

Registered Number: 04140379

Namibian Resources Plc

Report and Financial Statements

Year Ended

28 February 2012

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Namibian Resources Plc

Annual report and financial statements for the year ended 28 February 2012

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| | |
|--|---|
| Directors | Lord Sheppard of Didgemere - Chairman A C A Carlton B M Moritz O J Plummer |
| Secretary and Registered office | Cargil Management Services, 302 High Street, Croydon, Surrey, CR0 1NG |
| Company number | 04140379 |
| Auditors | Montgomery Swann Ltd, Scott's Sufferance Wharf, 1 Mill Street, London, SE12DE |
| Solicitors | Fasken Martineau Stringer Saul LLP, 17 Hanover Square London W1S 1HU |
| Nominated adviser | Beaumont Cornish Limited, Bowman House, 29 Wilson Street London EC2M 2SJ |
| Brokers | Keith, Bayley Rogers & Co Ltd, Sophia House 76-80 City Road London EC1Y 2EQ |

Namibian Resources Plc

Chairman's statement

YEAR ENDED 28 February 2012

This has been a difficult year for the company through operational difficulties caused by the suspension of our mining activities due to health and safety matter not relating to our operations. This was announced in my Chairman's statement for the period ending 31st August 2011. Although the suspension was lifted on 25th October 2011 the condition of our plant created a re-commissioning problem that adversely effected production. Since the end of the financial year we have entered negotiations to acquire a company which will be complementary to our business. These negotiations are advanced and we expect to successfully complete the acquisition including funding by the end of October.

A handwritten signature in black ink, appearing to read 'R. J. Sheppard', with a long, sweeping flourish extending from the bottom right.

Lord Sheppard of Diddymere KCVO Kt

Namibian Resources Plc

Review of Operations

YEAR ENDED 28 February 2012

As stated by the chairman operational difficulties restricted our production for the year to a total of 368 carats and there has been a long delay in signing our new contract with Namdeb. However, we have been informed that it will commence on the 1st May 2012 and we expect to receive this shortly for signature. Our planned acquisition will be an exciting opportunity and we believe a profitable advance to our operations. An announcement will be made as soon as it is completed.



ACA Carlton

Namibian Resources Plc

Report of the directors for the year ended 28 February 2012

The directors present their report together with the audited financial statements for the year ended 28 February 2012

Results and dividends

The consolidated income statement is set out on page 10. The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The company has a 100% owned subsidiary, Sonnberg Diamonds (Namibia) (Pty) Limited ("Sonnberg"), incorporated in Namibia. The subsidiary has a contract with the Namdeb Diamond (Corporation) (Pty) Limited to mine and prospect for diamonds in a specified area until 30 April 2012. The contract is renewable for a further 10 years thereafter.

The activities of the company during the year in question are set out in our Review of Operations³ on page 3.

Mining and prospecting operations have recommenced since the year end and additional resources have been granted. Since listing in 2004, prospecting undertaken by Sonnberg has replaced resources at the same rate as mining has depleted them. It is one of the objectives of the company to maintain or increase its resources base relative to its rate of mining.

Risks and uncertainties

The company is subject to the following risks and uncertainties -

1. Weather conditions
2. Variations in the carat size and grade (i.e. number of carats per 100 tons of gross material mined)
3. The company's income is calculated in US Dollars but received in Namibian Dollars. Variations in currency between US Dollars, Namibian Dollars and Sterling can therefore have a substantial effect on results.

Key performance indicators

The directors use a number of key performance indicators to measure and monitor the performance of the company. These include

1. Carats per 100 tons mined
2. Received value against average parcel size
3. Operating cost per ton
4. Costs against budget

Financial Risk Management

The group's operations expose it to financial risks that include liquidity risk and foreign exchange risk.

Liquidity Risk

The group actively manages its working finance to ensure the group has sufficient funds for operations and planned expansion. The directors are currently seeking to raise further funds to provide the capital required to improve the volume and quality of production. As referred to in the Financial Statements it is for this reason the directors believe it is appropriate to prepare the statements on a going concern basis.

Namibian Resources Plc

Report of the directors for the year ended 28 February 2012

Foreign Exchange risk

Exchange risk derives from US dollar based revenues, which are determined by NAMDEB, and Namibian dollar based operating and exploration expenditure. There are no cost-effective practical measures to mitigate against this risk. To the extent that net cash flow from operations in Namibia is insufficient to meet ongoing liabilities, funding is provided through the transfer of funds from the parent company by way of loan, expressed in Namibian dollars, or equity. Although the parent company accepts the exchange risk between sterling and Namibian dollars, the effect on the total group equity is broadly neutral.

Substantial shareholdings

At 28 February 2012, the company had been notified of the following holdings of 3% or more of its issued share capital

| | Ordinary shares and deferred shares of 1p and 9p each respectively | % |
|--|--|-------|
| BM Moritz | 11,739,660 | 18.99 |
| WB Nominees (for clients including Lord Sheppard and A C A Carlton – see below) | 29,816,555 | 48.23 |
| Lynchwood Nominees Limited | 2,063,520 | 3.34 |

No individuals holding shares within WB nominees and Lynchwood Nominees Limited hold more than 3% of the issued share capital.

Directors

The Directors who served during the year were -

Lord Sheppard of Didgemere
ACA Carlton
BM Moritz
OJ Plummer

Namibian Resources Plc

Report of the directors for the year ended 28 February 2012 (*Continued*)

Directors

The directors' interests in the shares of the company at the beginning and end of the year were

| | Ordinary shares of 1p each | | Deferred shares of 9p each | |
|---------------------------------------|-------------------------------|-----------|-------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| A C A Carlton | 1,757,857 | 1,615,000 | 1,615,000 | 1,615,000 |
| B M Moritz | 12,280,330 | 2,994,616 | 2,994,616 | 2,994,616 |
| O J Plummer | 606,407 | 606,407 | 606,407 | 606,407 |
| Lord Sheppard of Didgemere | 16,120,321 | 8,030,392 | 3,650,000 | 3,650,000 |
| D G Sutherland (resigned 31 May 2010) | 100,000 | 100,000 | 100,000 | 100,000 |

A C A Carlton and O J Plummer jointly hold a further 300,000 shares on behalf of a trust set up to benefit employees of "Sonnberg" only (excluding directors)

Creditor payment policy

Creditors are paid at the end of the month following the receipt of an agreed invoice. The number of average day's purchases of the group represented by trade creditors at 28 February 2012 was 35 (2011: 32).

Directors' responsibilities

The directors are responsible for preparing the Financial Statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records, which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Namibian Resources Plc

Report of the directors for the year ended 28 February 2012 (Continued)

Statement of disclosure to auditors

So far the directors are aware at the time the report is approved –

- a) there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the company's auditors are unaware, and
- b) Each director has taken all the steps that ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Corporate Governance

As a company listed on the Alternative Investment Market of the London Stock Exchange, Namibian Resources plc is not required to comply with the Combined Code ("the Code") adopted by the UK Listing Authority in 1998. However, the Board of Directors has considered the effects of the Code and taken steps to comply with the Code insofar as it can be applied practically, given the size of the Group and the nature of its operations. At this stage, no action has been taken in respect of the revised code issued in June 2006.

The directors also acknowledge their responsibility for the Group's system of internal control of which the objectives are

- a) Safeguarding Group assets
- b) Ensuring proper accounting records are maintained
- c) Ensuring that the financial information used within the business and for publication is reliable

The key procedures that have operated during the financial year are set out below

- a) The Board meets regularly to review all aspects of the Group's performance concentrating mainly on financial performance, business risks and development
- b) A number of matters are reserved for the Board's specific approval including major capital expenditure, banking and dividend policy

In establishing the systems of internal control, the directors have implemented a control environment, risk management procedures and reporting processes appropriate to the size of the Group. The system of internal control is designed to manage rather than eliminate risk. Further procedures will continue to be adopted in respect of all the Group's activities to further improve financial control.

Trading and cash flows can be unpredictable. However, after making appropriate enquiries the directors have formed a judgement that the Group has access to adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution to reappoint Montgomery Swann Ltd as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the Board



A C A Carlton
Director

Date 31 August 2012

Report of the independent auditors

Independent Auditors' Report to the members of Namibian Resources Plc

We have audited the financial statements of Namibian Resources Plc for the year ended 28 February 2012, which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes 1 to 23. 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.

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 opinion we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 and express an opinion on 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 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 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 Group's and parent Company's affairs as at 28 February 2012 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

Namibian Resources Plc

Report of the independent auditors (Continued)

Emphasis of Matter - going concern and valuation of assets

Without qualifying our opinion we draw attention to the disclosures made in notes 1 2, 1 13, 1 14 and 1 15 concerning going concern, the valuation of intangible assets, the valuation of investments and the valuation of property plant and equipment

The group's ability to continue as a going concern depends on the signing of a new mining licence with Namdeb the previous one having expired on 30 April 2012, the ability of the company to raise additional finance to upgrade its production facilities and equipment, maintain a rolling programme of exploration and improve the volume of, and output from, its processing of diamonds. This indicates the existence of a material uncertainty which may cast significant doubt on the company's and group's ability to continue as a going concern.

The company is dependent on support of the directors to enable it to continue to trade. On that basis the directors are satisfied that it is appropriate to prepare the financial statements of the company on the going concern basis.

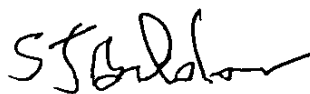
The realisation of the intangible assets of £900,333 and property plant and equipment of £1,028,789 included in the consolidated balance sheet and amounts due by group undertakings of £4,938,716 included in the company balance sheet is dependent on the successful discovery and development of economic reserves, including the ability of the group to raise sufficient finance to develop current projects and on the signing of a new mining licence with Namdeb which expires on 30 April 2012.

The financial statements do not include the adjustments that would result if the company or the group was unable to continue as a going concern as it is not practicable to determine or quantify them.

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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



Steven John Bradshaw
Senior Statutory Auditor,
For and on behalf of Montgomery Swann Ltd
Statutory Auditor, Chartered Certified Accountants
Scott's Sufferance Wharf
1 Mill Street,
LONDON SE1 2DE

Dated 31st August 2012

Notes

- 1 The maintenance and integrity of the company's website is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Namibian Resources Plc

Consolidated income statement for the year ended 28 February 2012

| | Note | 2012 £ | 2011 £ |
|--|-------------|-------------------|-------------------|
| Revenue | 1 7 | 13,629 | 52,845 |
| Cost of sales | | - | 349,250 |
| Gross loss | | 13,629 | (296,405) |
| Administrative expenses | | (343,872) | (120,906) |
| Operating loss | 3 | (330,243) | (417,311) |
| Other interest receivable and similar income | | - | 72 |
| (Loss) before tax | | (330,243) | (417,239) |
| Income tax expense | 4 | - | - |
| (Loss) after tax | | £(330,243) | £(417,239) |
| Earnings per ordinary share (pence) | 5 | | |
| Basic | | (0.65) | (1 03) |
| Diluted | | (0.65) | (1 02) |

Consolidated statement of comprehensive income for the year ended 28 February 2012

| | 2012 £ | 2011 £ |
|--|-------------------|-------------------|
| Loss after tax | (330,243) | (417,239) |
| Exchange difference on translation of foreign operations | (176,008) | 204,755 |
| Total recognised income and expense for the year | £(506,251) | £(212,484) |

The notes on pages 16 to 37 form part of these financial statements

Namibian Resources Plc

Consolidated balance sheet at 28 February 2012

| | Note | 2012 | 2012 | 2011 | 2011 |
|-------------------------------------|-------------|--------------------|------------------|--------------------|------------------|
| | | £ | £ | £ | £ |
| Assets | | | | | |
| Non current assets | | | | | |
| Intangible assets | | | | | |
| Mining rights and exploration costs | 7 | 900,333 | | 1,037,832 | |
| | | | 900,333 | | 1,037,832 |
| Property, Plant and Equipment | 8 | | 1,028,789 | | 1,117,183 |
| | | | 1,929,122 | | 2,155,015 |
| Current assets | | | | | |
| Inventories | 10 | 4,378 | | 9,263 | |
| Trade and other receivables | 11 | 53,745 | | 49,546 | |
| Cash and cash equivalents | 13 | 15,301 | | 10,589 | |
| | | | 73,424 | | 69,398 |
| Total Assets | | £2,002,546 | | £2,224,413 | |
| Equity and Liabilities | | | | | |
| Share capital | 14 | 4,211,235 | | 4,036,050 | |
| Share premium account | 15 | 1,027,317 | | 589,355 | |
| Currency translation reserve | 17 | 503,827 | | 679,835 | |
| Retained earnings | 16 | (4,038,491) | | (3,708,248) | |
| Total equity | | 1,703,888 | | 1,596,992 | |
| Current Liabilities | | | | | |
| Trade and other payables | 12 | 298,658 | | 627,421 | |
| Total Equity and liabilities | | £2,002,546 | | £2,224,413 | |

The financial statements were approved by the Board on 31 August 2012



O Plummer
Director

The notes on pages 16 to 37 form part of these financial statements

Namibian Resources Plc

Consolidation Statement of changes in equity for the year ended 28 February 2012

| | Share capital | Share premium | Currency translation reserve | Profit and loss | Total shareholder s funds |
|--------------------------------|-------------------|-------------------|------------------------------------|---------------------|---------------------------------|
| | £ | £ | £ | £ | £ |
| At 28 February 2011 | 6,036,050 | 589,355 | 679,835 | (3,708,248) | 1,596,992 |
| Loss for financial year | - | - | - | (330,243) | (330,243) |
| Foreign exchange difference | - | - | (176,008) | - | (176,008) |
| Share issue | 175,185 | 437,962 | - | - | 613,147 |
| At 28 February 2012 | <u>£4,211,235</u> | <u>£1,027,317</u> | <u>£503,827</u> | <u>£(4,038,491)</u> | <u>£1,703,888</u> |

The notes on pages 16 to 37 form part of these financial statements

Namibian Resources Plc

Company balance sheet at 28 February 2012

| | Note | 2012 | 2011 |
|-------------------------------------|-------------|-------------------|-------------------|
| | | £ | £ |
| Assets | | | |
| Non-current assets | | | |
| Investments | 9 | 4,938,716 | 4,733,016 |
| Current assets | | | |
| Cash and cash equivalents | | 15,271 | 7,466 |
| Total Assets | | £4,953,987 | £4,740,482 |
| Equity | | | |
| Share capital | 14 | 4,211,235 | 4,036,050 |
| Share premium account | 15 | 1,027,317 | 589,355 |
| Retained earnings | 16 | (561,743) | (490,648) |
| Total Equity | | 4,676,809 | 4,134,757 |
| Current Liabilities | | | |
| Trade and other payables | 12 | 277,178 | 605,725 |
| Total Equity and Liabilities | | £4,953,987 | £4,740,482 |

The financial statements were approved by the Board on 31 August 2012



O Plummer
Director

The notes on pages 16 to 37 form part of these financial statements

Namibian Resources Plc

Company Statement of changes in equity for the year ended 28 February 2012

| | Share capital | Share premium | Profit and loss | Total shareholde rs funds |
|-------------------------|--------------------------|--------------------------|----------------------------|--|
| | £ | £ | £ | £ |
| At 28 February 2011 | 4,036,050 | 589,355 | (490,648) | 4,134,757 |
| Loss for financial year | - | - | (71,095) | (71,095) |
| Share issue | 175,185 | 437,962 | - | 613,147 |
| At 28 February 2012 | <u>£4,211,235</u> | <u>£1,027,317</u> | <u>£(561,743)</u> | <u>£4,676,809</u> |

The notes on pages 16 to 37 form part of these financial statements

Namibian Resources Plc

Cash flow statements for the year ended 28 February 2012

| | Note | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|------|--------------------|----------------------|--------------------|----------------------|
| Cash flow generated from operating activities | 18 | (608,435) | (605,342) | (269,736) | (272,685) |
| Cash flow from investing activities | | | | | |
| Interest Received | | - | - | 72 | - |
| Net cash used in investing activities | | (608,435) | (605,342) | (269,664) | (272,685) |
| Financing activities | | | | | |
| Proceeds of issue of shares | | 613,147 | 613,147 | 273,775 | 273,775 |
| Net increase/(decrease) in cash and cash equivalents | 19 | £4,712 | £7,805 | £4,111 | £1,090 |

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The notes on pages 16 to 37 form part of these financial statements

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012

Namibian Resources Plc ("the Company") and its subsidiary ("the group") are primarily involved in mining. Namibian Resources Plc, a public limited company incorporated and domiciled in England is the Group's ultimate parent company.

1 Accounting Policies

1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the Companies Act of 2006.

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

The group has not yet applied the following Accounting Standards and Interpretations, which will be applicable to their annual financial statements that have been issued but are not yet effective:

IAS 1 (amended) – Financial statement presentation – presentation of items of other comprehensive income

IAS 12 (amended) – Deferred Tax – Recovery of underlying assets

IAS 19 (revised) – Employee benefits

IAS 27 (revised) – Separate financial statements

IAS 28 (revised) – Investments in associates and joint ventures

IAS 32 – Offsetting financial assets and financial liabilities

IFRS 7 – Financial instruments – Disclosures

IFRS 9 – Financial instruments

IFRS 10 – Consolidated financial statements

IFRS 11 – Joint arrangements

IFRS 12 – Disclosures of interests in other entities

IFRS 13 – Fair value measurement

IFRIC 20 – Stripping costs in the production phase of a surface mine

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company or the group.

1.1 Basis of Consolidation

The consolidated income statement and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 28 February 2012. The results of subsidiaries sold or acquired are included in the income statement up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

1.2 Going Concern

The directors' consider the company is a going concern because all equipment and services are being maintained in order. All contracts and liabilities have been complied with and met. Since February 28 2012 the group has no outstanding liabilities other than in the normal course of business and this will continue at least until February 28 2013. There are no borrowings of any nature other than from the Directors. The company will seek additional finance to expand its operations when conditions in the diamond market and in particular the world economy improve. To date, the company and the group have accumulated trading losses since the commencement of mining activities and there are inherent uncertainties in the mining industry, which make it impossible to predict when the company will become profitable. Nevertheless, the directors remain confident that the company and the group will trade profitably in the foreseeable future and will be able to continue to meet its liabilities as they fall due. Namdeb has offered a new contract renewable for a further five years from 30 April 2012 however, at the date of signing these accounts the final contract remains with Namdeb's Legal Department awaiting release for signature. Meanwhile, Namdeb have allowed us to continue mining and this has been the position since 30 April 2012.

1.3 Significant Judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade Receivables

The group assesses its trade receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Mining assets

The group assesses the proportion of exploration costs incurred which will provide future economic benefits in identifying areas of interest where future mining could be focused. These costs are capitalised and amortised over the period of the mining licence.

Mining rights

The right of mining on the assigned area was initially valued by an independent geologist. This right is yearly re-assessed for impairment by comparing the value-in-use to the carrying value of the mining right.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

1.4 Underlying concepts

The financial statements are prepared on the going concern basis using accrual accounting

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard

Financial assets and financial liabilities are offset and the net amount reported only when a currently legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously

The accounting policies adopted are consistent with those used in previous financial periods except for the change in accounting estimates on depreciation of property, plant and equipment

Changes in accounting estimates are recognised in profit or loss. The estimates and assumptions that have a significant effect on the amounts recognised in the financial statements are those related to establishing depreciation and amortisation periods for the Group, and the estimates in relation to future cash flows and discount rates utilised in impairment testing

Prior period errors are retrospectively restated unless it is impractical to do so

Accounting policies are not applied when the effect of applying them is immaterial

1.5 Recognition of Assets and Liabilities

Assets are only recognised if they meet the definition of an asset, it is probable that future economic benefits associated with the asset will flow to the company and the cost or fair value can be measured reliably

Liabilities are only recognised if they meet the definition of a liability, it is probable that future economic benefits associated with the liability will flow from the company and the cost or fair value can be measured reliably

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument

Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract

Regular purchases and sales are recognised using trade date accounting

1.6 Derecognition of Assets and Liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

All other assets are derecognised on disposal or when no future economic benefits are expected from their use or on disposal

Financial liabilities are derecognised when the relevant obligation has either been discharged or cancelled or has expired

1 7 Revenue

The total revenue of the group for the year has been derived from its principal activity, mining, wholly undertaken by its subsidiary in Namibia, Sonnberg Diamonds (Namibia) (Proprietary) Limited ("Sonnberg"). All sales are made in Namibia and the majority of assets are also located in Namibia

Revenue from the sale of goods is recognised when all the following conditions have been satisfied

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods,
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- the amount of revenue can be measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the company, and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of trade discounts and volume rebates, and value added tax

Interest is recognised, in profit or loss, using the effective interest rate method

1 8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

1 8 Tax (continued)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction and affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination

1 9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

1 10 Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

The results of overseas operations are translated at the rate ruling at the date of the transaction. However the balance sheet is translated at the rate ruling at the date of the balance sheet.

Foreign exchange differences arising on translation are recognised in the income statement for the period.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

1 11 Mining Assets

Exploration and evaluation costs other than future site identification costs are expensed as incurred. Site identification costs related to areas of interest are capitalised and carried forward to the extent that they are expected to be recoverable.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Mining assets are reviewed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the mining asset is written down to their recoverable amount.

1 12 Rehabilitation Costs

Costs of site restoration are recognised when incurred. Site restoration costs include the dismantling and removal and rehabilitation of the site in accordance with the clauses of the mining permits. Such costs are charged to direct costs.

1 13 Intangible Assets

An intangible asset is recognised when

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably

Intangible assets are initially recognised at cost

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Expenditure on acquired intangible assets are capitalised and amortised using the straight-line method over their useful lives. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

The amortisation period and the amortisation method for intangible assets are reviewed every period-end

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows

| Items | Useful life |
|-------------------|-------------|
| Mining Rights | 10 Years |
| Exploration Costs | 10 Years |

1 14 Investments

Fixed assets investments are stated at cost less provision for diminution in value

1 15 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the company,
- and the cost of the item can be measured reliably

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Except for plant and machinery depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Depreciation begins when an item of property, plant and equipment is available for use and ends when the item is derecognised, even if during that period the item was idle.

The depreciation rates applicable to each category of property, plant and equipment are as follows

Plant and machinery is depreciated on the unit of production method. This represents a change in accounting policy as it was previously depreciated on a straight line basis over 10 years.

| Item | Average useful Life |
|------------------|---------------------|
| Motor Vehicles | 8 years |
| Office Equipment | 5 years |

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

The residual value and the useful life of each asset are reviewed at each financial period-end

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition 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

1 16 Impairment of Assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset

Irrespective of whether there is any indication of impairment, the company also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

1 17 Inventories

This represents inventories of consumable stores, held at the lower of cost and net realisable value

1 18 Financial Instruments

Initial Recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement

Financial assets and financial liabilities are recognised on the group's balance sheet when the company becomes party to the contractual provisions of the instrument

Loans to (from) Group Companies

These include loans to the subsidiary company and are recognised initially at fair value plus direct transaction costs

Subsequently these loans, where it is practicable to do so, are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts on loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised

Trade and other Receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Trade and other Payables

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

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1 19 Provisions and Contingencies

Provisions are recognised when

- the company has a present obligation as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1 20 Executive Share Options

For equity-settled share-based payment transactions the group, in accordance with IFRS2, measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at grant date using the trinomial method. Where the expense is material, it is apportioned over the vesting period of the financial instrument and is based on the numbers which are expected to vest and the fair value of those financial instruments at the date of the grant. If the equity instruments granted vest immediately, the expense is recognised in full.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

2. Employees

| | 2012 Number | 2011 Number |
|---|----------------|----------------|
| The average monthly number of employees, (including directors'), during the year was | | |
| Staff of subsidiary - Production | 4 | 5 |
| Staff of head office - Administration | 1 | 1 |
| Directors' – Management | 4 | 4 |
| | <u>9</u> | <u>10</u> |

The total wages, salaries and social security costs were 2012 £88,534 (2011 £107,505)

3 Operating Loss

| | 2012 £ | 2011 £ |
|--|-------------------|-------------------|
| This has been arrived at after charging | | |
| Depreciation | 17,568 | 41,805 |
| Amortisation | 71,110 | 74,869 |
| Operating lease rentals – land and buildings | 7,920 | 7,200 |
| Auditor's remuneration – audit (company - £12,000 (2011 - £11,500)) | 16,522 | 17,320 |
| Directors' Remuneration | - | 6,250 |
| | <u> </u> | <u> </u> |

The remuneration of the highest paid director is £0 (2011 £6,250)

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

4 Taxation on Loss on Ordinary Activities

There has been no tax payable in this or the previous year due to the availability of losses

| | 2012 £ | 2011 £ |
|---|------------------|------------------|
| (Loss) on ordinary activities before tax | <u>(330,243)</u> | <u>(417,239)</u> |
| (Loss) on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011 – 28%) | (85,863) | (116,827) |
| Effects of Tax losses carried forward | <u>85,863</u> | <u>116,827</u> |
| Total tax charge for year | <u>-</u> | <u>-</u> |

A deferred tax asset of £1,149,649 (2011 - £1,227,245) relating to losses in the subsidiary undertaking has not been recognised due to inherent uncertainty regarding the availability of suitable taxable profits against which the losses can be recovered within the foreseeable future

5 Loss per Share

Loss per share has been calculated using the weighted average number of ordinary shares in issue during the relevant financial periods. The weighted average number of shares in issue is 50,142,352 (2011 – 40,287,493) and the loss, being the loss after tax, is £ 330,243 (2011 loss - £417,239)

Diluted Loss per share has been calculated using a weighted average number of shares of 50,892,352 (2011 – 41,037,493), which includes the share options in issue at the start and end of the year

6 Loss for the Financial Year

As permitted by Section 408 of the Companies Act 2006, the holding company's income statement account has been included in these financial statements. The loss for the financial year is made up as follows

| | 2012 | 2011 |
|---|------------------|------------------|
| Holding company's (loss) for the financial year | <u>£(71,095)</u> | <u>£(76,410)</u> |

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

7 Intangible Assets

| Group | Mining rights and exploration costs £ |
|------------------------|--|
| <i>Cost</i> | |
| At 1 March 2010 | 1,694,167 |
| Additions | - |
| Exchange difference | 150,459 |
| | <hr/> |
| At 28 February 2011 | 1,844,626 |
| Additions | - |
| Exchange difference | 116,632 |
| | <hr/> |
| At 28 February 2012 | 1,727,994 |
| <i>Amortisation</i> | |
| At 1 March 2010 | 670,506 |
| Charge for the year | 74,869 |
| Exchange differences | 61,419 |
| | <hr/> |
| At 28 February 2011 | 806,794 |
| Charge for the year | 71,110 |
| Exchange differences | (50,243) |
| | <hr/> |
| At 28 February 2012 | 827,661 |
| Net book values | |
| At 28 February 2011 | £1,037,832 |
| | <hr/> |
| At 28 February 2012 | £900,333 |
| | <hr/> |

Of the net book value above £612,818 (2011 £654,180) relates to Mining Rights. There has been no amortisation of these rights in the year as it is the view of the directors that the fair value of the Rights exceeds the Net Book Value at the beginning and end of the year.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (Continued)

8 Property Plant and Equipment

| | Fixtures & Fittings | Plant & Machinery | Total |
|-----------------------|---------------------|-------------------|-------------------|
| | £ | £ | £ |
| Group | | | |
| <i>Cost</i> | | | |
| At 1 March 2010 | 2,939 | 1689,411 | 1,692,350 |
| Additions | - | - | - |
| Exchange difference | 262 | 150,036 | 150,298 |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2011 | 3,201 | 1,839,447 | 1,842,648 |
| Additions | - | - | - |
| Exchange difference | (202) | (116,304) | (116,506) |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2012 | 2,999 | 1,723,143 | 1,726,142 |
| | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | |
| At 1 March 2010 | 1,926 | 625,015 | 626,941 |
| Charge for the year | 500 | 41,305 | 41,805 |
| Exchange difference | 673 | 56,046 | 56,719 |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2011 | 3,099 | 722,366 | 725,465 |
| Additions | 95 | 17,473 | 17,568 |
| Exchange difference | (195) | (45,485) | (45,680) |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2012 | 2,999 | 694,354 | 697,353 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 28 February 2011 | £102 | £1,117,081 | £1,117,183 |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2012 | £0 | £1,028,789 | £1,028,789 |
| | <hr/> | <hr/> | <hr/> |

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (*Continued*)

9 Fixed Asset Investments

| Company | Group undertaking £ | Loans to group undertaking £ | Total £ |
|---|------------------------|---------------------------------|-------------------|
| At 1 March 2010 | 2,828,211 | 2,340,341 | 5,168,552 |
| Additions | - | 193,000 | 193,000 |
| At 28 February 2011 | 2,828,211 | 2,533,341 | 5,361,552 |
| Additions | - | 205,700 | 205,700 |
| At 28 February 2012 | 2,828,211 | 2,739,041 | 5,567,252 |
| <i>Provisions for diminution in value</i> | | | |
| At 1 March 2010 and at 28 February 2011 and at 28 February 2012 | 628,536 | - | 628,536 |
| Net book value | | | |
| At 28 February 2012 | £2,199,675 | £2,739,041 | £4,938,716 |
| At 28 February 2011 | £2,199,675 | £2,533,341 | £4,733,016 |

Investment in group undertaking includes

- 100% holding in Sonnberg Diamonds (Namibia) (Proprietary) Limited, a mining company incorporated in Namibia

The loans to group undertaking are denominated in Namibian Dollars, are interest free and are subordinated in favour of other creditors of the subsidiary undertaking

The directors are of the opinion that it is impractical to measure the loans to subsidiaries at amortised cost using the effective interest rate method and that to do so would have no benefit to the consolidated position of the company and its subsidiaries as the balances due to and from each company eliminate on consolidation

Namibian Resources Plc**Notes forming part of the financial statements for the year ended 28 February 2012 (continued)****10 Inventories**

| | Group 2012 | Group 2011 |
|-------------------|-----------------------|-----------------------|
| Consumable stores | £4,378 | £9,263 |

11 Trade and Other Receivables

| | Group 2012 £ | Group 2011 £ | Company 2012 £ | Company 2011 £ |
|-------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade receivables | 53,745 | 49,546 | - | - |

All amounts fall due for repayment within one year

12 Trade and other Payables

| | Group 2012 £ | Group 2011 £ | Company 2012 £ | Company 2011 £ |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade Payables and Accruals | 34,080 | 33,696 | 12,600 | 12,000 |
| Loans from Directors | 264,578 | 593,725 | 264,578 | 593,725 |
| | 298,658 | 627,421 | 277,178 | 605,725 |

There are no terms of repayment for the directors' loans which are interest free

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

13 Derivatives and other Financial Instruments

Financial instruments policies and strategies

During the period since its incorporation, the group has financed its business with the cash it has raised through the issue of shares and loans from directors. It has used these funds to acquire and develop business in Namibia. The main risk arising from the group's financial instruments is foreign currency risk.

At 28 February 2012, the group's financial instruments comprised cash and short-term receivables and payables arising directly from its operations and loans from directors. The group's primary treasury activity has been the management of cash. This has been held so as to maximise interest earned without compromising the group's need for flexibility in meeting its cash needs. The group is not currently actively pursuing a strategy of acquiring investments.

Although the group is based in the UK, it has a significant investment in Namibia. As a result, the group's sterling balance sheet can be significantly affected by movements in the Namibian Dollar/Sterling exchange rates.

Sales of diamonds are denominated in Namibian Dollars but the price obtained is dependent on market prices set in US Dollars. The group incurs costs in both Sterling and Namibian Dollars.

The group has not entered into any derivative transactions during the year.

Short-term receivables and payables have been excluded from the numerical disclosures below.

Interest rate risk profile of financial assets

| | Floating Rate | |
|-----------------|----------------------|----------------|
| | 2012 | 2011 |
| | £ | £ |
| Sterling | 15,271 | 3,123 |
| Namibian dollar | 30 | 7,466 |
| | £15,301 | £10,589 |

The financial assets comprise short-term cash deposits. The group does not have any material interest bearing financial liabilities. As the group's principal financial instrument is cash, the directors do not consider there to be a material difference between the book and fair value of the group's financial assets.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (*Continued*)

14 Share Capital Shares

| | 2012 Number | 2011 Number | 2012 £ | 2011 £ |
|---|----------------|----------------|-----------|-----------|
| <i>Authorised</i> | | | | |
| Ordinary shares of 1p each | 445,078,252 | 445,078,252 | 4,406,979 | 4,406,979 |
| Amortisation of intangible assets | 39,922,460 | 39,922,460 | 3,593,021 | 3,593,021 |
| Total | 485,000,712 | 485,000,712 | 8,000,000 | 8,000,000 |
| <i>Allotted, called up and fully paid</i> | | | | |
| Ordinary shares of 1p each | 61,821,352 | 44,302,852 | 618,214 | 443,029 |
| Deferred shares of 9p each | 39,922,460 | 39,922,460 | 3,593,021 | 3,593,021 |
| | 101,743,812 | 84,225,312 | 4,211,235 | 4,036,050 |

The deferred shares have no rights to dividend or to attend any general meetings. The shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or pari passu with or subsequent to such share.

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption.

Options

The company has in issue the following options to subscribe for ordinary shares

| | 2012 | 2011 |
|--------|----------------|----------------|
| Number | <u>750,000</u> | <u>750,000</u> |

Options are exercisable between 9 January 2010 and 9 January 2013 at an exercise price of £0.12p. As at 28 February 2011 these options were still outstanding.

The directors' estimate, by reference to formal valuations of options issued in prior periods and consideration of movements in component factors of those valuations, that the expense to be recognised under IFRS2 in respect of options issued during the year is not material in the context of group results. They consider that the expense of commissioning a separate valuation would be disproportionate to the benefits obtained. Accordingly no adjustments have been made to reflect the issue of options as an expense of the business and the corresponding increase in equity of the business.

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

15 Share Premium Account

| Group and Company | Share Premium Account £ |
|--------------------------|------------------------------------|
| At 28 February 2011 | 589,355 |
| Share Issue | 437,962 |
| At 28 February 2012 | <u>£1,027,317</u> |

16 Retained Earnings

| Group | £ |
|---------------------|----------------------------|
| At 1 March 2011 | (3,708,248) |
| Loss for the year | (330,248) |
| At 28 February 2012 | <u>£(4,038,491)</u> |
| Company | £ |
| At 1 March 2011 | (490,648) |
| Loss for the year | 71,095 |
| At 28 February 2012 | <u>£(561,743)</u> |

17 Currency Translation Reserve

| Group | £ |
|------------------------------|------------------------|
| At 1 March 2011 | 679,835 |
| Loss on currency translation | (176,008) |
| At 28 February 2012 | <u>£503,827</u> |

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

| | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|--|--------------------|----------------------|--------------------|----------------------|
| Operating loss | (330,243) | (71,095) | (417,239) | (76,410) |
| Depreciation of plant, property and equipment | 17,568 | - | 41,805 | - |
| Amortisation of intangible assets | 71,110 | - | 74,869 | - |
| Decrease/(Increase) in inventories | 4,885 | - | 4,885 | - |
| (Increase)/decrease in trade and other receivables | (4,199) | (205,700) | (9,651) | (193,000) |
| Increase/(decrease) in trade and other payables | (328,763) | (328,547) | (9,832) | (3,275) |
| Net effect of foreign exchange differences | <u>(38,793)</u> | <u>-</u> | <u>22,055</u> | <u>-</u> |
| Net cash (outflow)/inflow from operating activities | £(608,435) | £(605,342) | £(269,736) | £(272,685) |

| | At 1 March 2011 | Group Cash flow | At 28 February 2012 |
|--------------------------|-------------------|----------------------|------------------------|
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 10,589 | 4,712 | 15,301 |
| | <u> </u> | <u> </u> | <u> </u> |
| | | | |
| | At 1 March 2011 | Company Cash flow | At 28 February 2012 |
| | £ | £ | £ |
| Net cash | | | |
| Cash at bank and in hand | 7,466 | 7,805 | 15,271 |

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2012 (continued)

20 Reconciliation of net cash flow to movement in net funds

| | Group 2012 £ | Company 2012 £ | Group 2011 £ | Company 2011 £ |
|---|--------------------|----------------------|--------------------|----------------------|
| Increase/(decrease) in cash for the year | 4,712 | 7,805 | 4,111 | 1,090 |
| Movement in net funds in the year | 4,712 | 7,805 | 4,111 | 1,090 |
| Opening net funds | 10,589 | 7,466 | 6,478 | 6,376 |
| Closing net funds | £15,301 | £15,271 | £10,589 | £7,466 |

21 Contingent Liabilities

The mining contract undertaken by the group requires the subsidiary, Sonnberg, to remove all equipment and installations and to rehabilitate all disturbed areas once mining activities have ceased

Sonnberg pay 1% of sales to a fund held by NAMDEB Diamond Corporation (Proprietary) Limited, to provide for the costs of environmental rehabilitation. The directors' best estimate is that there is no additional liability at the balance sheet date to the contributions already made to this fund. Accordingly, no provision has been made

22 Related Party Transactions

During the year the company received loans from Lord Sheppard of Didgemere of £ 148,500 (2011 £208,000), B M Moritz £ 125,500 (2011 £72,000) and ACA Carlton £0 (2011 £0). The balances owed to these individuals at the year end were £ 189,578 (2011 £324,225), £ 75,000 (2011 £274,500) and £0 (2011 £5,000) respectively. The loans are interest free and with no repayment terms. During the year Lord Sheppard of Didgemere, B M Moritz and ACA Carlton converted respectively £ 283,147, £ 325,000 and £ 5,000 of loans to share capital

23 Foreign Currency Risk

A reasonably possible change in the Sterling against the Namibian Dollar of 10% would reduce profits by £ 112,429 (2011 £ 100,219) if sterling increases against the Namibian Dollar and increase profits by the same amount if sterling decreases against the Namibian Dollar

Namibian Resources Plc

Company Income Statement for the Year Ended 28 February 2012

| | 2012 £ | 2011 £ |
|--|-----------------|-----------------|
| Revenue | - | - |
| Administration Expenses | (71,095) | (76,410) |
| | <hr/> | <hr/> |
| Operating Loss | (71,095) | (76,410) |
| Other interest receivable and similar income | - | - |
| | <hr/> | <hr/> |
| (Loss) before tax | (71,095) | (76,410) |
| Income tax expenses | - | - |
| | <hr/> | <hr/> |
| (Loss) after tax | (71,095) | (76,410) |
| | <hr/> | <hr/> |

This page does not form part of the statutory accounts