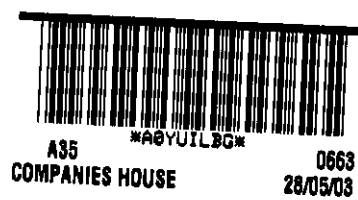


Company Registration No. 4140379 (England and Wales)

NAMIBIAN RESOURCES PLC
ANNUAL REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2002



NAMIBIAN RESOURCES PLC

DIRECTORS AND ADVISERS

Directors	A C A Carlton	(Appointed 12 January 2001)
	B M Moritz	(Appointed 12 January 2001)
	O Plummer	(Appointed 5 March 2002)
Secretary	MSP Secretaries Limited	
Company number	4140379	
Registered office	22 Melton Street London NW1 2BW	
Registered auditors	Nexia Audit Limited 1 Bishops Wharf Walnut Tree Close Guildford Surrey GU1 4RA	
Solicitors	Stringer Saul 17 Hanover Square London W1R 9AJ	

NAMIBIAN RESOURCES PLC

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NAMIBIAN RESOURCES PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2002

The directors present their report and financial statements for the period ended 28 February 2002.

Directors

The following directors have held office since 12 January 2001:

Cargil Management Services Ltd	(Resigned 12 January 2001)
Lea Yeat Limited	(Resigned 12 January 2001)
A C A Carlton	(Appointed 12 January 2001)
B M Moritz	(Appointed 12 January 2001)
P M Smith	(Appointed 12 January 2001 and resigned 14 February 2001)
O Plummer	(Appointed 5 March 2002)

Principal activities and review of the business

Namibian Resources plc was incorporated on 12 January 2001. On 13 March 2001 the company acquired a subsidiary, Sonnberg Diamonds Limited, incorporated in Namibia. The subsidiary is currently loss making but subsequent to the period end has renewed its licence with the Namdeb Diamond Corporation (Namibia) to continue operations until 30 April 2012. It is expected to become profitable within a few years.

The year to February 2002 was a very difficult one for the company. We were unfortunate in losing our new manager Mr Peter Smith whom we were subsequently able to replace after some four months delay.

We also embarked upon a capital raising exercise, which took some months to complete. However, we were able to raise some £300,000 to purchase new heavy plant and to refurbish some existing equipment. In addition a second sorting shed was commissioned, the camp improved and all requirements and alterations made to comply with health and safety and environmental requirements. This process will be ongoing during the next financial year when we hope to reduce costs and increase production. The capital raised will be sufficient to carry us through the next financial year on the basis of existing production.

Results and dividends

The consolidated profit and loss account for the period is set out on page 5.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 10p each	
	28 February 2002	12 January 2001
A C A Carlton	330,000	-
B M Moritz	1,055,719	-

Creditor payment policy

Creditors are paid at the end of the month following the receipt of an agreed bill.

Auditors

Nexia Audit Limited were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

NAMIBIAN RESOURCES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

Directors' responsibilities

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 company and of the group 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;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

A handwritten signature in black ink, appearing to be 'A. Baleni', written over a horizontal line.

1 May 2003

NAMIBIAN RESOURCES PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NAMIBIAN RESOURCES PLC

We have audited the financial statements of Namibian Resources Plc on pages 5 to 16 for the period ended 28 February 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

However, the information available to us was limited by the following matter:

Tangible fixed assets comprise mining equipment and vehicles, all of which are owned by Sonnberg Diamonds (Namibia) (Proprietary) Limited ("Sonnberg"), the wholly owned subsidiary of Namibian Resources plc. Sonnberg was acquired on 13 March 2001. No physical inspection of these assets was carried out by the company either at the year end or at the date of acquisition. There were no practical auditing procedures we could adopt either to:

- verify the existence, completeness and valuation of these assets included in the balance sheet at £449,886;
- or
- confirm the fair value of assets acquired on 13 March 2001 on which goodwill arising and written off in the year of £1,452,358 is based.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

NAMIBIAN RESOURCES PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF NAMIBIAN RESOURCES PLC

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the requirement to raise further finance to enable the company to exploit its concessions. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion: disclaimer on view given by financial statements

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2002 or of its loss for the period then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the fixed assets we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Nexia Audit Limited
Nexia Audit Limited

Chartered Accountants

Registered Auditors

27 May 2003

1 Bishops Wharf
Walnut Tree Close
Guildford
Surrey
GU1 4RA

NAMIBIAN RESOURCES PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 28 FEBRUARY 2002

	Notes	£	Exceptional Item (Notes 3 & 6) £	Period ended 28 February 2002 £
Turnover	2	59,418	-	59,418
Administrative expenses		(330,642)	(1,452,358)	(1,783,000)
Other operating income		2,844	-	2,844
	
Operating loss	3	(268,380)	(1,452,358)	(1,720,738)
Other interest receivable and similar income		3,139	-	3,139
	
Loss on ordinary activities before taxation	3,13,14	(265,241)	(1,452,358)	(1,717,599)
Tax on (loss)/profit on ordinary activities	4	-	-	-
	
Loss on ordinary activities after taxation		(265,241)	(1,452,358)	(1,717,599)
	

The profit and loss account has been prepared on the basis that all operations are continuing operations.

NAMIBIAN RESOURCES PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 28 FEBRUARY 2002

	Period ended 28 February 2002 £
Loss for the financial period	(1,717,599)
Currency translation differences on foreign currency net investments	(518,161)
Total recognised gains and losses relating to the period	(2,235,760)

NAMIBIAN RESOURCES PLC

BALANCE SHEETS AS AT 28 FEBRUARY 2002

	Notes	Group 2002 £	Company 2002 £
Fixed assets			
Intangible assets	6	738,128	-
Tangible assets	7	449,886	-
	
		1,188,014	-
	
Current assets			
Debtors	9	16,753	-
Cash at bank and in hand		20,306	20,243
	
		37,059	20,243
Creditors: amounts falling due within one year	10	(23,171)	(16,064)
	
Net current assets		13,888	4,179
	
Total assets less current liabilities		1,201,902	4,179
Creditors: amounts falling due after more than one year	11	(88)	-
	
		1,201,814	4,179
	
Capital and reserves			
Called up share capital	12	1,422,973	1,422,973
Other reserves	13	2,014,601	-
Profit and loss account	13	(2,235,760)	(1,418,794)
	
Shareholders' funds - equity interests	14	1,201,814	4,179
	

The financial statements were approved by the board on 1 May 2003

Director



NAMIBIAN RESOURCES PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 28 FEBRUARY 2002

	Period ended 28 February 2002	
	£	£
Net cash outflow from operating activities		(171,032)
Returns on investments and servicing of finance		
Interest received	3,139	
	
Net cash inflow/(outflow) for returns on investments and servicing of finance		3,139
Capital expenditure		
Payments to acquire tangible fixed assets	(138,549)	
	
Net cash outflow for capital expenditure		(138,549)
Acquisitions and disposals		
Cash at bank acquired with subsidiary	29,504	
	
Net cash outflow for acquisitions and disposals		29,504
	
Net cash outflow before management of liquid resources and financing		(276,938)
Financing		
Issue of ordinary share capital	295,638	
	
Net cash inflow/(outflow) from financing		295,638
	
Increase in cash in the period		18,700
	

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 28 FEBRUARY 2002

1	Reconciliation of operating loss to net cash outflow from operating activities			2002
				£
	Operating (loss)/profit			(1,720,738)
	Depreciation of tangible assets			58,930
	Amortisation of intangible assets			67,103
	Exceptional goodwill write off			1,452,358
	Increase in debtors			(4,616)
	Increase in creditors within one year			13,042
	Net effect of foreign exchange differences			(37,111)
			
	Net cash inflow from operating activities			(171,032)
			
2	Analysis of net funds/(debt)	12 January 2001	Cash flow	28 February 2002
		£	£	£
	Net cash:			
	Cash at bank and in hand	-	20,306	20,306
	Bank overdrafts	-	(1,606)	(1,606)
	
		-	18,700	18,700
	
3	Reconciliation of net cash flow to movement in net funds			2002
				£
	Increase in cash for the period			18,700
			
	Movement in net funds in the period			18,700
	Opening net debt			-
			
	Closing net funds			18,700
			
4	Purchase of subsidiary undertakings			
	Net cash acquired with subsidiary			29,504
	Debtors			12,137
	Creditors			(8,611)
	Long term creditors			(2,141,936)
	Tangible fixed assets			521,790
	Intangible fixed assets - mining rights			1,134,758
	Goodwill			1,452,358
			
				1,000,000
			
	Settled by : Issue of shares			1,000,000
			

The subsidiary undertaking acquired during the year contributed net cash outflows from the Group of £196,870

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts have been prepared on a going concern basis in spite of the fact that the revenue reserves are negative. The Directors believe that the potential for profitable trading exists and will be realised when all upgrading is completed to achieve automatic production during the latter half of 2003. Directors intend to apply for a listing on AIM Market with a view to a capital raising exercise that will enable the company to fully exploit our concession. Whilst the Directors are confident that sufficient capital can be raised on flotation they cannot guarantee that this will be achieved. Neither are the Directors able to guarantee that the company will be accepted for listing on the Alternative Investment Market.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 28 February 2002. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life, subject to impairment reviews. An impairment review was carried out as at 28 February 2002. This resulted in an exceptional goodwill impairment charge.

1.5 Mining rights

Mining rights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of 10 years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	3 to 10 years
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1.7 Leasing

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

1.8 Investments

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

1.9 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

1 Accounting policies

(continued)

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 closing rates of exchange during the period and the balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening assets are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

2 Turnover

The total turnover of the group for the period has been derived from its principal activity wholly undertaken by its subsidiary in Namibia.

3 Operating loss

2002

£

Operating loss is stated after charging:

Amortisation of intangible assets	67,103
Exceptional goodwill impairment	1,452,358
Depreciation of tangible assets	58,930
Operating lease rentals	1,228
Auditors' remuneration (company £9,400)	9,699
Remuneration of auditors for non-audit work	5,669

4 Taxation

Current tax charge

-

Factors affecting the tax charge for the period

Loss on ordinary activities before taxation	(1,717,599)

Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%	(515,280)
Effects of:	
Losses carried forward	515,280

Current tax charge

-

A deferred tax asset in the accounts of the subsidiary has not been recognised.

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

5 Loss for the financial period

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial period is made up as follows:

	2002 £
Holding company's loss for the financial period	(1,418,794)

6 Intangible fixed assets Group

	Mining rights £	Goodwill £	Intangible fixed assets £
Cost			
At 12 January 2001	-	-	-
Exchange differences	(356,987)	-	(356,987)
Additions	1,229,321	1,452,358	2,681,679

At 28 February 2002	872,334	1,452,358	2,324,692

Amortisation			
At 12 January 2001	-	-	-
Amortisation of subsidiary mining rights	94,563	-	94,563
Exchange differences	(27,460)	-	(27,460)
Charge for the period	67,103	1,452,358	1,519,461

At 28 February 2002	134,206	1,452,358	1,586,564

Net book value			
At 28 February 2002	738,128	-	738,128

The goodwill addition of £1,452,358 has been fully written down as a result of an impairment review.

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

7 Tangible fixed assets Group

	Plant and machinery £
Cost	
At 12 January 2001	-
Exchange differences	(211,937)
Additions	868,376

At 28 February 2002	656,439

Depreciation	
At 12 January 2001	-
Exchange differences	(60,414)
Charge for the period	266,967

At 28 February 2002	206,553

Net book value	
At 28 February 2002	449,886

8 Fixed asset investments Company

	Unlisted investments £	Loans to group undertakings £	Total £
Cost			
At 12 January 2001	-	-	-
Additions	1,000,000	329,156	1,329,156

At 28 February 2002	1,000,000	329,156	1,329,156

Provisions for diminution in value			
At 12 January 2001	-	-	-
Charge for the period	(1,000,000)	(329,156)	(1,329,156)

At 28 February 2002	-	-	-

Net book value			
At 28 February 2002	-	-	-

Unlisted investments represents the 100% holding in Sonnberg Diamonds (Namibia) (Proprietary) Limited, a mining company incorporated in Namibia.

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

9 Debtors

	Group 2002 £	Company 2002 £
Trade debtors	7,843	-
Other debtors	8,910	-

	16,753	-

10 Creditors : amounts falling due within one year

	Group 2002 £	Company 2002 £
Bank loans and overdrafts	1,606	-
Trade creditors	5,501	-
Directors current accounts	602	602
Accruals and deferred income	15,462	15,462

	23,171	16,064

11 Creditors : amounts falling due after more than one year

	Group 2002 £	Company 2002 £
Director's loan	88	-

12 Share capital

	2002 £
Authorised	
500,000,000 Ordinary shares of 10p each	50,000,000

Allotted, called up and fully paid	
14,229,730 Ordinary shares of 10p each	1,422,973

During the year 14,229,730 ordinary shares of £0.10 each were allotted and fully paid at par. The issue of 10,000,000 ordinary shares was made in consideration for the purchase of the subsidiary, the remaining shares were issued to the directors, existing shareholders and new subscriptions.

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

13 Statement of movements on reserves Group

	Other reserves £	Profit and loss account £
Retained loss for the period	-	(1,717,599)
Foreign currency translation differences	-	(518,161)
Reserve arising on consolidation (see below)	2,014,601	-

Balance at 28 February 2002	2,014,601	(2,235,760)

Other reserves		
Capital reserve		
Capital movement	2,014,601	
	
Balance at 28 February 2002	2,014,601	
	

The capital reserve represents the benefit arising to the group on consolidation resulting from the parent company having taken beneficial ownership of a debt payable by its subsidiary, Sonnberg Diamonds (Namibia) (Proprietary) Limited.

Company

	Profit and loss account £
Retained loss for the period	(1,418,794)

	(1,418,794)

NAMIBIAN RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2002

14 Reconciliation of movements in shareholders' funds	2002
Group	£
Loss for the financial period	(1,717,599)
Other recognised gains and losses	(518,161)
Proceeds from issue of shares	1,422,973
Reserve arising on consolidation	2,014,601

Net addition to shareholders' funds	1,201,814
Opening shareholders' funds	-

Closing shareholders' funds	1,201,814

	2002
Company	£
Loss for the financial period	(1,418,794)
Proceeds from issue of shares	1,422,973

Net addition to shareholders' funds	4,179
Opening shareholders' funds	-

Closing shareholders' funds	4,179

15 Employees

Number of employees

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

	2002
	Number
Staff of subsidiary	14
Directors	3

	17

Employment costs	2002
	£
Wages and salaries	59,510

16 Control

There is no ultimate controlling party.