultimately developed into producing mines. Accordingly, the Company is seeking to balance this risk by building a portfolio of projects and prospects that carry a range of differing technical and commercial risks, and keeping under careful review the amount invested in any one project. The Company's operations may also be curtailed, delayed or cancelled as a result of economic, environmental and political conditions in the area of operation.

There is strong competition within the mining industry for the identification and acquisition of suitable properties. The Company competes with other exploration and production companies, some of which have greater financial resources than the Company, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure transactions without having to overpay.

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before exploration and production can commence on any properties, the Company must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Company's operations.

Key performance indicators

The Company is currently an investing company, with an intention on becoming an exploration entity imminently. Even at this stage in the Company's business lifecycle its assets would only comprise of early-stage projects that are not yet at the production stage. Consequently, no revenue would be generated from those projects in the short-term and as a result the key performance indicators for the Company will be linked to the achievement of project milestones and the increase in overall enterprise value.

Results and dividends

The Group's results for the year are set out in the financial statements. The directors do not propose to recommend any distribution by way of dividend for the year ended 30 June 2010 (2009: nil).

Matters subsequent to the end of the financial year

There have been no post balance sheet events.

Likely developments and expected results of operations

Further details of the Company's business and likely future developments are detailed in the Chairman's Statement.

Directors' report *(continued)*

Information on directors

Melissa Sturgess BSc, MBA. *Non-Executive Chairman.* Aged 44.

Experience and expertise

Melissa Sturgess was appointed to the position of Non-Executive Chairman in October 2009. She was a founding director of Sylvania Resources Limited (ASX/AIM: SLV) and brought Churchill Mining Plc to the London market (AIM: CHL). She holds a BSc and an MBA from the University of Western Australia and commenced her career with British Airways and Australian law firm Mallesons Stephen Jaques before commencing a consulting role with Aquarius Platinum Limited (ASX/LSE: AQP) and moving full-time into the corporate development of resources companies. She is currently Chairman of Nyota Minerals Limited.

Interests in shares and options

9,650,260 options over ordinary shares in Carlton Resources Plc.
150,000 ordinary shares in Carlton Resources Plc.

Mark Burchnall BA, LLB. *Chief Executive Officer.* Aged 34.

Experience and expertise

Mark Burchnall was appointed to the position of Chief Executive Office in October 2009, having been appointed to the role of Non-Executive Director in February 2009. After practicing as a corporate and mining solicitor for over 8 years with a number of prominent Australian law firms (during which time he provided advice to a number of Australian and internationally listed clients, primarily with a natural resources focus and in areas including capital raisings, asset and share sales and acquisitions), he left the legal profession in 2006 and has since held the role of Manager – Strategic Development with Nyota Minerals Limited and (formerly) with Sylvania Resources Limited.

Interests in shares and options

9,250,260 options over ordinary shares in Carlton Resources Plc.

Richard Jarvis FCCA. *Finance Director.* Age 37.

Experience and expertise

Richard Jarvis was appointed to the position of Finance Director in February 2009. He is a Fellow member of the Institute of Chartered Certified Accountants (FCCA) and has over 10 years financial and accounting experience gained in public practice and industry. On emigrating to Australia from the UK in 2003 he worked as a Senior Accountant in the assurance and advisory division of a public practice based in Perth, providing advice on corporate administration and financial compliance related issues. He has been associated with a number of publicly listed companies since that time, including Sylvania Resources Limited, Bezant Resources Plc and Nyota Minerals Limited (AIM/AIM: NYO) and is currently Chief Financial Officer and Joint Company Secretary of the latter.

Interests in shares and options

9,250,260 options over ordinary shares in Carlton Resources Plc.

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Directors' report *(continued)*

Martyn Churchouse BSc, MSc, MBA. *Non-Executive Director (Technical).* Aged 51.

Experience and expertise

Martyn Churchouse is a Geologist and holds an MBA from the London Business School in addition to a BSc(Hons) Geology – University of London and a MSc Mining and Geology – Camborne School of Mines. He has an extensive background in exploration and mining in both Africa and Eastern Europe. He also has significant experience in exploration, resource estimation, mine development, production and corporate management. He was Chief Executive Officer of the Company until 15 October 2009.

Interests in shares and options

9,100,000 ordinary shares in Carlton Resources Plc.

10,950,260 options over ordinary shares in Carlton Resources Plc.

Company secretary

EPS Secretaries Limited.

Report on director' remuneration and service contracts

No service contracts for Executive and Non-Executive Directors have been entered into at the date of signing this report. In the best interests of the Company and in line with the Company's cash preservation strategy, as announced on 17 February 2009, the directors have agreed not to receive any cash based remuneration until a potential project is sourced and adequate capital financing raised.

Each director is also paid all reasonable expenses incurred wholly, necessarily and exclusively in the proper performance of his duties.

Directors' remuneration

| 2010 | Directors Fees £ | Salary / Consulting Fees £ | Pension Contributions £ | Share based payments (Options) £ | Total £ |
|-------------------|---------------------|-------------------------------------|-------------------------------|---|------------|
| Melissa Sturgess | - | - | - | - | - |
| Mark Burchnall | - | - | - | - | - |
| Richard Jarvis | - | - | - | - | - |
| Martyn Churchouse | - | - | - | - | - |

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Directors' report *(continued)*

Directors' interests

The beneficial and non-beneficial interests of the directors in the Company's ordinary shares at the date of these financial statements are as follows:

| | 30 June 2010 | | Notes | 30 June 2009 | |
|-------------------|-----------------|---------------|-------|-----------------|---------------|
| | Ordinary shares | Share options | | Ordinary shares | Share options |
| Melissa Sturgess | 150,000 | 9,650,260 | | 150,000 | 9,650,260 |
| Mark Burchnall | - | 9,250,260 | | - | 9,250,260 |
| Richard Jarvis | - | 9,250,260 | | - | 9,250,260 |
| Martyn Churchouse | 8,750,000 | 10,950,260 | (1) | 8,750,000 | 10,950,260 |

Notes:

- (1) The interests of Martyn Churchouse include beneficial ownership of shares held by International Mining Finance Group Limited and the shareholding of Heather Churchouse.

The directors' interests in share options are analysed further as follows:

| | Notes | Options held as at 30 June 2010 | Exercise Price | First date of exercise | Final date of exercise |
|-------------------|-------|---------------------------------|----------------|------------------------|------------------------|
| Melissa Sturgess | (1) | 400,000 | 7.75p | 1 October 2007 | 1 October 2016 |
| | (2) | 9,250,260 | 0.8p | 11 May 2009 | 11 May 2014 |
| Mark Burchnall | (2) | 9,250,260 | 0.8p | 11 May 2009 | 11 May 2014 |
| Richard Jarvis | (2) | 9,250,260 | 0.8p | 11 May 2009 | 11 May 2014 |
| Martyn Churchouse | (1) | 850,000 | 15p | 5 March 2007 | 5 March 2016 |
| | (1) | 850,000 | 7.75p | 1 October 2007 | 1 October 2016 |
| | (2) | 9,250,260 | 0.8p | 11 May 2009 | 11 May 2014 |

Notes:

- (1) Options granted under the KimCor Share Option Scheme, which was adopted on 31 January 2006.
(2) Options granted under the Carlton Resources Plc – Global Share Option Plan, which was approved by shareholders on 10 June 2009.

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Directors' report *(continued)*

Substantial shareholders

The Company has been notified, in accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules, of the following interests in its ordinary shares as at 31 October 2010 of 3% shareholders and above.

| | Number of Ordinary Shares held | Ordinary Shares as % of issued share capital |
|------------------------------|-----------------------------------|---|
| Pershing Nominees Limited | 210,691,031 | 46.41% |
| Ambrosio Invest & Trade Corp | 48,994,506 | 10.79% |
| W B Nominees Limited | 21,592,692 | 4.76% |
| Lynchwood Nominees Limited | 16,860,730 | 3.71% |
| Oakwood Nominees Limited | 14,290,000 | 3.15% |
| Amarone Resources Limited | 13,690,835 | 3.02% |
| Washington Resources Limited | 13,690,835 | 3.02% |
| Rock (Nominees) Limited | 13,655,000 | 3.01% |

Issue of warrants

On 2 July 2009 warrants over 13,690,835 Ordinary Shares were issued to Washington Resources Limited ("**Washington**") and Amarone Resources Limited ("**Amarone**") following the conversion of outstanding monies owed to them under Loan Agreements dated 17 December 2008.

These warrants are exercisable in whole or in part by each of Washington and Amarone at a conversion price of 0.1p and may be exercised at any time within a period of 3 years after the date on which the warrants were issued.

Creditor payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

Political and charitable contributions

The Company made no political or charitable contributions during the year ended 30 June 2010 (2009: nil).

Information to shareholders – website

The Company has its own website (www.carltonresourcesplc.com) for the purposes of improving information flow to shareholders as well as potential investors.

Third Party Indemnity Insurance

The Group has not provided the Directors with qualifying third party indemnity insurance at this point in time.

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Directors' report (*continued*)

Statement of disclosure to auditor

So far as the directors, at the time of approval of their report, are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

BDO LLP has expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board



Mark Burchnell
Chief Executive Officer
12 November 2010

Statement of Directors' responsibilities

Directors' Responsibilities

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the Independent Auditors

TO THE MEMBERS OF CARLTON RESOURCES PLC

We have audited the financial statements of Carlton Resources Plc for the year ended 30 June 2010 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Report of the Independent Auditors *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Scott Knight (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Statement of comprehensive income

| | Notes | 2010 £ | 2009 £ |
|---|-------|------------------|--------------------|
| Continuing operations | | | |
| Aborted transaction related costs | | (190,504) | - |
| Other administrative expenses | | (239,105) | (601,919) |
| Administrative expenses | | (429,609) | (601,919) |
| Loss from operations | 8 | (429,609) | (601,919) |
| Finance income | 7 | 228 | 1,069 |
| Finance expense | 7 | - | (3,823) |
| Loss before income tax expense | | (429,381) | (604,673) |
| Income tax expense | 9, 10 | - | - |
| Loss for the year from continuing operations | 8 | (429,381) | (604,673) |
| Loss for the year from discontinued operations | 11 | - | (1,527,208) |
| Total comprehensive loss for the year after income tax expense | | (429,381) | (2,131,881) |
| Loss per share expressed in pence per share | | | |
| From continuing operations | | | |
| Basic and diluted | 20 | (0.09)p | (0.23)p |
| From discontinued operations | | | |
| Basic and diluted | 20 | - | (0.57)p |
| Total operations | | | |
| Basic and diluted | 20 | (0.09)p | |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Statement of financial position

| Company number: 05399993 | Notes | 2010 £ | 2009 £ |
|-------------------------------|-------|--------------------|-------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 813 | - |
| | | 813 | - |
| Current assets | | | |
| Trade and other receivables | 13 | 6,950 | 4,911 |
| Cash and cash equivalents | 14 | 75,141 | 414,073 |
| | | 82,091 | 418,984 |
| Total assets | | 82,904 | 418,984 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Borrowings | 15 | - | 125,244 |
| Trade and other payables | 16 | 72,600 | 52,554 |
| Total liabilities | | 72,600 | 177,798 |
| Total net assets | | 10,304 | 241,186 |
| Equity | | | |
| Share capital | 17 | 1,527,031 | 1,484,185 |
| Share premium reserve | 18 | 7,980,095 | 7,841,940 |
| Warrant reserve | 18 | 53,653 | 53,653 |
| Retained earnings | 18 | (9,550,475) | (9,138,592) |
| Total equity | | 10,304 | 241,186 |

The financial statements were approved by the Board of directors and authorised for issue on 12 November 2010.



Mark Burchnall
Chief Executive Officer

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

The above statement of financial position should be read in conjunction with the accompanying notes.

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Statement of changes in equity

| | Share Capital £ | Share Premium £ | Warrant Reserve £ | Merger Reserve £ | Retained Earnings £ | Total £ |
|---|-----------------------|-----------------------|-------------------------|------------------------|---------------------------|------------------|
| Balance as of 1 July 2008 | 1,341,328 | 7,584,797 | 53,653 | 8,998,023 | (16,240,333) | 1,737,468 |
| Total comprehensive income | - | - | - | - | (2,131,881) | (2,131,881) |
| Issue of share capital | 142,857 | 257,143 | - | - | - | 400,000 |
| Equity settled share- based payments | - | - | - | - | 235,599 | 235,599 |
| Transfer of reserves ¹ | - | - | - | (8,998,023) | 8,998,023 | - |
| Balance as of 30 June 2009 | 1,484,185 | 7,841,940 | 53,653 | - | (9,138,592) | 241,186 |
| Balance as of 1 July 2009 | 1,484,185 | 7,841,940 | 53,653 | - | (9,138,592) | 241,186 |
| Total comprehensive income | - | - | - | - | (429,381) | (429,381) |
| Issue of share capital ² | 42,846 | 138,155 | - | - | - | 181,001 |
| Equity settled share- based payments | - | - | - | - | 17,498 | 17,498 |
| Balance as of 30 June 2010 | 1,527,031 | 7,980,095 | 53,653 | - | 9,550,475 | 10,304 |

¹ Following the disposal of all subsidiaries, certain reserves were transferred to retained earnings.

² For details of this non cash transaction see Note 17.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Carlton Resources Plc
Annual Report and financial statements for the year ended 30 June 2010

Statement of cash flows

| | Notes | 2010 £ | 2009 £ |
|---|-------|------------------|------------------|
| Cash flow from operating activities | | | |
| Loss before tax | | (429,381) | (2,131,881) |
| Adjustments for: | | | |
| Finance expense | | - | 3,823 |
| Finance income | | (228) | (1,069) |
| Depreciation | | 232 | - |
| Equity settled share-based payment expense | | 17,498 | 235,599 |
| Loss on disposal of discontinued operations / subsidiaries | | - | 1,527,208 |
| Loss on disposal of fixed assets | | - | 1,867 |
| Net cash from operating activities before changes in working capital | | (411,879) | (364,453) |
| (Decrease) / increase in trade and other payables | | 75,803 | (79,593) |
| (Increase) in trade and other receivables | | (2,039) | 33,239 |
| Taxation | | - | - |
| Net cash flow from operating activities | | (338,115) | (410,807) |
| Investing activities | | | |
| Interest received | | 228 | 1,069 |
| Proceeds from the sale of subsidiaries | | - | 200,000 |
| Purchase of property, plant and equipment | | (1,045) | - |
| Net cash flow from investing activities | | (817) | 201,069 |
| Financing activities | | | |
| Proceeds from issue of ordinary shares | | - | 400,000 |
| Proceeds from loans raised | | - | 125,244 |
| Interest paid | | - | (3,823) |
| Net cash from financing activities | | - | 521,421 |
| Net increase in cash and cash equivalents | | (338,932) | 311,683 |
| Cash and cash equivalents at the beginning of the year | 14 | 414,073 | 102,390 |
| Exchange losses on cash and cash equivalents | | - | - |
| Cash and cash equivalents at the end of the year | 14 | 75,141 | 414,073 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

Carlton Resources Plc

Notes to the financial statements

1 CORPORATE INFORMATION

The financial statements of Carlton Resources Plc for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 12 November 2010.

Carlton Resources Plc is a company incorporated in England and Wales on 21 March 2005.

2 BASIS OF PREPARATION

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

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively IFRSs) as adopted by the European Union and also in accordance with the Companies Act 2006.

As at 30 June 2009, the Company had disposed of all of its subsidiaries and no longer constituted a Group as defined by the Companies Act 2006.

The financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

The accounting policies set out in note 4 have, unless otherwise stated, been applied consistently in these financial statements. Judgments made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 3.

Changes in accounting policies

The IFRS financial information has been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The IASB and IFRIC have issued the following standards and interpretations:

There following were amendments to published standards and interpretations to existing standards effective in the year adopted by the Company.

| International Accounting Standards (IAS/IFRS) | | Effective date (periods beginning on or after) |
|---|---|--|
| • IAS 1 | Amendment - Presentation of financial statements: a revised presentation | 1 Jan 2009 |
| • IAS 23 | Amendment - Borrowing costs | 1 Jan 2009 |
| • IFRS 2 | Amendment - Share-based payment: vesting conditions and cancellations | 1 Jan 2009 |
| • IFRS 7 | Amendment – Improving Disclosures about Financial Instruments | 1 Jan 2009 |
| • | Improvements to IFRSs (2009) | 1 Jan 2009 |
| • IAS 27 | Amendment - Consolidated and separate financial statements | 1 Jul 2009 |
| • IFRS 3 | Revised - Business combinations | 1 Jul 2009 |

Carlton Resources Plc

Notes to the financial statements

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.

Going concern

The Company meets its day to day working capital requirements through the cash balances held with its bankers and with the continued support of the major shareholder.

The directors have formed the view that at the time of approving the financial statements the Company has adequate resources to continue in existence for the foreseeable future. Therefore the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The following critical accounting estimates and judgments were relevant to the Company up to the date it disposed of its diamond and industrial operations and may be of relevance in the future.

(i) Income taxes

The Company is subject to income taxes in various jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(ii) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods.

(iii) Share-based compensation

In order to calculate the charge for share-based compensation as required by IFRS 2, the Company makes estimates principally relating to the assumptions used in its option-pricing model.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency

(i) Functional and presentation currency

The functional currency for the company is Pound Sterling. The financial statements are presented in Pound Sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions. Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Land is shown at cost and is not depreciated. Depreciation is provided on all other assets to write down the cost, less residual value, by equal instalments over their estimated useful lives as follows:

- Buildings 10-20 years
- Plant and Equipment 5-12 years
- Motor Vehicles 3-5 years
- Office and computer equipment 3-8 years

The depreciation charge for each period is recognised in the income statement, unless it is included in the carrying amount of another asset. Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Repairs and maintenance which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the income statement when the item is de-recognised.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

Carlton Resources Plc

Notes to the financial statements

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Company assesses at each reporting date whether there is objective evidence that a financial asset maybe impaired. If any such indication exists an impairment loss is recognised in the income statement for the difference between the assets carrying amount and the present value of expect future cashflows discounted at the assets original effective interest rate.

Financial assets

The Company classifies its financial assets into the one category discussed below. The Company has not classified any of its financial assets as held to maturity, fair value through profit or loss, or available for sale. The company does not use derivative financial instruments.

Loans and receivables

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts and subsequently are carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial liabilities

The group classifies its financial liabilities into the one category discussed below. The Company has not classified any of its financial liabilities as fair value through profit or loss.

Carlton Resources Plc

Notes to the financial statements

Financial liabilities held at amortised cost

Trade and other payables

Trade and other payables are not interest-bearing and are initially recognised at fair value and subsequently stated at amortised cost.

Finance leases

Leases of property plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at fair value of the leased property or, if lower, the net present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs not related to qualifying assets are expensed.

Financial income

Interest income is recognised on a proportional basis taking into account the effective interest rates applicable to the financial assets.

Income taxes

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Carlton Resources Plc

Notes to the financial statements

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Share-based payments

The Company utilises share options and warrants. The exercise price is determined by the directors and is fixed at the date of grant. Where share options are awarded to employees (including directors), the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Where share options are granted to persons other than employees, the income statement is charged with the fair value of goods and services received. Where the fair value of goods and services cannot be identified, the fair value of the share options is used. The fair value of share options is calculated by using the binomial model.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Provisions for legal claims

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 based on legal advice.

Share capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

The Company considers its capital to be total equity.

The Company is not subject to any externally imposed capital requirements.

5 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk and sensitivity analysis

The Company was exposed through its operations to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. These risks have either been reduced or eliminated in full following the disposal of its diamond and industrial operations in December 2008. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Risk management is carried out by the Board of directors of the Company.

The significant accounting policies regarding financial instruments are disclosed in note 4.

Carlton Resources Plc

Notes to the financial statements

Principal financial instruments

The Company holds the following financial instruments:

| | 2010 | 2009 |
|---|--------|---------|
| | £ | £ |
| Loans and receivables at amortised cost | | |
| Cash and cash equivalents | 75,141 | 414,073 |
| Financial liabilities held at amortised cost | | |
| Trade and other payables | 72,600 | 52,554 |
| Borrowings | - | 125,243 |

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board reviews on a regular basis the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Foreign currency risk

The Company was exposed to foreign currency risk as its main operations were located in South Africa whose functional currency is the South African Rand (ZAR). The Company did not engage in foreign exchange risk hedges, however, reviewed its currency exposures on a regular basis.

The Company retains its current cash balances in Sterling and Australian Dollars.

| | 2010 | 2009 |
|---|--------|---------|
| | £ | £ |
| UK Sterling and Australian Dollars | | |
| Loans and receivables at amortised cost | | |
| Cash and cash equivalents | 75,141 | 414,073 |
| Trade and other receivables | 6,950 | 4,911 |
| Financial liabilities held at amortised cost | | |
| Trade and other payables | 72,600 | 52,554 |
| Borrowings | - | 125,244 |

There are no other significant assets or liabilities held by the Company in currencies other than the functional currency.

Interest rate risk

The Company does not hold any financial liabilities subject to fixed or floating interest rates.

Carlton Resources Plc

Notes to the financial statements

Credit risk

Credit risk arose principally from the Company's trade receivables and investments in bank deposits. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

- *Cash and cash equivalents*

Cash balances are deposited with banks with a high credit rating. The Company currently holds three bank accounts with two different banking institutions.

- *Trade receivables*

There are no revenue or trade receivables in the Company.

Liquidity risk

Liquidity risk arises from the Company's management of its cash funds, working capital and the finance charges and principal repayments on any borrowings. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Company's expenditure. The Company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on any long-term borrowings should they arise, this is further discussed in the interest rate section below.

The Board receives cash flow projections on a monthly basis as well as information on cash balances.

Maturity analysis

Trade and other payables

| | Total £ | On Demand £ | In 1 Month £ | Over 1 Month £ |
|--------------------------|------------|-------------------|--------------------|----------------------|
| 2010 | | | | |
| Trade and other payables | 72,600 | - | 72,600 | - |
| Borrowings | - | - | - | - |
| 2009 | | | | |
| Trade and other payables | 52,554 | - | 52,554 | - |
| Borrowings | 125,244 | 125,244 | - | - |

Carlton Resources Plc
Notes to the financial statements

6 SEGMENT INFORMATION

During the year the Company operated in one division organised by business distinction –corporate. These divisions are the basis on which the Company reports its primary segment information. Principal activities are as follows:

Corporate - the head office activities of the Company.

Segment information about these businesses is presented below.

| 2010 | Corporate £ | Discontinued operations £ | Total £ |
|----------------------|------------------------|--|--------------------|
| Result | | | |
| Loss from operations | (429,609) | - | (429,609) |
| Finance income | 228 | - | 228 |
| Finance expense | - | - | - |
| Tax | - | - | - |
| Loss after tax | <u>(429,381)</u> | <u>-</u> | <u>(429,381)</u> |
| Assets | | | |
| Segment assets | <u>82,904</u> | <u>-</u> | <u>82,904</u> |
| Liabilities | | | |
| Segment liabilities | <u>72,600</u> | <u>-</u> | <u>72,600</u> |
| 2009 | | | |
| | Corporate £ | Discontinued operations £ | Total £ |
| Result | | | |
| Loss from operations | (601,919) | (1,527,208) | (2,129,125) |
| Finance income | 1,069 | - | 1,069 |
| Finance expense | (3,823) | - | (3,823) |
| Tax | - | - | - |
| Loss after tax | <u>(604,673)</u> | <u>(1,527,208)</u> | <u>(2,131,881)</u> |
| Assets | | | |
| Segment assets | <u>418,984</u> | <u>-</u> | <u>418,984</u> |
| Liabilities | | | |
| Segment liabilities | <u>177,798</u> | <u>-</u> | <u>177,798</u> |

Carlton Resources Plc
Notes to the financial statements

| 2010 | Corporate £ | Discontinued operations £ | Total £ |
|-------------------------------|------------------------|--|--------------------|
| Capital additions | 1,045 | - | 1,045 |
| Depreciation and amortisation | (232) | - | (232) |
| 2009 | Corporate £ | Discontinued operations £ | Total £ |
| Capital additions | - | - | - |
| Depreciation and amortisation | - | - | - |

7 FINANCE INCOME AND EXPENSE

| | 2010 £ | 2009 £ |
|--------------------------------|-------------------|-------------------|
| 7.1 Finance income | | |
| Interest receivable | 228 | 1,069 |
| 7.2 Finance expense | | |
| Interest expense on borrowings | - | 3,823 |

8 LOSS FROM OPERATIONS

Loss from operations includes the following:

| | 2010 £ | 2009 £ |
|--|-------------------|-------------------|
| 8.1 Employee Costs | | |
| Wages and salaries (including directors) | - | 102,083 |
| Equity settled share based payment expense | - | 183,659 |
| Social Security costs | - | 12,080 |
| | - | 297,822 |

The average monthly number of employees (including executive directors) during the period is:

| | Number | Number |
|----------------|---------------|---------------|
| Operational | - | - |
| Administration | 4 | 5 |
| | 4 | 5 |

8.2 Directors' emoluments

The directors are not in receipt of any non-cash benefits other than share options. No retirement benefits are accruing to directors under pension schemes. The directors receive reimbursement for reasonable expenses. Key management personnel consist of directors only.

Carlton Resources Plc
Notes to the financial statements

As previously stated, no directors remuneration was paid to any director in the year ended 30 June 2010. In respect to the year ended 30 June 2009, the highest paid director had emoluments totalling £52,083, which were payable to Martyn Churchouse during the period 1 July 2008 to 30 November 2008.

8.3 Auditors remuneration

| | 2010 | 2009 |
|------------------------------|---------------|--------|
| | £ | £ |
| Audit of the annual accounts | 10,000 | 19,500 |
| Other services: | | |
| Other taxation services | 5,000 | 5,000 |
| | 15,000 | 24,500 |

9 CURRENT TAX

9.1 Tax charged in the income statement

| | 2010 | 2009 |
|-------------------------|-------------|----------|
| | £ | £ |
| Deferred Tax | | |
| Deferred Tax | - | - |
| | - | - |
| Total Tax Charge | - | - |

9.2 Reconciliation of the total tax charge

The tax assessed on the loss on ordinary activities for the period is different from the standard rate of corporation tax in the UK. The charge for the period can be reconciled to the loss per the income statement as follows:

| | 2010 | 2009 |
|---|------------------|-------------|
| | £ | £ |
| Loss on ordinary activities before tax | (429,381) | (2,131,881) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%) | (120,227) | (596,926) |
| Non tax deductible expenses | 4,899 | 66,555 |
| Loss on disposal of investments | - | (1,213,184) |
| Capital allowances in excess of depreciation | - | (133) |
| Tax losses carried forward | 115,328 | 1,743,688 |
| Total tax credit for the period | - | - |

10 DEFERRED TAX

The Company has potential deferred tax assets of approximately £Nil (2009: £Nil) in respect of tax losses, and other temporary differences arising that are available for offset against future taxable profits. No deferred tax asset has been recognised as it not sufficiently certain that suitable taxable profits will arise.

Carlton Resources Plc
Notes to the financial statements

11 DISCONTINUED OPERATIONS

On 3 December 2008 the Company announced its intention to sell its diamond and industrial operations to Belmont Mining Limited. The transaction was approved by shareholders at the Company's Extraordinary General Meeting held on 8 January 2009. As a result the operations disposed of are reported in this financial report as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below. Further information is set out in Note 6 - Segmental information. This information details the revenue and loss for the period of the discontinued operations.

| | 2009 |
|--|---------------------------|
| | £ |
| Sales proceeds | 200,000 |
| Carrying value of investments | (1,727,210) |
| Total loss on disposal of discontinued operations | <u>(1,527,210)</u> |

12 PROPERTY, PLANT AND EQUIPMENT

| | Office and computer equipment £ |
|---|--|
| Cost | |
| Balance at 1 July 2008 | 4,536 |
| Disposal | (4,536) |
| Balance at 30 June 2009 | <u>-</u> |
| Balance at 1 July 2009 | - |
| Additions | 1,045 |
| Balance at 30 June 2010 | <u>1,045</u> |
| Accumulated depreciation at 30 June 2009 | |
| Balance at 1 July 2008 | 2,699 |
| Disposal | (2,699) |
| Balance at 30 June 2009 | <u>-</u> |
| Balance at 1 July 2009 | - |
| Depreciation charge for the year | 232 |
| Balance at 30 June 2010 | <u>232</u> |
| Net carrying value | |
| At 30 June 2009 | <u>-</u> |
| At 30 June 2010 | <u>813</u> |

Carlton Resources Plc
Notes to the financial statements

13 TRADE AND OTHER RECEIVABLES

| | As at 30 June 2010 £ | As at 30 June 2009 £ |
|----------------|----------------------------|----------------------------|
| VAT receivable | 3,125 | 4,911 |
| Prepayments | 3,825 | - |
| | <u>6,950</u> | <u>4,911</u> |

14 CASH AND CASH EQUIVALENTS

| | As at 30 June 2010 £ | As at 30 June 2009 £ |
|--------------------------|----------------------------|----------------------------|
| Cash at bank and in hand | <u>75,141</u> | 414,073 |

The fair value of cash and cash equivalents is calculated using appropriate exchange rates and is the same as its carrying value. Cash is held in three different bank accounts with two banking institutions. The Company's exposure to interest rate risk is covered in Note 5.

15 BORROWINGS

| | As at 30 June 2010 £ | As at 30 June 2009 £ |
|---|----------------------------|----------------------------|
| Current loans and borrowings | | |
| Other loans | - | 125,244 |
| Total current loans and borrowings | <u>-</u> | <u>125,244</u> |

For details of shares issued in the year to repay other loans see note 17.

16 TRADE AND OTHER PAYABLES

| | As at 30 June 2010 £ | As at 30 June 2009 £ |
|----------------|----------------------------|----------------------------|
| Trade Payables | 62,600 | 37,554 |
| Accruals | 10,000 | 15,000 |
| | <u>72,600</u> | <u>52,554</u> |

Trade payables principally relate to outstanding amounts for ongoing costs. The directors consider that the carrying amount of other payables is not significantly different from the fair value.

For details of shares issued in the year to repay trade and other payable amounts see note 17.

Carlton Resources Plc
Notes to the financial statements

17 SHARE CAPITAL

Ordinary Share Capital

| Number | Class | Nominal value | Year ended | Year ended |
|---|----------|---------------|------------------|------------------|
| | | | 30 June 2010 | 30 June 2009 |
| | | | £ | £ |
| <i>Authorised</i> | | | | |
| 2,400,000,000 | Ordinary | 0.1p | 2,400,000 | 2,400,000 |
| 400,000,000 | Deferred | 0.4p | 1,600,000 | 1,600,000 |
| | | | 4,000,000 | 4,000,000 |
| <i>Allotted, called up and fully paid</i> | | | | |
| 453,969,390 | Ordinary | 0.1p | 453,969 | 411,123 |
| 268,265,577 | Deferred | 0.4p | 1,073,062 | 1,073,062 |
| | | | 1,527,031 | 1,484,185 |

Movement in Ordinary Share Capital

| Date | Detail | Number of shares | Nominal value per share in pence | £ |
|-------------------|---------------------|--------------------|----------------------------------|----------------|
| 1 July 2009 | Opening balance | 411,122,720 | 0.1 | 411,123 |
| 2 July 2009 | Allotment of shares | 39,881,670 | 0.1 | 39,881 |
| 21 September 2009 | Allotment of shares | 2,965,000 | 0.1 | 2,965 |
| 30 June 2010 | Closing balance | 453,969,390 | 0.1 | 453,969 |

On 2 July 2009 13,690,835 ordinary Shares and 13,690,835 warrants over ordinary Shares were issued to Washington Resources Limited (“Washington”) and Amarone Resources Limited (“Amarone”) in full settlement of outstanding monies owed to them under loan agreements dated 17 December 2008. The warrants are exercisable in whole or in part by each of Washington and Amarone at a conversion price of 0.1p and may be exercised at any time within a period of 3 years after the date on which the warrants were issued.

On 2 July 2009, 12,500,000 new ordinary shares were issued and allotted to Strand Partners in full settlement of an existing debt of £35,000.

On 21 September 2009, 2,965,000 new ordinary shares were issued and allotted to Oakwood Nominee in full settlement of an existing debt of £20,758.

The Deferred Shares are effectively valueless as they do not carry any rights to vote or dividend rights. In addition, holders of Deferred Shares are only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of New Ordinary Shares have received a payment of £1,000,000 on each such share. The Deferred Shares are not be listed or traded on AIM and are not be transferable without the prior written consent of the directors. No share certificates will be issued in respect of the Deferred Shares. The Board may further appoint any person to act on behalf of all the holders of the Deferred Shares to transfer all such shares to the Company (or its nominee) for an aggregate consideration of 1 penny.

Carlton Resources Plc

Notes to the financial statements

Share option agreement

A share option agreement was signed on 27 February 2006 with Westhouse Securities LLP (“Option Holder”), being the Company’s nominated advisor and broker at that time. In consideration of the sum of £1 paid by Option Holder the Company granted to the Option Holder an option to subscribe for such number of ordinary shares as will represent 1 per cent of the issued share capital of the Company immediately following AIM Admission, being 634,800 ordinary shares, at a subscription price of 15p per share during the period of five years commencing on the date of IPO. The option granted is exercisable in whole or in part, subject to exercise on any one occasion of no less than 25% of the total subscription rights, at any time or times during the option period of 5 years.

Capital maintenance

As described in note 5 the Company considers its capital to comprise total equity. In managing its capital, the Group’s primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth in the short term and both capital growth and distributions in the medium to long term. In order to achieve this objective, the Company seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Company’s capital management objectives, policies and processes in the year. Changes to Company’s capital in the period are described below.

18 RESERVES

The following describes the nature and purpose of each reserve within owners’ equity.

| Reserve | Description and purpose |
|-------------------|--|
| Share premium | Amounts subscribed for share capital in excess of nominal value. |
| Warrant reserve | Fair value of the warrants issued. |
| Retained earnings | Cumulative net gains and losses recognised in the consolidated income statement. |

Following the disposal of its diamond and industrial operations in the period, the Merger reserve was transferred to retained earnings and subsequently eliminated in full.

19 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no post balance sheet events.

20 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the period, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the basic and diluted earnings per share computations:

| | Year ended 30 June 2010 | Year ended 30 June 2009 |
|---|------------------------------------|----------------------------|
| | £ | £ |
| <i>Net loss attributable to equity holders of the parent:</i> | | |
| From continuing operations | <u>(429,381)</u> | <u>(604,671)</u> |
| From discontinued operations | <u>-</u> | <u>(1,527,208)</u> |
| From total operations | <u>(429,381)</u> | <u>(2,131,881)</u> |

No diluted loss per share has been calculated as the Company has incurred a loss for the period.

| | Number | Number |
|---|--------------------|----------------------|
| Basic weighted average number of shares | <u>453,076,627</u> | <u>268,265,577 *</u> |

* On 29 June 2009, the Company announced the completion, on 26 June 2009, of the placing of 142,857,143 new ordinary shares to raise £400,000. The proceeds of the placing were used to satisfy certain outstanding liabilities of the Company and for future working capital purposes. All placing proceeds were received by the Company on the 26 June 2009; however, application to have the shares admitted to trading on AIM was made on 2 July 2009. The shares were subsequently issued and allotted onto the Company's Share Register on 6 July 2009. As a result these shares have been excluded from the basic and weighted average number of shares calculation for the year ended 30 June 2009.

There are options and warrants outstanding at the end of the year that could potentially dilute basic earnings per share in the future. These are detailed in notes 17 and 21. The effect of the factors above is anti-dilutive for both the current and prior year.

Carlton Resources Plc
Notes to the financial statements

21 SHARED BASED PAYMENTS

Share option plan

The Company periodically grants share options to employees, consultants and directors, as approved by the Board. As at 30 June 2010, the following share options were outstanding in respect of the ordinary shares:

| | Date of Grant | Options granted and outstanding | Exercise price | First date of exercise | Final date of exercise |
|---|----------------------|--|-----------------------|-------------------------------|-------------------------------|
| Directors | 6 March 2006 | 2,350,000 | 15p | 06.03.2007 | 06.03.2016 |
| Employees | 6 March 2006 | 100,000 | 15p | 06.03.2007 | 06.03.2016 |
| Consultants | 6 March 2006 | 850,000 | 15p | 06.03.2007 | 06.03.2016 |
| | | 3,300,000 | | | |
| Employees | 28 July 2007 | 100,000 | 14p | 28.07.2009 | 28..07.2017 |
| | | 100,000 | | | |
| Directors | 1 October 2007 | 3,400,000 | 7.75p | 01.10.2009 | 01.10.2017 |
| Consultants | 1 October 2007 | 850,000 | 7.75p | 01.10.2009 | 01.10.2017 |
| | 3 December 2007 | 400,000 | 7.75p | 03.12.2009 | 03.12.2017 |
| Employees | | | | | |
| | | 4,650,000 | | | |
| Directors | 11 May 2009 | 27,750,780 | 0.8p | - | 11.05.2014 |
| Consultants | 11 May 2009 | 33,917,620 | 0.8p | - | 11.05.2014 |
| | | 61,668,400 | | | |
| Options granted as at 30 June 2010 | | 69,718,400 | | | |

The expense recognised for share-based payments in respect of employee and director's services received during the year ended 30 June 2010 is £17,498 (2009: £235,599).

No options were exercised or lapsed during current or prior periods.

The vesting periods of the options issued in 2007 is one-third per annum from the date of grant, and options not vested will lapse on the individual ceasing to be a director or consultant (as applicable). Any options vested will lapse if not exercised within 3 months of the date of any such cessation of employment. The vesting conditions for options granted on 11 May 2009 are any time before 11 May 2014.

There were 66,551,733 options exercisable at the year-end (2009: 66,551,733). The fair value of the options granted during the period was £Nil (2009: £173,125). The fair value of equity-settled share options granted is estimated as at the date of grant using a Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the period ended 30 June 2010.

Carlton Resources Plc
Notes to the financial statements

| | 2010 | 2009 | 2008 |
|-------------------------------------|-------------|-------------|-------------|
| Share price at the date of grant | - | 0.5p | 7p |
| Dividend yield (%) | - | 0% | 0% |
| Expected share price volatility (%) | - | 80% | 35% |
| Risk-free interest rate (%) | - | 2.84% | 4.89% |
| Employee exit rate | - | 0 | 0 |
| Weighted average option price | - | 0.002p | 2p |
| Expected life of the options | - | 5 years | 5 years |

The expected life of the options is based on academic research and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the comparator's volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

22 RELATED PARTY TRANSACTIONS

Identification of related parties during the year ended 30 June 2010

None noted.

Identification of related parties during the year ended 30 June 2009

Ferrum Crescent Limited (formerly Washington Resources Limit) ("Ferrum") is an Australian listed public company. Melissa Sturgess and Mark Burchnall were directors of this company until their resignations on 19 August 2009. Richard Jarvis was a director of Ferrum until his resignation on 11 January 2010.

Bridoon Trade and Invest 163 (Pty) Ltd ("Bridoon") is a company controlled by Cedric Bredenkamp, who, up until his resignation on 20 March 2009 was a director of Carlton Resources Plc.

Nyota Minerals Limited is a significant shareholder of Carlton Resources Plc.

Kolong Investment Holdings (Pty) Ltd is a significant shareholder of Superkolong Holdings (Pty) Ltd, a Group subsidiary.

Nora Smeenk is a shareholder with significant influence in Anmic Diamonds (Pty) Ltd ("Anmic").

Metal Resources Ltd is a significant shareholder of Carlton Resources Plc.

Transactions and balances outstanding

For the period ended 30 June 2010

None noted.

For the period ended 30 June 2009

On 2 July 2009 13,690,835 Ordinary Shares and warrants over 13,690,835 Ordinary Shares were issued to Washington Resources Limited following the conversion of outstanding monies owed to them under Loan Agreements dated 17 December 2008.

23 CONTINGENCIES AND COMMITMENTS

There are no contingencies or commitments as at 30 June 2010, other than those disclosed elsewhere in this report.