

Registered Number: 04140379

**Namibian Resources Plc**

Report and Financial Statements

Year Ended

28 February 2006



**Namibian Resources Plc**

**Annual report and financial statements for the year ended 28 February 2006**

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Directors and advisers

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<b>Directors</b>	Lord Sheppard of Didgemere - Chairman A C A Carlton B M Moritz O J Plummer
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<b>Secretary and Registered office</b>	Cargil Management Services, 302 High Street, Croydon, Surrey, CR0 1NG.
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<b>Company number</b>	04140379
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<b>Auditors</b>	FW Stephens, 10 Charterhouse Square, London EC1M 6LQ.
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<b>Solicitors</b>	Stringer Saul, 17 Hanover Square, London, W1R 9AJ.
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<b>Nominated adviser</b>	Collins Stewart Limited, 88 Wood Street, London, EC2V 7QR
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<b>Broker</b>	Collins Stewart Limited, 88 Wood Street, London, EC2V 7QR
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## Namibian Resources Plc

### Chairman's statement

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#### YEAR ENDED 28 FEBRUARY 2006

The year to 28 February 2006 has been very satisfactory compared to 2005.

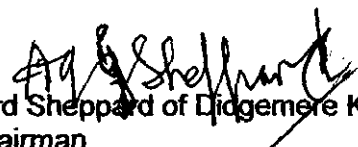
#### Highlights

- Loss of £64,373 against a loss of £490,844 in 2005
- Total Recognised Gains (after currency gains) of £83,282 against losses of £443,003 in 2005.
- Turnover £484,030 against £29,633 in 2005.
- Cash resources are £488,755 against £217,972 in 2005 and the Company has no borrowings.

The current financial year has started extremely well and we look forward to making further progress. Thanks are due to our staff. In particular I would like to thank Tony Carlton our C.E.O. who is controlling our business on a day-to-day basis, extremely ably.

The valuable geological assistance provided by Namdeb is also very much appreciated. Our own consultant geologist Dr Donald Sutherland of Placer Analysis Edinburgh has provided us with highly professional assistance and guidance.

The company's Annual General Meeting will be held on Friday 27<sup>th</sup> October.

  
Lord Sheppard of Digemere KCVO Kt  
Chairman

22 August 2006

## Namibian Resources Plc

### Report of the directors for the year ended 28 February 2006

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The directors present their report together with the audited financial statements for the year ended 28 February 2006.

#### Results and dividends

The consolidated profit and loss account is set out on page 7 and shows the loss for the year. 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 licence with the Namdeb Diamond (Corporation) (Pty) Limited to mine diamonds until 30 April 2012. The contract is renewable for a further 10 years thereafter.

During the year the company considerably increased turnover, which has continued into the new financial year. The newly mined area, known as Saltztal East, has far exceeded our expectations. Severe flooding since the year-end has not effected production but may slow our ability to sample certain identified future areas due to surface water.

Oletu, our 75% owned black empowerment subsidiary, continues to search for a suitable diamond mining acquisition at the pre-production or production stage. A number of situations have been identified but to date nothing suitable has been found.

#### Substantial shareholdings

At 28 February 2006, the company had been notified of the following holdings of 3% or more of its issued share capital

	Ordinary shares of 10p each	%
BM Moritz	2,244,616	5.92
WB Nominees (for clients including Lord Sheppard and A.C.A. Carlton – see below)	21,489,761	56.66
G Shepherd	2,428,520	6.40
T Spurgen	1,300,000	3.42
H D Rule	1,360,000	3.58
C J Garka	1,154,147	3.04

## Namibian Resources Plc

### Report of the directors for the year ended 28 February 2006 (Continued)

#### Directors

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

	Share Options		Ordinary shares of 10p each	
	2006	2005	2006	2005
A C A Carlton	1,000,000	1,000,000	1,415,000	725,892
B M Moritz	250,000	250,000	2,244,616	1,772,386
O J Plummer	500,000	500,000	506,407	356,492
Lord Sheppard	1,000,000	1,000,000	2,800,000	2,000,000
P Liebenberg (resigned 7 <sup>th</sup> December 2005)	750,000	750,000	-	-

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).

Each director entered into an option agreement dated 18 February 2004.

During the year the directors exercised the following warrants at an exercise price of 10p.

A C A Carlton	470,000
B M Moritz	879,730
O J Plummer	150,000
Lord Sheppard	800,000

#### 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 2006 was 41 (2005: 45).

#### 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 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 proper 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 1985. 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.

**Namibian Resources Plc**

**Report of the directors for the year ended 28 February 2006 (*Continued*)**

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**Auditors**

A resolution to reappoint FW Stephens as the group's auditors will be put to the forthcoming Annual General Meeting.

**On behalf of the Board**



A C A Carlton  
**Director**

22<sup>nd</sup> August 2006

## **Namibian Resources Plc**

### **Report of the independent auditors**

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#### **Independent Auditors' Report to the members of Namibian Resources Plc**

We have audited the group and parent company financial statements of Namibian Resources Plc for the year ended 28 February 2006, which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated cashflow statement and the related notes. 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 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 the directors and auditors**

As described in the statement of Directors' Responsibilities, set out in the report of the directors, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information in the Directors' Report is not consistent with the financial statements, if the group 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 the Chairman's statement 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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 circumstances, consistently applied and adequately disclosed.

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

**Namibian Resources Plc**

**Report of the independent auditors (Continued)**

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**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company and group's affairs as at 28 February 2006 and of the loss of the group and the cash flow of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**FW STEPHENS**  
**Chartered Accountants and Registered Auditors**

**10 Charterhouse Square**  
**LONDON EC1M 6LQ**

23<sup>rd</sup> August 2006



**Namibian Resources Plc**

**Consolidated profit and loss account for the year ended 28 February 2006**

	Note	2006 £	2005 £
<b>Turnover</b>	2	<b>484,030</b>	<b>29,633</b>
Cost of sales		(352,178)	(296,750)
<b>Gross profit/(loss)</b>		<b>131,852</b>	<b>(267,117)</b>
Administrative expenses		(205,689)	(254,409)
<b>Operating loss</b>	4	<b>(73,837)</b>	<b>(521,526)</b>
Other interest receivable and similar income		9,464	30,682
<b>Loss on ordinary activities before and after taxation</b>		<b>£(64,373)</b>	<b>£(490,844)</b>
<b>Loss per share (pence)</b>	6		
Basic		(0.19)	(1.60)
Diluted		(0.17)	(1.43)

All amounts relate to continuing activities.

**Consolidated statement of total recognised gains and losses for the year ended 28 February 2006**

	2006 £	2005 £
Loss for the financial year	(64,373)	(490,844)
Currency translation differences on foreign currency net investments	147,655	47,841
<b>Total recognised gains and losses for the year</b>	<b>£83,282</b>	<b>£(443,003)</b>

The notes on pages 11 to 20 form part of these financial statements.

**Namibian Resources Plc**

**Consolidated balance sheet at 28 February 2006**

	Note	2006 £	2006 £	2005 £	2005 £
<b>Fixed assets</b>					
Intangible assets:					
Mining rights	8	755,093		693,728	
			755,093		693,728
Tangible assets	9		1,506,284		1,260,928
			2,261,377		1,954,656
<b>Current assets</b>					
Stock	11	34,644		-	
Debtors	12	31,375		25,364	
Cash at bank and in hand		488,755		217,972	
		554,774		243,336	
<b>Creditors: amounts falling due within one year</b>	13	(74,663)		(48,259)	
<b>Net current assets</b>			480,111		195,077
<b>Total assets less current liabilities</b>			£2,741,488		£2,149,733
<b>Capital and reserves</b>					
Called up share capital	15		3,792,246		3,283,773
Share premium account	16		359,384		359,384
Profit and loss account	17		(1,410,142)		(1,493,424)
<b>Shareholders' funds – equity</b>			£2,741,488		£2,149,733

The financial statements were approved by the Board on 22<sup>nd</sup> August 2006



O Plummer  
Director

The notes on pages 11 to 20 form part of these financial statements.

**Namibian Resources Plc**

**Company balance sheet at 28 February 2006**

	Note	2006 £	2006 £	2005 £	2005 £
<b>Fixed assets</b>					
Investments	10		2,802,763		2,704,423
Tangible Assets	9		494		988
			<u>2,803,257</u>		<u>2,705,411</u>
<b>Current assets</b>					
Debtors	12	11,750		11,750	
Cash at bank and in hand		399,821		151,992	
		<u>411,571</u>		<u>163,742</u>	
<b>Creditors: amounts falling due within one year</b>	13	(12,945)		(17,333)	
<b>Net current assets</b>			<u>398,626</u>		<u>146,409</u>
<b>Total assets less current liabilities</b>			<u>£3,201,883</u>		<u>£2,851,820</u>
<b>Capital and reserves</b>					
Called up share capital	15		3,792,246		3,283,773
Share Premium account	16		359,384		359,384
Profit and loss account	17		(949,747)		(791,337)
<b>Shareholders' funds – equity</b>			<u>£3,201,883</u>		<u>£2,851,820</u>

The financial statements were approved by the Board on 22<sup>nd</sup> August 2006



O Plummer  
Director

The notes on pages 11 to 20 form part of these financial statements.

**Namibian Resources Plc**

**Consolidated cash flow statement for the year ended 28 February 2006**

	<b>Note</b>	<b>2006 £</b>	<b>2005 £</b>
<b>Net cash inflow/(outflow) from operating activities</b>	19	69,607	(348,114)
<b>Returns on investments and servicing of finance</b>			
Interest received		9,464	30,682
<b>Investing Activities</b>			
Payments to acquire investments		-	(10,537)
Payments to acquire intangible assets		(28,387)	(47,695)
Payments to acquire tangible fixed assets		(288,374)	(1,290,002)
<b>Net cash outflow before management of liquid resources and financing</b>		(237,690)	(1,665,666)
<b>Financing</b>			
Issue of shares and exercise of warrants and options		508,473	1,875,184
<b>Increase in cash in the year</b>	21	<u>£270,783</u>	<u>£209,518</u>

The notes on pages 11 to 20 form part of these financial statements.

## **Namibian Resources Plc**

### **Notes forming part of the financial statements for the year ended 28 February 2006**

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#### **1 Accounting policies**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

##### *Basis of consolidation*

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 28 February 2006. 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.

##### *Going Concern*

The company's ability to continue as a going concern depends on the prospects of future profitable trade. 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.

##### *Turnover*

Turnover represents sales to NAMDEB Diamond Corporation (Proprietary) Limited ("NAMDEB") at invoiced amounts less sales tax and trade discounts. Turnover is recognised when diamonds are delivered to NAMDEB.

##### *Mining rights*

Mining rights are carried at cost less accumulated amortisation. Amortisation is calculated to write off the cost in approximate equal annual instalments over the period of the concession.

##### *Tangible fixed assets and depreciation*

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

Motor Vehicles	-	4 years
Plant and machinery	-	10 – 20 years
Office Equipment	-	3 years

##### *Leasing*

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

##### *Investments*

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

## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)

#### 1 Accounting policies (Continued)

##### *Stock*

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

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

##### *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 and the balance sheets are translated 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 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.

#### 3 Employees

	2006 £	2005 £
Staff costs consist of:		
Directors Remuneration	55,000	50,417
Wages and Salaries	19,273	36,202
Social Security Costs	6,768	1,144
	<hr/>	<hr/>
The average monthly number of employees, (including directors), during the year was:	Number	Number
Staff of subsidiary	10	12
Staff of head office	1	1
Directors	5	5
	<hr/>	<hr/>
	16	18
	<hr/>	<hr/>

**Namibian Resources Plc****Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)****4 Operating loss**

	2006 £	2005 £
This has been arrived at after charging:		
Depreciation	126,534	29,074
Amortisation	13,009	130,160
Exchange differences	-	36
Operating lease rentals – land and buildings	7,768	6,318
Auditors' remuneration – audit (company - £9,211 (2005 - £14,436))	12,124	17,032
	<u>          </u>	<u>          </u>

**5 Taxation on loss on ordinary activities**

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

	2006 £	2005 £
Loss on ordinary activities before tax	(64,373)	(490,844)
	<u>          </u>	<u>          </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	(19,312)	(147,253)
Effects of: Tax losses	19,312	147,253
	<u>          </u>	<u>          </u>
Current tax charge for year	-	-
	<u>          </u>	<u>          </u>

A deferred tax asset of £711,728 (2005 - £718,568) relating to losses in the subsidiary undertakings has not been recognised due to uncertainty regarding the availability of suitable taxable profits against which the losses can be recovered.

**6 Loss per share**

Loss per share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of shares in issue is 34,264,560 (2005 – 30,756,130) and the loss, being the loss after tax, is £64,373 (2005 loss - £490,844).

Diluted loss per share has been calculated using a weighted average number of shares of 37,764,560 (2005 – 34,256,133), which includes the share options in issue at the start and end of the year.

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)**

**7 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 year is made up as follows:

	2006	2005
Holding company's loss for the financial year	<u>£(158,410)</u>	<u>£(657,474)</u>

**8 Intangible fixed assets**

Group	Mining rights £
<i>Cost</i>	
At 1 March 2005	1,270,787
Exchange differences	84,243
Additions	28,387
	<u>                    </u>
At 28 February 2006	<b>1,383,417</b>
<i>Amortisation</i>	
At 1 March 2005	577,059
Charge for the year	13,009
Exchange differences	38,256
	<u>                    </u>
At 28 February 2006	<b>628,324</b>
<i>Net book value</i>	
At 28 February 2006	<u><b>£755,093</b></u>
	<u>                    </u>
At 28 February 2005	<u><b>£693,728</b></u>



**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)**

**9 Tangible fixed assets**

	Office Equipment	Plant & Machinery Motor Vehicle	Total
	£	£	£
<b>Group</b>			
<i>Cost</i>			
At 1 March 2005	1,482	2,145,611	2,147,093
Additions	3,375	284,999	288,374
Exchange difference	-	83,516	83,516
	<hr/>	<hr/>	<hr/>
At 28 February 2006	<b>4,857</b>	<b>2,514,126</b>	<b>2,518,983</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 March 2005	494	885,671	886,165
Charge for the year	1,034	125,500	126,534
	<hr/>	<hr/>	<hr/>
At 28 February 2006	<b>1,528</b>	<b>1,011,171</b>	<b>1,012,699</b>
	<hr/>	<hr/>	<hr/>
<i>Net book Value</i>			
At 28 February 2006	<b>£3,329</b>	<b>£1,502,955</b>	<b>£1,506,284</b>
	<hr/>	<hr/>	<hr/>
At 28 February 2005	£988	£1,259,940	£1,260,928
	<hr/>	<hr/>	<hr/>

**Company**

	Office equipment £
At 1 March 2005 and 28 February 2006	<b>1,482</b>
	<hr/>
<i>Depreciation</i>	
At 1 March 2005	494
Provided in the year	494
	<hr/>
At 28 February 2006	<b>988</b>
	<hr/>
<i>Net book value</i>	
At 28 February 2006	<b>£494</b>
	<hr/>
At 28 February 2005	£988
	<hr/>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)**

**10 Fixed asset investments**

	Group undertakings £	Loans to group undertakings £	Total £
<b>Company</b>			
At 1 March 2005	2,064,225	1,768,734	3,832,959
Additions	-	98,340	98,340
At 28 February 2006	<u>2,064,225</u>	<u>1,867,074</u>	<u>3,931,299</u>
<i>Provisions for diminution in value</i>			
At 1 March 2005 and 28 February 2006	<u>628,536</u>	<u>500,000</u>	<u>1,128,536</u>
<i>Net book value</i>			
At 28 February 2006	<u>£1,435,689</u>	<u>£1,367,074</u>	<u>£2,802,763</u>
At 28 February 2005	<u>£1,435,689</u>	<u>£1,268,734</u>	<u>£2,704,423</u>

Investment in group undertakings includes

- 100% holding in Sonnberg Diamonds (Namibia) (Proprietary) Limited, a mining company incorporated in Namibia.
- 75% of the issued share capital of Oletu Investment Holdings (Pty) Limited, a company incorporated in Namibia.

**11 Stock**

	Group 2006	Group 2005
Consumable stores	<u>£34,644</u>	<u>£-</u>

**12 Debtors**

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade debtors	19,625	13,614	-	-
Prepayments	11,750	11,750	11,750	11,750
	<u>£31,375</u>	<u>£25,364</u>	<u>£11,750</u>	<u>£11,750</u>

All amounts fall due for repayment within one year.

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)**

**13 Creditors: amounts falling due within one year**

	<b>Group 2006 £</b>	<b>Group 2005 £</b>	<b>Company 2006 £</b>	<b>Company 2005 £</b>
Trade creditors and accruals	<b>74,663</b>	<b>48,259</b>	<b>12,945</b>	<b>17,333</b>

**14 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. 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 2006, the group's financial instruments comprised cash and short-term debtors and creditors arising directly from its operations. 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 debtors and creditors have been excluded from the numerical disclosures below.

Interest rate risk profile of financial assets:

	<b>2006 £</b>	<b>Floating rate 2005 £</b>
Sterling	<b>459,821</b>	<b>65,980</b>
Namibian dollar	<b>28,934</b>	<b>151,992</b>
	<b>£488,755</b>	<b>£217,972</b>

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 instruments 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 2006 (Continued)**

**15 Share capital**

Shares	2006 Number	2005 Number	2006 £	2005 £
<i>Authorised</i> 500,000,000 ordinary shares of 10p each	<b>500,000,000</b>	500,000,000	<b>50,000,000</b>	50,000,000
<i>Allotted, called up and fully paid</i> Ordinary shares of 10p each	<b>37,922,460</b>	32,837,730	<b>3,792,246</b>	3,283,773

**Warrants**

During the year, 5,084,730 warrants were exercised, raising proceeds of £508,473.

**Options**

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

	2006	2005
Number	<b>3,500,000</b>	3,500,000

**16 Share Premium Account**

Group and Company	Share Premium account
At 1 March 2005 and 28 February 2006	<b>£359,384</b>

**17 Profit and Loss Account**

Group	£
At 1 March 2005	(1,493,424)
Loss for the year	(64,373)
Foreign currency translation differences	147,655
At 28 February 2006	<b>£(1,410,142)</b>
<b>Company</b>	<b>£</b>
At 1 March 2005	(791,337)
Loss for the year	(158,410)
At 28 February 2006	<b>£(949,747)</b>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)**

**18 Reconciliation of movements in shareholders' funds**

	2006 £	2005 £
<b>Group</b>		
Loss for the financial year	(64,373)	(490,844)
Other recognised gains and losses	147,655	37,304
Issue of shares and exercise of warrants and options	508,473	1,875,184
Net addition to shareholders' funds	591,755	1,421,644
Opening shareholders' funds	2,149,733	728,089
Closing shareholders' funds	£2,741,488	£2,149,733
<b>Company</b>	2006 £	2005 £
Loss for the financial year	(158,410)	(657,474)
Issue of shares	508,473	1,875,184
Net addition to shareholders' funds	350,063	1,217,710
Opening shareholders' funds	2,851,820	1,634,110
Closing shareholders' funds	£3,201,883	£2,851,820

**19 Reconciliation of operating loss to net cash outflow from operating activities**

	2006 £	2005 £
Operating loss	(73,837)	(521,526)
Depreciation of tangible assets	126,534	29,074
Amortisation of intangible assets	13,009	130,160
(Increase) in stock	(34,644)	-
(Increase)/decrease in debtors	(6,012)	76,655
Increase/(decrease) in creditors	26,405	(110,786)
Net effect of foreign exchange differences	18,152	48,309
Net cash inflow/(outflow) from operating activities	£69,607	(348,114)

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2006 (Continued)**

**20 Analysis of net debt**

	At 1 March 2005 £	Cash flow £	At 28 February 2006 £
Net cash:			
Cash at bank and in hand	£217,972	£270,783	£488,755

**21 Reconciliation of net cash flow to movement in net funds**

	2006 £	2005 £
Increase in cash for the year	270,783	209,518
Movement in net funds in the year	270,783	209,518
Opening net funds	217,972	8,454
Closing net funds	£488,755	£217,972

**22 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.

**23 Commitments under operating leases**

As at 28 February 2006, the company had annual commitments under non-cancellable operating leases as set out below:

	2006 Land and buildings £	2005 Land and buildings £
Expiring in less than one year	2,968	2,318

**24 Transactions with Directors**

During the year, ACA Carlton, a director of Namibian Resources PLC, advanced a sum of £60,000 to Sonnberg, a subsidiary company. This loan was repaid before the end of the year.