Obtala Resources Plc

Interim Financial Report

for the period ended 30 June 2010

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Chairman's Statement

I am pleased to present the interim report of Obtala Resources Plc ("Obtala", "Company" or "Group") for the six months to 30 June 2010.

Obtala completed the acquisition of Sierra Leone Hard Rock ("SLHR") in January 2010 and has subsequently focused on re-commissioning of the SLHR plant ahead of the scheduled commencement of diamond mining production operations in September of this year. In addition, Obtala has continued its field exploration on mineral licences in Tanzania and has also been active in its corporate investing activities.

Financial results

Group losses before tax for the six months to June 2010 amounted to £2.15 million and included £1.48 million of costs incurred by SLHR as part of the re-commissioning of its diamond mining operation. The Group losses also include an impairment of £0.19 million in relation to a nickel licence following a review by the directors of the carrying value of the intangible licences.

Net assets increased by £5.86 million during the half year to £36.2 million. The increase includes £4.26 million of net assets brought in to the Group under the SLHR acquisition in January which was satisfied in full by the issue of shares and also includes £2.0 million of cash raised from a placing of 6,060,607 new ordinary shares at 33p in May this year. Cash balances increased by £0.72 million during the six month period to stand at £5.73 million at 30 June 2010.

Re-organisation into an international Group

In line with the increasing international profile of the Group's business assets and as part of its ongoing development strategy, proposals are being announced today for a group re-organisation under which the existing parent company will become a wholly owned subsidiary of a new Guernsey holding company, Obtala Resources Limited. The business operation, assets and liabilities of the Obtala Resources group under the new Guernsey holding company immediately after the re-organisation would be no different from those immediately before the re-organisation. If the proposals are approved, this new Guernsey holding company is expected to be admitted to AIM on 17 September 2010.

Corporate investing activities

Obtala diversified away from a pure exploration and development group during 2009 when it commenced investment activities, focusing on opportunities in the natural resources sector. This has enabled Obtala to take advantage of investments in undervalued resource assets and to exploit potential synergies and strategic alliance opportunities.

Chairman's Statement

The Company's primary investment remains its combination of equity and derivative instruments that it holds in Kopane Diamonds Developments plc ("Kopane"). During 2009, Obtala recognised realised and unrealised gains totalling £5.7 million on its Kopane investing activities and in the first six months of 2010, Obtala realised cash proceeds of £1.04 million on the disposal of part of its holdings in Kopane. The Company now holds shares representing 5.5 per cent. of the voting rights together with an indirect non voting interest of 10.7 per cent. held through a derivative financial instrument. Obtala remains committed to the future of Kopane and is supportive of the recommended all share offer made by Firestone Diamonds Plc for Kopane as announced on 21 July 2010.

Sierra Leone Hard Rock

In January 2010, Obtala acquired the entire issued share capital of SLHR and its wholly owned subsidiary Sierra Leone Hard Rock (SL) Limited. This acquisition gives Obtala access to four diamond mining licences, covering an area of 162.40 km^2, seven exploration licences, covering an area of 2,590.75 km^2 and net assets with a book value of $20.78 million per their last financial statements. Your directors have, however, revalued those net assets to estimated fair values at acquisition which equate to the consideration paid and consequently there is no goodwill on consolidation. Consideration for the acquisition was satisfied by issuing 21,170,422 new ordinary shares in Obtala equivalent to 9.9 per cent. of its enlarged issued share capital following completion. The share issue was equal to a total consideration value of £4.26 million based on a market price at the date of the agreement of 20.125 pence per share.

The first six months of 2010 post acquisition have seen a very promising start for our alluvial diamond mining operations in the Kono district of Sierra Leone and the company has begun the re-commissioning of the main Dense Medium Separation ("DMS") plant and more recently commenced re-commissioning of the mobile DMS plant. In addition, in March the SLHR successfully commenced a partnership with the artisanal miners operating in the three Chiefdoms which the mining licences cover. The partnership, endorsed by the Government of Sierra Leone and key stake holders, will see SLHR paying daily salaries and providing mining equipment to 150 miners from each of the three chiefdoms, totalling 450 workers. SLHR will also provide the sales and marketing outlet for diamonds mined during the term of the partnership, and will ensure that the diamonds pass through the Kimberley Certification process in Freetown.

The early results of re-commissioning both the main and the mobile DMS plants and the grades obtained are very positive and in excess of 2,000 carats have been recovered to date but have yet to be accounted for in revenues or inventory. This total includes a significant number of larger gem quality stones. A rapid build up of production from these plants is expected to commence in September and will generate diamond revenues for the second half of the year.

Directorate changes

I was delighted to announce on 17 May 2010 that Lord Anthony St. John of Bletso was appointed to the Board of Directors. He brings a wealth of experience in both parliamentary liaisons and international business which Obtala will certainly benefit from. Amongst his appointments, he is currently the Vice Chairman of the All Party Parliamentary South Africa Group, Chairman of the UK Sierra Leone Business Forum and trustee of several charities focused on Africa.

Outlook

I am confident that Obtala will make considerable progress during the remainder of 2010 and in particular that the scale up of diamond mining operations in Sierra Leone and in Africa generally, is expected to create further value for shareholders. In addition the Group will continue the exploration and development of its other mineral licences in Tanzania with the emphasis placed on gold and nickel projects as well as development of the Montara farming venture in Southern Tanzania. Montara is also close to negotiating the acquisition of what we believe will be a lucrative Forestry licence in Mozambique and which we expect to be able to announce within the next quarter period.

Going forward, the Board may use a number of strategies to enhance shareholder value such as developing exploration licence assets using our own internal management team, development in partnership with other operators or by way of disposal or demerger/separate listing of such licence assets and businesses where appropriate.

Finally, I would like to thank our shareholders for their continued support and also all of our employees across the Group for their hard work and commitment in the period.

Francesco Scolaro
Executive Chairman
5 August 2010

Condensed Consolidated Income Statement

For the period from 1 January 2010 to 30 June 2010

	Notes	Six months to 30 June 2010 (Unaudited) £'000	Restated* Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
(Loss)/Gains on investments	3	(137)	2,106	5,691
Diamond distribution rights income		177	–	–
Administrative expenses		(1,998)	(481)	(918)
Impairment of intangible assets		(193)	–	(1,787)
Operating (loss)/profit		(2,151)	1,625	2,986
Profit on disposal of interests in mining licences		–	305	305
Finance income		10	10	14
Finance costs		(13)	–	(3)
(Loss)/Profit before tax		(2,154)	1,940	3,302
Taxation	5	87	(397)	(1,477)
(Loss)/Profit for the period		(2,067)	1,543	1,825
Other comprehensive income:				
Exchange differences of re-translation of foreign operations		1,649	(3,272)	(2,430)
Total comprehensive income attributable to owners of the parent:		(418)	(1,729)	(605)
Earnings/(loss) per share				
Basic (pence)	6	(0.97)	0.8	0.97
Diluted (pence)	6	(0.97)	0.8	0.97

*Restated to reflect the adoption of a revised accounting policy for the recognition of short term investments – see note 2.

The (loss)/profit for the period arises from the Group's continuing operations.

Condensed Consolidated Statement of Changes in Equity

For the period from 1 January 2010 to 30 June 2010

	Attributable to equity holders of the company						
	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Share based payment reserve	Retained reserves/ (deficit)	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	1,775	2,828	16,400	7,452	23	(215)	28,263
Gain for the period	–	–	–	–	–	1,543	1,543
Exchange losses on retranslation of foreign operations	–	–	–	(3,272)	–	–	(3,272)
Total comprehensive income for the period	–	–	–	(3,272)	–	1,543	(1,729)
Issue of shares	95	1,512	–	–	–	–	1,607
Expenses of issue of shares	–	(5)	–	–	–	–	(5)
Share based payment	–	–	–	–	33	–	33
At 30 June 2009	1,870	4,335	16,400	4,180	56	1,328	28,169
Gain for the period	–	–	–	–	–	282	282
Exchange losses on retranslation of foreign operations	–	–	–	842	–	–	842
Total comprehensive income for the period	–	–	–	842	–	282	1,124
Issue of shares	57	973	–	–	–	–	1,030
Expenses of issue of shares	–	(18)	–	–	–	–	(18)
Share based payment	–	–	–	–	33	–	33
At 31 December 2009	1,927	5,290	16,400	5,022	89	1,610	30,338
Gain for the period	–	–	–	–	–	(2,067)	(2,067)
Exchange gains on retranslation of foreign operations	–	–	–	1,649	–	–	1,649
Total comprehensive income for the period	–	–	–	1,649	–	(2,067)	(418)
Issue of shares	295	6,708	–	–	–	–	7,003
Expenses of issue of shares	–	(4)	–	–	–	–	(4)
Cancelation of share options	–	–	–	–	(45)	45	–
Share based payment	–	–	–	–	12	–	12
Purchase of own shares	–	–	–	–	–	(735)	(735)
At 30 June 2010	2,222	11,994	16,400	6,671	56	(1,147)	36,196

Condensed Consolidated Balance Sheet

As at 30 June 2010

	Notes	30 June 2010 (Unaudited) £'000	Restated* 30 June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	7	25,674	22,137	21,626
Plant and equipment		2,199	62	135
Total non-current assets		27,873	22,199	21,761
Current assets				
Trade and other receivables		223	93	173
Financial investment assets	8	4,198	3,009	5,133
Cash and cash equivalents	9	5,966	3,928	5,010
Total current assets		10,387	7,030	10,316
TOTAL ASSETS		38,260	29,229	32,077
LIABILITIES				
Current liabilities				
Trade and other payables		(91)	(164)	(102)
Financial investment liabilities	8	(22)	(484)	(160)
Bank overdraft		(236)	–	–
Current tax liabilities		(553)	(238)	(543)
Total current liabilities		(902)	(886)	(805)
Non-current liabilities				
Deferred tax		(847)	(174)	(934)
Site restoration provision		(315)	–	–
Total non-current liabilities		(1,162)	(174)	(934)
TOTAL LIABILITIES		(2,064)	(1,060)	(1,739)
NET ASSETS		36,196	28,169	30,338

	Notes	30 June 2010 (Unaudited) £'000	Restated* 30 June 2009 (Unaudited) £'000	31 December 2009 (Audited) £'000
EQUITY				
Share capital	10	2,222	1,870	1,927
Share premium	11	11,994	4,335	5,290
Merger reserve		16,400	16,400	16,400
Foreign exchange reserve		6,671	4,180	5,022
Share based payment reserve		56	56	89
Revenue reserve/(deficit)	12	(1,147)	1,328	1,610
TOTAL EQUITY		36,196	28,169	30,338

*Restated to reflect the adoption of a revised accounting policy for the recognition of short term investments – see note 2.

Approved by the board and authorised for issue on 5 August 2010

F Scolaro
Executive Chairman

M Bretherton
Finance Director

Condensed Consolidated Cash Flow Statement

For the period from 1 January 2010 to 30 June 2010

	Notes	Six months to 30 June 2010 (Unaudited) £'000	Restated* Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
OPERATING ACTIVITIES				
Operating (loss)/profit		(2,151)	1,625	2,986
Adjustment for non-cash items:				
Loss/(gain) on investments		137	(2,106)	(5,691)
Foreign exchange losses gains		–	–	19
Depreciation of plant and equipment		138	14	28
Share based payments		12	33	66
Impairment of intangible assets		193	–	1,787
Increase in trade and other receivables		(51)	(56)	(136)
(Decrease) in trade and other payables		(13)	(45)	(88)
Cash outflow from operations		(1,735)	(535)	(1,029)
Income taxes paid		–	–	(16)
Net cash outflow from operations		(1,735)	(535)	(1,045)
INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(90)	(10)	(94)
Purchase of mining licences		–	–	(217)
Expenditure on exploration licences	7	(148)	(344)	(585)
Purchase of investments	8	(1,224)	(3,008)	(3,951)
Disposal of investments		1,879	2,888	5,137
Finance income		10	10	14
Finance expense		(13)		(3)
Net cash inflow/(outflow) from investing activities		414	(464)	301
FINANCING ACTIVITIES				
Proceeds from issue of share capital	10	2,007	1,607	2,637
Expenses of issue of share capital	11	(4)	(5)	(23)
Net cash inflow from financing activities		2,003	1,602	2,614
Increase in cash and cash equivalents		682	785	1,870
Cash and cash equivalents at start of period		5,010	3,184	3,184
Effect of foreign exchange rate variation		38	(41)	(44)
Net cash and cash equivalents at end of period		5,730	3,928	5,010

	Notes	Six months to 30 June 2010 (Unaudited) £'000	Restated* Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
Comprises:				
Cash and cash equivalents		5,966	3,928	5,010
Bank overdraft		(236)	–	–
Net cash and cash equivalents at end of period		5,730	3,928	5,010

*Restated to reflect the adoption of a revised accounting policy for the recognition of short term investments – see note 2.

The cash flows for the six months to 30 June 2010 do not reflect the non cash issue of shares by the Company with a value of £4,261,000 in consideration for the acquisition of Sierra Leone Hard Rock Ltd as set out in note 13.

The cash flows for the six months to 30 June 2009 and for the year to 31 December 2009 do not reflect the £450,000 non cash cost in respect of an available for sale investment received in settlement of the disposal by the Group of interests in mining licences.

Notes to the Interim Financial Statements

1. BASIS OF PREPARATION

The interim financial statements of Obtala Resources Plc are unaudited condensed consolidated financial statements for the six months to 30 June 2010. These include unaudited comparatives for the six month period to 30 June 2009 together with audited comparatives for the year to 31 December 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial investments, available for sale investments and financial assets and liabilities which are included at fair value.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2009 with the exception of the following additional policy which is relevant to the current period:

Site restoration provision

Long-term environmental obligations are based on estimations in compliance with current environmental and regulatory requirements. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology.

Restated comparative figures for the six month period to 30 June 2009

The prior period comparatives have been restated to reflect the adoption of a revised accounting policy for the recognition of short term investments which is now in line with that adopted by the Group in the 2009 audited annual report.

The effect of the change in policy is that all short term investments have been taken through the income statement rather than other comprehensive income as originally stated in published 2009 interim accounts. This has increased the gains on investments for the period to 30 June 2009 by £669,000.

The condensed consolidated financial statements do not constitute statutory accounts. The statutory accounts for the period to 31 December 2008 have been reported on by the Company's auditors and have been filed with the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

3. GAINS ON INVESTMENTS

	Six months to 30 June 2010 £'000	Six months to 30 June 2009 £'000	Year to 31 December 2009 £'000
Gain on disposal of investments	25	1,527	2,357
(Decrease)/increase in fair value of financial investments	(162)	579	3,334
(Loss)/gain from investing activities	(137)	2,106	5,691

4. SEGMENTAL REPORTING

The Group is currently in the process of exploration and development of mineral projects all of which are in Tanzania and Sierra Leone.

The following table shows the geographic segment analysis of the Group's profit after tax for the period and balance sheet net assets:

	Six months to 30 June 2010				
	Sierra Leone £'000	Tanzania £'000	UK £'000	Inter-group elimination £'000	Total £'000
Loss on investments	–	(89)	(48)	–	(137)
Diamond distribution rights income	177	–	–	–	177
Management charge	–	92	–	(92)	–
Administrative expenses	(1,483)	(92)	(515)	92	(1,998)
Impairment of intangible assets		(193)	–	–	(193)
Segment profit before interest	(1,306)	(282)	(563)	–	(2,151)
Finance income					10
Finance expense					(13)
Profit before tax					(2,154)
Taxation					87
Profit after tax					(2,067)

Notes to the Interim Financial Statements

	Six months to 30 June 2010				
	Sierra Leone £'000	Tanzania £'000	UK £'000	Inter-group elimination £'000	Total £'000
Balance sheet					
Assets	4,874	25,720	13,978	(6,312)	38,260
Liabilities:					
Current tax liability	–	(187)	(366)	–	(553)
Deferred tax liability	–	–	(847)	–	(847)
Other	(1,830)	(5,048)	(98)	6,312	(664)
Net assets	3,044	20,485	12,667	–	36,196
Other segment items:					
Depreciation	(125)	(7)	(5)	–	(137)
Foreign exchange	280	1,369	–	–	1,649
Capital expenditure					
Plant and equipment	2,053*	–	–	–	2,053
Intangible exploration and evaluation assets	2,593*	148	–	–	2,741

*Includes plant and equipment and intangible assets acquired as part of the acquisition of Sierra Leone Hard Rock Ltd – see note 13.

	Six months to 30 June 2009 Restated			
	Tanzania £'000	UK £'000	Inter-group elimination £'000	Total £'000
Gains on investments	–	2,106	–	2,106
Administrative expenses	(302)	(473)	294	(481)
Management charge	294	–	(294)	–
Profit on disposal of licences	305	–	–	305
Segment profit before interest	297	1,633	–	1,930
Finance income				10
Profit before tax				1,940
Taxation				(397)
Profit after tax				1,543

	Six months to 30 June 2009 Restated			
	Tanzania	UK	Inter-group elimination	Total
	£'000	£'000	£'000	£'000
Balance sheet				
Assets	25,708	6,521	(3,000)	29,229
Liabilities:				
Current tax liability	–	(238)	–	(238)
Deferred tax liability		(174)		(174)
Other	(3,026)	(622)	3,000	(648)
Net assets	22,682	5,487	–	28,169
Other segment items:				
Depreciation	(9)	(5)	–	(14)
Foreign exchange	(3,272)	–	–	(3,272)
Capital expenditure				
Plant and equipment	(4)	(6)	–	(10)
Intangible exploration and evaluation assets	344	–	–	344

	Year ending 31 December 2009			
	Tanzania	UK	Inter-group elimination	Total
	£'000	£'000	£'000	£'000
Income statement				
Gains on investments	168	5,523	–	5,691
Management charge	594	–	(594)	–
Administrative expenses	(614)	(898)	594	(918)
Impairment of intangible assets	(1,787)	–	–	(1,787)
Segment (loss)/profit before interest	(1,639)	4,625	–	2,986
Profit on disposal of licences	305	–	–	305
Finance income	–	14	–	14
Finance expense	–	(3)	–	(3)
Profit/(loss) before tax	(1,334)	4,636	–	3,302
Taxation				(1,477)
Profit after tax				1,825

Notes to the Interim Financial Statements

	Tanzania £'000	UK £'000	Inter-group elimination £'000	Total £'000
	Year ending 31 December 2009			
Net Assets				
Assets	23,698	12,356	(3,977)	32,077
Liabilities:				
Current tax liability	(177)	(366)	–	(543)
Deferred tax liability	–	(934)	–	(934)
Other	(3,996)	(243)	3,977	(262)
Net assets	19,525	10,813	–	30,338
Other segment items:				
Depreciation	(18)	(10)	–	(28)
Foreign exchange loss	(2,430)	–	–	(2,430)
Capital expenditure				
Plant and equipment	87	7	–	94
Intangible exploration and evaluation assets	802	–	–	802

5. TAXATION

The accrued tax credit for the six month interim period is based on an estimated effective tax rate of 4.4 per cent. after excluding losses generated in non domiciled Group companies (period to 30 June 2009: effective tax rate 20.5 per cent.: period to 31 December 2009: effective tax rate 29.0 per cent.). The accrued tax credit for the six month interim period relates to the loss before tax for the UK operations only. No deferred tax asset has been recognised in respect of non domiciled Group companies due to the uncertainty of future recovery.

6. EARNINGS PER SHARE

Basic earnings per share is based on the loss for the six months of £2,067,000 attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period of 213,190,018 exclusive of ordinary shares purchased by the Obtala Resources Employee Share Trust and held jointly by the Trust and certain employees (period to 30 June 2009: profit £1,543,000 divided by the weighted average of 184,363,128 shares; period to 31 December 2009: profit £1,825,000 divided by the weighted average of 188,540,107 shares).

The Company has issued warrants over 1,926,722 ordinary shares which are potentially dilutive. There is no dilutive effect of these issued warrants in the six months to 30 June 2010 as there is a loss for the period. For the six month period to 30 June 2009 and year to 31 December 2009 the weighted average number of shares used for both basic and dilutive earnings per share were the same.

7. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	SLHR Licences £'000	Mindex Licences £'000	Uragold Licences £'000	Montara Licences £'000	Total Licences £'000
Cost and book value at 1 January 2009	–	23,497	1,670	–	25,167
Expenditure on mining licences in period	–	344	–	–	344
Disposal of interests in mining licences	–	(145)	–	–	(145)
Foreign exchange differences	–	(3,001)	(228)	–	(3,229)
Cost and book value at 30 June 2009	–	20,695	1,442	–	22,137
Purchase of mining licences	–	113	–	104	217
Expenditure on exploration and evaluation	–	228	1	12	241
Impairment charge for the year	–	(1,113)	(674)	–	(1,787)
Foreign exchange differences	–	764	54	–	818
Cost and book value at 31 December 2009	–	20,687	823	116	21,626
Acquisition of subsidiary	2,593	–	–	–	2,593
Expenditure on exploration and evaluation	–	115	–	33	148
Impairment charge for the year	–	–	(193)	–	(193)
Foreign exchange differences	187	1,231	82	–	1,500
Cost and book value at 30 June 2010	2,780	22,033	712	149	25,674

The above values of intangible exploration assets acquired represent the cash and non-cash consideration paid by the Group at the time of their acquisition including the acquisition of Sierra Leone Hard Rock Ltd in the six months to 30 June 2010 as set out in note 13, together with any subsequent expenditure, net of any effects of foreign exchange and impairment charges.

The Directors have considered the following factors when undertaking their impairment review of the intangible assets:

(a) Geology and lithology on each licence as outlined in the most recent CPRs (Independent Competent Person's Reports from the mining and earth resources consultancy company, Wardell Armstrong International Limited)

(b) The expected useful lives of the licences and the ability to retain the license interests when they come up for renewal

(c) Comparable information for large mining and exploration companies in the vicinity of each of the licences

(d) History of exploration success in the regions being explored by Mindex and Uragold

(e) Local infrastructure

(f) Climatic and logistical issues

(g) Geopolitical environment

After considering these factors the Directors have chosen to make an impairment charge of £193,000 to the carrying value of the intangible exploration and evaluation assets as at 30 June 2010 relating to the Bukoba Nickel licence which the directors do not intend to renew.

8. INVESTMENTS AND DERIVATIVES

	Investments and derivative financial assets £'000	Derivative financial liabilities £'000	Total £'000
Cost and book value at 1 January 2009	15	–	15
Additions	3,458	–	3,458
Disposals	(1,527)	–	(1,527)
Increase in fair value	1,063	(484)	579
Book value at 30 June 2009	3,009	(484)	2,525
Additions	933	–	933
Disposals	(1,246)	–	(1,246)
Increase in fair value	2,437	324	2,761
Book value at 31 December 2009	5,133	(160)	4,973
Additions	1,224	–	1,224
Disposals	(1,859)	–	(1,859)
(Decrease)/increase in fair value	(300)	138	(162)
Book value at 30 June 2010	4,198	(22)	4,176

The financial instruments above represent short-term investments and derivatives in listed equity securities in mining and exploration companies which present the Group with the opportunity for return through trading gains. The fair values of these instruments are based on quoted market prices.

The Group holds within financial investments, interests in 3.0 per cent. or more of the share capital of the following companies: i) Kopane Diamond Development plc ("Kopane") where the Group holds shares representing 5.5 per cent. of the voting rights together with an indirect non voting interest of 10.7 per cent. held through a derivative financial instrument with Spreadex Limited, ii) Edenville Energy plc where the Group holds shares representing 4.1 per cent. of the voting rights together with an indirect non voting interest of 0.8 per cent. held through a derivative financial instrument with Spreadex Limited and iii) Central China Goldfields plc where the Group has an indirect non voting interest of 15.1 per cent. held through a derivative financial instrument with Spreadex Limited.

9. CASH AND CASH EQUIVALENTS

	30 June 2010 £'000	30 June 2009 £'000	31 December 2009 £'000
Cash at banks	3,095	1,042	2,330
Cash with institutions in support of derivative trading	2,871	2,886	2,680
	5,966	3,928	5,010

On 30 June 2010, the Group had pledged cash and cash equivalents of £2.9 million to institutions as collateral for liabilities or contingent liabilities relating to exposures on derivative trading assets and liabilities (30 June 2009: £2.9 million, 31 December 2008: £2.7 million).

10. SHARE CAPITAL

	Number	£'000
Authorised ordinary shares of £0.01 each:		
At 1 August 2007, 30 June 2008, 31 December 2008 and 30 June 2009	250,000,000	2,500
Allotted, issued and fully paid ordinary shares of £0.01 each:		
At 1 January 2009	177,500,000	1,775
Issued in the period	9,450,000	95
At 30 June 2009	186,950,000	1,870
Issued in the period	5,722,223	57
At 31 December 2009	192,672,223	1,927
Issued in the period	29,481,029	295
At 30 June 2010	222,153,252	2,222

On 18 January 2010 the Company issued 21,170,422 new ordinary shares of £0.01 each as consideration for the acquisition of Sierra Leone Hard Rock Ltd. This represented 9.9 per cent. of the issued share capital of the Company at that date and were issued at 20.125p being the closing market price on the 12 January 2010.

On 21 May 2010 the Company issued 6,060,607 new ordinary shares of £0.01 each for a cash price of £0.33 raising a gross amount of £2,000,000.

On 24 May 2010, the Company issued 2,250,000 new ordinary shares of £0.01 each to the Trustee of the Obtala Resources Employee Share Trust at a price of 33p per share more details of which are set out in note 13. The Company received £7,425. The shares were acquired jointly by the Trustee with a number of directors and employees of the Company has been funded by way of a loan contribution from the Company of £735,075 to the Trustee together with cash received from the directors and employees of £7,425 relating to their 1 per cent. initial interest in the jointly owned shares.

Notes to the Interim Financial Statements

11. SHARE PREMIUM

	£'000
At 1 January 2009	2,828
Premium on issue of shares	1,512
Expenses of issue of shares	(5)
At 30 June 2009	4,335
Premium on issue of shares	973
Expenses of issue of shares	(18)
At 31 December 2009	5,290
Premium on issue of shares	6,708
Expenses of issue of shares	(4)
At 30 June 2010	11,994

See note 10 for details of shares issued in the six month period to 30 June 2010.

12. MOVEMENT IN REVENUE RESERVE AND OWN SHARES

	Retained earnings/(deficit) £'000	Own shares £'000	Revenue Reserve £'000
At 1 January 2009	(215)	–	(215)
Gain for the period	1,543	–	1,543
At 30 June 2009	1,328	–	1,328
Gain for the period	282	–	282
At 31 December 2009	1,610	–	1,610
Loss for the period	(2,067)		(2,067)
Cancelation of share options	45	–	45
Purchase of own shares	–	(735)	(735)
At 30 June 2010	(412)	(735)	(1,147)

Own shares

On 24 May 2010, the Trustee of the Obtala Resources Employee Share Trust purchased by way of subscription 2,250,000 new ordinary shares of £0.01 each in the Company in the market at a price of 33p per share. The shares were acquired jointly with a number of directors and employees of the Company pursuant to certain conditions set out in Joint Ownership Agreements "JOA's". Purchase of all the shares was initially funded in full by way of a loan contribution from the Company of £742,500 to the Trustee and the directors and employees have subsequently repaid to the Company the 1 per cent. of the purchase cost attributable to their initial interest in the jointly owned shares, amounting to £7,425. Under the terms of the JOA's the directors and employees are in certain circumstances able to benefit from any increase in value above the £0.33 market value per share on or after 27 May 2011 in the case of 1,500,000 shares and on or after 27 May 2012 in the case of the remaining 750,000 shares

The Trust's interest in all the above shares have been classified as own shares.

13. ACQUISITION OF SUBSIDIARY

On 12 January 2010 the Group acquired 100 per cent. of the issued share capital of Sierra Leone Hard Rock Ltd and its wholly owned subsidiary Sierra Leone Hard Rock (SL) Ltd by way of issuing 21,170,422 new ordinary shares in the Obtala, equivalent to 9.9 per cent. of the issued share capital of the Company. Using the market price at the date of the agreement, of 20.125 pence per share gives a total consideration value of £4,260,547. Sierra Leone Hard Rock (SL) Ltd is the sole owner of the following licences:

- Four mining licences covering an area of 162.4 km^2
- Seven exploration licences covering an area of 2,590.75 km^2

As well as the above licences, Sierra Leone Hard Rock (SL) Ltd. also holds plant, machinery and equipment used by the previous owners for mining activities.

The transaction has been accounted for by the purchase method of accounting. Using an exchange rate of 1.61 USD/GBP being the rate prevailing at the date of acquisition the book values of the net assets acquired amounted to £12,906,000 but the directors have revalued these to the estimated fair values as set out below:

	As at 12 January 2010		
	Book Value $'000	Book Value £'000	Fair Value £'000
Net assets acquired			
Property, plant and equipment	4,189	2,602	1,963
Intangible assets	21,138	13,129	2,593
Inventory	1,382	858	–
Trade and other payables	(30)	(19)	–
End of service benefit provision	(17)	(11)	–
Site restoration provision	(475)	(295)	(295)
Deferred tax	(5,407)	(3,358)	–
Net assets acquired	20,780	12,906	4,261
Total consideration satisfied by shares issued			4,261

The estimated fair value of the net assets acquired is equal to the consideration paid and consequently there is no goodwill on acquisition.

Notes to the Interim Financial Statements

14. RELATED PARTY TRANSACTIONS

During the period the Group companies entered into numerous transactions with subsidiary companies which net off on consolidation – these have not been shown. During the period the Group entered into the following transactions with external related parties:

	Six months to 30 June 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year to 31 December 2009 (Audited) £'000
Transactions with other related parties:			
Transactions in the period:			
Advisory fees	3	10	32
Property recharges	17	11	25
Other recharges	2	1	–
Loan balance at period end:			
Advisory fees	–	22	2
Property recharges	3	4	7

All of the loan amounts referred to above are unsecured and repayable on demand. The advisory fees and property recharges are from Ora Capital Limited a subsidiary of a shareholder of the Company.

During the period the Company paid remuneration to the Directors' in accordance with their service contracts and letters of appointment.

15. INTERIM FINANCIAL REPORT

A copy of this interim report will be distributed to shareholders and is also available on the Company's website at www.obtala resources.co.uk.

Investor Information

DIRECTORS

Francesco Scolaro	*(Executive Chairman)*
Simon Rollason	*(Managing Director)*
Michael Bretherton	*(Finance Director)*
Nicholas Clarke	*(Non-executive Director)*
Lord St John of Bletso	*(Non-executive Director)*

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