

Registered Number: 04140379

**Namibian Resources Plc**

Report and Financial Statements

Year Ended

28 February 2009

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## **Namibian Resources Plc**

### **Annual report and financial statements for the year ended 28 February 2009**

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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 D G Sutherland
<b>Secretary and Registered office</b>	Cargil Management Services, 302 High Street, Croydon, Surrey, CR0 1NG.
<b>Company number</b>	04140379
<b>Auditors</b>	Montgomery Swann Ltd, Scott's Sufferance Wharf, 1 Mill Street, London, SE12DE
<b>Solicitors</b>	Fasken Martineau Stringer Saul LLP, 17 Hanover Square London W1S 1HU
<b>Nominated adviser</b>	Beaumont Cornish Limited, Bowman House, 29 Wilson Street London EC2M 2SJ
<b>Brokers</b>	Keith, Bayley Rogers & Co. Ltd, Sophia House 76-80 City Road London EC1Y 2EQ

## Namibian Resources Plc

### Chairman's statement

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#### YEAR ENDED 28 February 2009

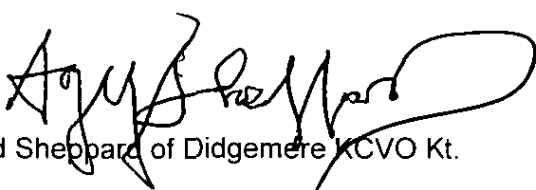
The year to 28<sup>th</sup> February 2009 was disappointing with turnover decreasing from £140,622 to £127,580 resulting in a loss of £492,485. The most notable event during the year was the near collapse of the international diamond market in the latter part of 2008. Consequent on this, Namdeb imposed production restrictions on all its contractor operations and in December 2008 Sonnberg Diamonds ceased production. Total production of diamonds during the year was 1,815 ct, a decrease on the previous year's total of 2,126 ct. Because of the halt to mining in December, the actual monthly rate of production was a slight improvement on the previous year. For much of the year mining operations experienced inflationary pressures, primarily due to fuel cost increases but rationalisation of operations meant that monthly costs were slightly reduced up till the close down in December. Since December staff has been reduced to a small core group responsible for care and maintenance of the equipment.

Since the year-end Sonnberg's operations in Namibia have remained on a care-and-maintenance basis and the Directors have continued to support the company with unsecured, interest-free loans, which totalled £350,000 at 28 February 2009.

In recent weeks the price falls seen in the international diamond market in the early part of the year have ceased and some price stability has returned to the market albeit at lower price levels than in recent years. Renewed demand is being experienced for good quality diamonds and Namibian Resources is currently examining whether Sonnberg's operations can be restarted in the near future.

It was announced last year that the company would try and raise funds for expansion but the downturn in the diamond market precluded this. After the year end the company has changed brokers (to Keith, Bayley, Rogers) and Nominated Advisors (to Beaumont Cornish). With continuing stability in the diamond market the board intends to examine again the possibility of raising funds and will make an announcement when appropriate.

I would like to thank all members of our staff here and in Namibia for their efforts in the continuing difficult times.



Lord Sheppard of Didgemere KCVO Kt.

## **Namibian Resources Plc**

### **Review of Operations**

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#### **YEAR ENDED 28 February 2009**

##### **Review of Operations**

The focus of the company's operations during the year continued to be the SW corner of the Pomona concession and adjacent areas. This area is characterised by large average sized diamonds and the historic sampling that has taken place in the Pomona concession has been inadequate to identify or characterise all the deposits in this area.

The major operational event in the year was the sudden downturn in the international diamond market in late 2008. This severely impacted Namdeb, to whom Sonnberg Diamonds is contracted, and as a consequence Sonnberg's active operations were terminated in the second week of December 2008. The operations year has therefore only been of 9½ months duration. Since that time equipment has been maintained on a care-and-maintenance basis on site.

Total production for the year was 1,815 ct, derived from mining and prospecting activities. This was only slightly below the previous year's level of production despite the short operating year. However, compared with previous years the level of production is down significantly reflecting the lower grade of the deposits being mined and poor equipment availability.

The greatest part of the production (1,369 ct) came from the Salzpflanze deposit. As mentioned in last year's report, mining at the southern end of this deposit continues to be limited by a high water table. Mining has therefore progressed northwards in an upslope direction although this has led to a corresponding reduction in average diamond size from 0.45 ct/st at the beginning of the year to 0.36 ct/st when mining was suspended. To date over 2,300 ct have been produced from this deposit, leaving rather less than 2,000 ct from the original resource estimate. However, not all of the deposit may be mined because of the high water table.

A second screening plant was brought into operation at the small East Salztal North deposit which was mined for part of the year producing 407 ct.

The screening plant in East Salztal North was also used for processing deposit from prospecting operations. The East Salztal South deposit was prospected. The initial trench sample results produced a number of +1 ct diamonds but subsequent sampling established that only a small deposit is present albeit with an overall average diamond size of 0.69 ct/st.

Sampling was completed in the main part of the Hannahtal North deposit, with almost all samples being diamond positive. A small side valley remains to be sampled to complete the sampling programme. The average size of diamonds recovered to date is 0.54 ct/st.

A programme of bedrock cleaning on either side of a natural bedrock ridge that crossed the floor of the Annatal SE valley was carried out. The volume of deposit was very small and although a relatively elevated grade was encountered actual production was only just over 4 ct.

A major factor for operations during the majority of the year was the steady increase in the price of diesel, fuel accounting for over 25% of Sonnberg's operating costs. Continuous efforts have been made to contain all costs and over the year there had been no increase in total operating costs.

## **Namibian Resources Plc**

### **Review of Operations (continued)**

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Since the year end all mining and prospecting operations have been at a standstill and equipment is being maintained on site. Geological studies are being carried out in order to refine the geological model of the Pomona area and the diamond deposits. The objectives are to identify targets for future sampling and to improve resource estimation.

## **Namibian Resources Plc**

### **Report of the directors for the year ended 28 February 2009**

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The directors present their report together with the audited financial statements for the year ended 28 February 2009.

#### **Results and dividends**

The consolidated income statement is set out on page 11. 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.

Mining and prospecting operations were undertaken continuously during the year in question as set out in our Review of Operations on page 3 and 4.

Mining and prospecting operations have continued since the year end and additional resources have been identified. 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 affect 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. The group does not have any debt and is not therefore required to use derivative financial instruments to manage interest rate costs nor is hedge accounting applied.

##### *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 Note 1 to 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 2009

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#### *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 2009, 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	2,994,616	7.50
WB Nominees (for clients including Lord Sheppard and A.C.A. Carlton – see below)	19,888,162	49.82
HSBC Global Custody Nominee (UK) Limited	2,063,520	5.17

#### **Directors**

The Directors who served during the year were :-

Lord Sheppard of Didgemere  
ACA Carlton  
BM Moritz  
OJ Plummer  
DG Sutherland

## Namibian Resources Plc

### Report of the directors for the year ended 28 February 2009 (*Continued*)

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#### 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	
	2009	2008	2009	2008
A C A Carlton	-	1,000,000	1,615,000	1,615,000
B M Moritz	-	250,000	2,994,616	2,994,616
O J Plummer	-	500,000	606,407	606,407
Lord Sheppard of Didgemere	-	1,000,000	3,650,000	3,650,000
D G Sutherland	750,000	750,000	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).

D G Sutherland entered into an option agreement dated 9<sup>th</sup> January 2008 (see note 14 for details of the exercise price and period).

#### 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 2009 was 46 (2008: 49).

#### 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 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.

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 2009 (Continued)**

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#### **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 of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **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 group's auditors will be put to the forthcoming Annual General Meeting.

#### **On behalf of the Board**



A C A Carlton  
Director

Date 28 August 2009

## **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 2009, which comprise the consolidated income statement, the consolidated and company balance sheet, the statement of changes in equity, the consolidated cashflow statement, consolidated statement of recognised income and expense and the related notes 1 to 25. 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 on pages 5-8, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 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 group is not disclosed.

We read the Directors' Report, the Review of Operations and the Chairman's statement and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within them compared to the audited financial statements. Our responsibilities do not extend to any other information.

#### **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 group 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:

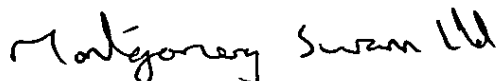
- The group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the group's affairs as at 28 February 2009 and of its loss for the year then ended;

The parent company financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 February 2009

- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors Report, Review of Operations and Chairman's Statement is consistent with the financial statements.

#### Emphasis of matter - going concern

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 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, it's 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 £914,571 and property plant and equipment of £913,712 included in the consolidated balance sheet and amounts due by group undertakings of £4,392,108 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. 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.



Montgomery Swann Ltd  
Chartered Accountants and Registered Auditors  
Scott's Sufferance Wharf  
1 Mill Street  
LONDON SE1 2DE

Dated 28 August 2009

#### 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 2009**

	<b>Note</b>	<b>2009 £</b>	<b>2008 £</b>
<b>Revenue</b>	1.7	<b>127,580</b>	<b>140,622</b>
Cost of sales		<b>(414,848)</b>	<b>(234,943)</b>
<b>Gross loss</b>		<b>(287,268)</b>	<b>(94,321)</b>
Administrative expenses		<b>(206,506)</b>	<b>(210,317)</b>
<b>Operating loss</b>	3	<b>(493,774)</b>	<b>(304,638)</b>
Other interest receivable and similar income		<b>1,289</b>	<b>6,470</b>
<b>(Loss)/Profit before tax</b>		<b>(492,485)</b>	<b>(298,168)</b>
Income tax expense	4	<b>-</b>	<b>-</b>
<b>(Loss)/Profit after tax</b>		<b>£(492,485)</b>	<b>£(298,168)</b>
<b>Earnings per share (pence)</b>	5		
Basic		<b>(1.23)</b>	<b>(0.78)</b>
Diluted		<b>(1.23)</b>	<b>(0.78)</b>

All amounts relate to continuing activities.

**Consolidated statement of total recognised income and expense for the year ended 28 February 2009**

	<b>2009 £</b>	<b>2008 £</b>
Exchange difference on translation of foreign operations	<b>76,945</b>	<b>(178,543)</b>
Net income (expense) recognised directly in equity	<b>76,945</b>	<b>(178,543)</b>
(Loss)/Profit for the financial year	<b>(492,485)</b>	<b>(298,168)</b>
<b>Total recognised income and expense for the year</b>	<b>£(415,540)</b>	<b>£(476,711)</b>

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

**Namibian Resources Plc**

**Consolidated balance sheet at 28 February 2009**

	Note	2009	2009	2008	2008
		£	£	£	£
<b>Assets</b>					
<b>Non current assets</b>					
Intangible assets:					
Mining rights and exploration costs	7	914,571		860,499	
			914,571		860,499
Property, Plant and Equipment	8		913,712		970,106
			1,828,283		1,830,605
<b>Current assets</b>					
Inventories	10	31,967		32,673	
Trade and other receivables	11	36,165		26,363	
Cash and cash equivalents	13	36,739		103,500	
			104,871		162,536
<b>Total Assets</b>			£1,933,154		£1,993,141
<b>Equity and Liabilities</b>					
Share capital	14		3,992,246		3,992,246
Share premium account	15		359,384		359,384
Foreign exchange reserve	17		176,507		99,562
Retained earnings	16		(3,001,656)		(2,509,171)
Total equity	18		1,526,481		1,942,021
<b>Current Liabilities</b>					
Trade and other payables	12		406,673		51,120
<b>Total Equity and liabilities</b>	18		£1,933,154		£1,993,141

The financial statements were approved by the Board on 28 August 2009



O Plummer  
Director

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

**Namibian Resources Plc**

**Company balance sheet at 28 February 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	9	4,392,108	4,091,729
<b>Current assets</b>			
Cash and cash equivalents		25,681	103,338
<b>Total Assets</b>		<b>4,417,789</b>	<b>4,195,067</b>
<b>Equity</b>			
Share capital	14	3,992,246	3,992,246
Share premium account	15	359,384	359,384
Retained earnings	16	(308,394)	(175,438)
<b>Total Equity</b>	18	<b>4,043,236</b>	<b>4,176,192</b>
<b>Current Liabilities</b>			
Trade and other payables	12	374,553	18,875
<b>Total Liabilities</b>		<b>£4,417,789</b>	<b>£4,195,067</b>

The financial statements were approved by the Board on 28 August 2009



O Plummer  
Director

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

**Namibian Resources Plc****Statement of changes in equity for the year ended 28 February 2009**

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	2009 £	2008 £
<b>Group</b>		
Opening balance	1,942,021	2,218,732
Loss for financial year	(492,485)	(298,168)
Issue of shares	-	200,000
Translation reserve	76,945	(178,543)
Closing balance	<u>£1,526,481</u>	<u>£1,942,021</u>

	2009 £	2008 £
<b>Company</b>		
Opening balance	4,176,192	3,076,564
Loss for financial year	(132,956)	(411,991)
Issue of shares	-	200,000
Prior years adjustments	-	1,311,619
Closing balance	<u>£4,043,236</u>	<u>£4,176,192</u>

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

**Namibian Resources Plc**

**Consolidated cash flow statement for the year ended 28 February 2009**

	<b>Note</b>	<b>2009 £</b>	<b>2008 £</b>
<b>Cash generated from operating activities</b>	20	<b>15,454</b>	<b>(70,548)</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets		<b>(47,809)</b>	(279,457)
Purchase of property plant and equipment		<b>(35,695)</b>	(125,003)
Interest Received		<b>1,289</b>	6,320
<b>Net cash used in investing activities</b>		<b>(82,215)</b>	<b>(398,140)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares		-	200,000
<b>Net decrease in cash and cash equivalents</b>	22	<b>£(66,761)</b>	<b>£(268,688)</b>

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 2009

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#### 1 Accounting policies

##### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union, and the Companies Act of 1985. The adoption of International Financial Reporting Standards has resulted in the restatement of 2008 balances to provide a like for like comparison. The financial impact of this change in reporting is detailed after each of the above financial reports.

The annual financial statements have been prepared on the historical cost basis, and 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:

IFRIC 15	Arrangements for the Construction of Real Estate	(Effective 1 January 2009)
IAS 1	Presentation of Financial Statements – Comprehensive revision including required a statements of comprehensive income. Amendments resulting from May 2009 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 16	Property, plant and equipment – Amendments resulting from May 2009 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 23	Borrowing costs	(Effective 1 January 2009)
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation	(Effective 1 January 2009)
IAS 36	Impairment of Assets – Amendments resulting from May 2009 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 38	Intangible Assets – amendments resulting from May 2009 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 39	Financial Instruments: Recognition and Measurement Amendments resulting from May 2009 Annual Improvements to IFRSs.	(Effective 1 January 2009)
IAS 40	Investment Property	(Effective 1 January 2009)
IAS 41	Agriculture	(Effective 1 January 2009)

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 account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 28 February 2009. 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.

The results of a holding in Oletu Investments Holdings (see Note 10) have not been consolidated on account of it being immaterial.

## 1.2 Going Concern

Following the disruption and down turn in the Diamond Market in November 2008 the company has continued on a care and maintenance basis pending a resumption of normal conditions. The company's ability to raise finance to expand operations was curtailed by market conditions. However, the company will seek additional finance to expand its operations when conditions in the Diamond Market 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.

We 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 2008 the Group has no outstanding liabilities other than in the normal course of business and this will continue at least until February 28 2010. There are no borrowings of any nature other than from the Directors.

## 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.

#### 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

a) Adoption of IFRS

Previously the company and its subsidiaries prepared the financial statements in accordance with UK GAAP. The group elected to publish its first consolidated interim financial statements to 31 August 2008 under IFRS with its transition date to IFRS being 1<sup>st</sup> March 2006

b) Introduction of IFRS - First time adoption

The rules for first time adoption of IFRS are set out in IFRS1, First-Time Adoption of International Financial Reporting Standards. In general, selected accounting policies must be applied retrospectively in determining the opening balance sheet under IFRS. However, IFRS1 allows a number of exemptions to this general principle.

Changes in accounting estimates are recognised in profit or loss.

Prior period errors are retrospectively restated unless it is impractical to do so, in which case they are applied prospectively.

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.

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.

Turnover comprises of sales to customers and services rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

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).

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.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

## **Namibian Resources Plc**

### **Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

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#### **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. Exchange differences arising on translation of opening assets are reported in the consolidated statement of recognised income and expense.

#### **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.

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:

<b>Items</b>	<b>Useful life</b>
Mining Rights	20 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. 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



## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2009 (continued)

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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:

Item	Average useful Life
Plant and Machinery	10 years
Motor Vehicles	8 years
Office Equipment	5 years

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.
- tests goodwill acquired in a business combination for impairment annually.

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.

#### **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 and it would have a material effect on consolidated reporting, 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.

## **Namibian Resources Plc**

### **Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

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#### *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.

#### *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 (effective from 1<sup>st</sup> January 2006), 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 2009 (continued)****2. Employees**

	<b>2009 Number</b>	<b>2008 Number</b>
The average monthly number of employees, (including directors), during the year was:		
Staff of subsidiary	<b>16</b>	17
Staff of head office	<b>1</b>	1
Directors	<b>5</b>	4
	<b>22</b>	22

**3 Operating loss**

	<b>2009 £</b>	<b>2008 £</b>
This has been arrived at after charging:		
Depreciation	<b>169,662</b>	127,010
Amortisation	<b>39,734</b>	12,955
Operating lease rentals – land and buildings	<b>7,200</b>	7,108
Auditors' remuneration – audit (company - £11,500 (2008 - £13,290))	<b>16,110</b>	16,631
Directors Remuneration	<b>28,200</b>	65,391

The remuneration of the highest paid director is £28,200 (2008 £33,840).

#### 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.

	2009 £	2008 £
(Loss)/Profit on ordinary activities before tax	<b>(492,485)</b>	(298,168)
(Loss)/Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 30%)	<b>(137,896)</b>	(89,450)
Effects of: Tax losses	<b>137,896</b>	89,450
Current tax charge for year	-	-

A deferred tax asset of £718,299 (2008 - £548,980) relating to losses in the subsidiary undertakings 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 shares in issue during the relevant financial periods. The weighted average number of shares in issue is 39,922,460 (2008 – 38,272,187) and the loss, being the loss after tax, is £492,485 (2008 loss - £298,168).

Diluted Loss per share has been calculated using a weighted average number of shares of 39,922,460 (2008 – 38,272,187), which includes the share options in issue at the start and end of the year.

#### 6 Loss for the financial period

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has been included in these financial statements. The loss for the financial year is made up as follows:

	2009	2008
Holding company's (loss)/profit for the financial year	<b>£(132,956)</b>	£(411,991)

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

**7 Intangible fixed assets**

<b>Group</b>	<b>Mining rights and exploration costs £</b>
<i>Cost</i>	
At 1 March 2008	1,322,486
Additions	47,809
Exchange difference	73,102
	<hr/>
At 28 February 2009	<b>1,443,397</b>
<i>Amortisation</i>	
At 1 March 2008	461,987
Charge for the year	39,734
Exchange differences	27,105
	<hr/>
At 28 February 2009	<b>528,826</b>
<b>Net book values</b>	
At 28 February 2009	<b>£914,571</b>
	<hr/>
At 28 February 2008	<b>£860,499</b>
	<hr/>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2009 (Continued)**

**8 Tangible fixed assets**

	<b>Office Equipment</b>	<b>Property, Plant And Equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Group</b>			
<i>Cost</i>			
At 1 March 2008	3,861	1,330,927	1,334,788
Additions	-	35,695	35,695
Exchange difference	(1,357)	72,724	71,367
	<hr/>	<hr/>	<hr/>
At 28 February 2009	<b>2,504</b>	<b>1,439,346</b>	<b>1,441,850</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 March 2008	2,624	362,058	364,682
Charge for the year	394	169,268	169,662
Exchange difference	(1,395)	(4,811)	(6,206)
	<hr/>	<hr/>	<hr/>
At 28 February 2009	<b>1,623</b>	<b>526,515</b>	<b>528,138</b>
	<hr/>	<hr/>	<hr/>
<b>Net book Value</b>			
At 28 February 2009	<b>£881</b>	<b>£912,831</b>	<b>£913,712</b>
	<hr/>	<hr/>	<hr/>
At 29 February 2008	<b>£1,237</b>	<b>£968,869</b>	<b>£970,106</b>
	<hr/>	<hr/>	<hr/>

# Namibian Resources Plc

## Notes forming part of the financial statements for the year ended 28 February 2009 (Continued)

### 9 Fixed asset investments

	Group undertakings £	Loans to group undertakings £	Total £
<b>Company</b>			
At 1 March 2008	2,110,430	2,609,835	4,720,265
Additions	-	300,379	300,379
Exchange differences	-	-	-
At 28 February 2009	<u>2,110,430</u>	<u>2,910,214</u>	<u>5,020,644</u>
<i>Provisions for diminution in value</i>			
At 1 March 2008 and at 28 February 2009	<u>628,536</u>	<u>-</u>	<u>628,536</u>
<b>Net book value</b>			
At 28 February 2009	<u>£1,481,894</u>	<u>£2,910,214</u>	<u>£4,392,108</u>
At 28 February 2008	£1,481,894	£2,609,835	£4,091,729

Investment in group undertakings includes

- 100% holding in Sonnberg Diamonds (Namibia) (Proprietary) Limited, a mining company incorporated in Namibia.
- 75% holding in Oletu Investment Holding (Proprietary) Limited a company incorporated in Namibia. The company has yet to trade.

The loans to group undertakings are denominated in Namibian Dollars, are interest free and are subordinated in favour of other creditors of the subsidiary undertakings. See note 19 for details of the Prior Year Adjustment resulting in the restatement of the opening balances.

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.

### 10 Inventories

	Group 2009	Group 2008
Consumable stores	<u>£31,967</u>	<u>£32,673</u>



**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

**11 Trade and Other Receivables**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Trade receivables	<b>36,165</b>	26,363	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

All amounts fall due for repayment within one year.

**12 Trade and other payables**

	<b>Group 2009 £</b>	<b>Group 2008 £</b>	<b>Company 2009 £</b>	<b>Company 2008 £</b>
Trade Payables and Accruals	<b>56,673</b>	51,120	<b>24,553</b>	18,875
Loans from Directors	<b>350,000</b>	-	<b>350,000</b>	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>406,673</b>	51,120	<b>374,553</b>	18,875
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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 2009 (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. 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 2009, the group's financial instruments comprised cash and short-term receivables and payables 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 receivables and payables have been excluded from the numerical disclosures below.

Interest rate risk profile of financial assets:

	Floating rate	
	2009	2008
	£	£
Sterling	25,681	103,338
Namibian dollar	11,058	162
	<u>£36,739</u>	<u>£103,500</u>

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 2009 (Continued)

### 14 Share capital Shares

	2009 Number	2008 Number	2009 £	2008 £
<i>Authorised</i>				
Ordinary shares of 10p each		50,000,000		50,000,000
Ordinary shares of 1p each	440,697,860		4,406,979	
Deferred shares of 9p each	39,922,460		3,593,021	
Total	480,620,320	50,000,000	8,000,000	50,000,000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 10p each		39,922,460		3,992,246
Ordinary shares of 1p each	39,922,460		399,225	
Ordinary shares of 9p each	39,922,460		3,593,021	
	79,844,920	39,922,460	3,992,246	3,992,246

During the year a capital reorganisation took place. The existing ordinary shares of 10p each were subdivided into:-

39,922,460 ordinary shares of 1p each and 39,922,460 deferred shares of 9p each

The holders of the deferred shares shall not be entitled to receive any dividend out of the profits of the company available for distribution and they are non-voting

### Options

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

	2009	2008
Number	750,000	4,500,000

Options are exercisable between 9 January 2008 and 9 January 2013 at an exercise price of £0.12p. As at 28 February 2009 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.

### 15 Share Premium Account

#### Group and Company

#### Share Premium account

At 1 March 2008 and 28 February 2009

**£359,384**

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

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**16 Profit and Loss Account**

Group	£
At 1 March 2008	(2,509,171)
Loss for the year	(492,485)
At 28 February 2009	<u>£(3,001,656)</u>

Company	£
At 1 March 2008	(175,438)
Loss for the year	(132,956)
At 28 February 2009	<u>£(308,394)</u>

**17 Foreign Exchange Reserve**

Group	£
At 1 March 2008	99,562
Gain on foreign translation	76,945
At 28 February 2009	<u><b>£176,507</b></u>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

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

	2009 £	2008 £
<b>Group</b>		
(Loss) for the financial year	(492,485)	(298,168)
Other recognised gains and losses	76,945	(178,543)
Issue of shares	-	200,000
	<u>(415,540)</u>	<u>(276,711)</u>
Opening shareholders' funds	1,942,021	2,218,732
Closing shareholders' funds	<u>£1,526,481</u>	<u>£1,942,021</u>

The conversion from United Kingdom Generally Accepted Accounting Practice to International Financial Reporting Standards has caused no effect on the equity of the group.

	2009 £	2008 £
<b>Company</b>		
(Loss)/Profit for the financial year	(132,956)	(411,991)
Issue of shares	-	200,000
	<u>(132,956)</u>	<u>(211,991)</u>
Opening shareholders' funds	4,176,192	3,076,564
Prior year adjustment	-	1,311,619
	<u>£4,043,236</u>	<u>£4,176,192</u>

**19 Prior year adjustment**

	Group £	Company £
a. Arising from reclassification of inter-company loan indebtedness as a Namibian Dollar liability		811,619
b. Release of provision for impairment on revaluation of loan		500,000
c. Arising from first time introduction of IFRS and creation of Foreign Exchange Reserve	<u>278,105</u>	
		<u>1,311,619</u>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2009 (continued)**

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

	2009 £	2008 £
Operating loss	(493,774)	(304,638)
Depreciation of plant, property and equipment	169,662	121,225
Amortisation of intangible assets	39,734	12,365
Decrease/(Increase) in inventories	706	3,275
(Increase)/decrease in trade and other receivables	(9,802)	(2,845)
Increase/(decrease) in trade and other payables	355,553	13,273
Net effect of foreign exchange differences	<u>(46,625)</u>	<u>86,797</u>
Net cash (outflow)/inflow from operating activities	<u>£15,454</u>	<u>£(70,548)</u>

**21 Analysis of net debt**

	At 1 March 2008 £	Cash flow £	At 28 February 2009 £
Net cash:			
Cash at bank and in hand	<u>£103,500</u>	<u>£(66,761)</u>	<u>£36,739</u>

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

	2009 £	2008 £
(Decrease) in cash for the year	<u>(66,761)</u>	<u>(268,688)</u>
Movement in net funds in the year	(66,761)	(268,688)
Opening net funds	<u>103,500</u>	<u>372,188</u>
Closing net funds	<u>£36,739</u>	<u>£103,500</u>

## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2009 (continued)

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#### 23 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.

#### 24 Commitments under operating leases

As at 28 February 2009, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>2009</b>	<b>2008</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>£</b>	<b>£</b>
Expiring in less than one year	<b>2,400</b>	<b>2,400</b>
	<hr/>	<hr/>

#### 25 Related party transactions

During the year the company received loans from Lord Sheppard of Didgemere of £200,000 (2008 Nil), B M Moritz £145,000 (2008 Nil) and ACA Carlton £5,000 (2008 Nil). The loans are interest free and with no repayment terms.