Registered Number: 04140379

Namibian Resources Plc

Report and Financial Statements

Year Ended

29 February 2008

Namibian Resources Plc

Annual report and financial statements for the year ended 29 February 2008

Contents

Directors	Lord Sheppard of Didgemere - Chairman A C A Carlton B M Moritz O J Plummer D G Sutherland – Appointed 9 January 2008
Secretary and Registered office	Cargil Management Services, 302 High Street, Croydon, Surrey, CR0 1NG
Company number	04140379
Auditors	FW Stephens, 24 Chiswell Street, London EC1Y 4YX
Solicitors	Stringer Saul, 17 Hanover Square, London, W1R 9AJ
Nominated adviser	Collins Stewart Limited, 88 Wood Street, London, EC2V 7QR
Broker	Collins Stewart Limited, 88 Wood Street, London, EC2V 7QR

Namibian Resources Plc

Chairman's statement

YEAR ENDED 29 February 2008

The year to 29th February 2008 was disappointing with turnover decreasing from £504,542 to £140,622 resulting in a loss of £298,168, However, the extensive sampling exploration programme has enabled us to identify diamond resources sufficient to sustain and increase production during 2009 The year saw significant operating cost increases in fuel, maintenance and food These have been offset by increases in prices received for our diamonds, particularly after year-end During the year the Directors took a placing of shares to raise £200,000 to maintain our cash resources and there are no bank borrowings Dr Donald Sutherland joined the group in January of this year and is carrying out a programme of rationalisation to enhance the efficiency and lower the costs of production He has also identified and tested further areas which are positive for future mining We are grateful for his dedication to the development of our mine His activities are reported separately The board confirms its commitment to expanding production and developing the mine in a profitable manner

I would like to thank all members of our staff here and in Namibia for their efforts during this difficult year

Lord Sheppard of Didgemere KCVO Kt

Namibian Resources Plc

Review of Operations

YEAR ENDED 29 February 2008

Review of Operations

During the last several years the Company's operations have focussed on the SW corner of its Pomona concession and an immediately adjacent area where Namdeb has also permitted mining and prospecting activities In that area the diamond deposits are characterised by an anomalously large average size Throughout the Namibian coastal zone the quality of the diamonds is extremely high, with only 1-2 percent not being classified as either gem or near-gem Consequently, the average parcel value received by Sonnberg for its diamonds is directly proportional to average parcel size and hence the revenue generated for a given carat recovery is significantly greater in the zone of high average size

Throughout the Pomona concession and adjacent areas the diamonds occur in a series of discrete, wind-eroded basins Each basin contains diamond-bearing deposits which are singular in terms of diamond size, diamond concentration and diamond distribution Every deposit therefore requires a separate sampling programme to determine its characteristics A geological model of diamond occurrence applicable to the valley systems has been developed and is considered to provide a sound basis both for orienting sampling activities and for extrapolating sampling results for resource estimation

The Company's operations have shown that the historical sampling database which it has previously used for resource estimation significantly underestimates diamond occurrence in this part of the concession. This underestimation occurs in two ways First, certain deposits have not been located by the historic sampling and secondly, of those deposits that have been identified, the extent and level of diamond concentration have been underestimated, in some cases very significantly

In order to identify and characterise all the deposits in the area and to develop a rational mining plan for future years, the Company has been undertaking prospecting activities and in doing so has sacrificed production time This is considered to be advantageous to the long-term development of the company Prospecting activities to date have been very successful in identifying new deposits It is worth mentioning that Sonnberg's production over the last several years has been almost entirely from deposits that were not included in the statement of resources included in its listing documents

Total production during the FY 2007-8 was derived from mining, prospecting and various clean-up operations (around processing plants and tailings piles) and totalled 2,126 ct This was significantly down on FY 2006-7 reflecting the working out (by April 2007) of the rich East Salztal deposit which had been the mainstay of production during the previous year The Hannahtal deposit was then brought into production and was worked out (524 ct) as was the West Salztal North deposit (60 ct) at the up-slope limit of the West Salztal valley Both these small deposits had been prospected during the previous year During this same period prospecting outlined the Mariannental deposit and resulted in the discovery of the Salzpfanne deposit Economically interesting mineralisation in the Hannahtal North deposit was confirmed, but the sampling of this last deposit remained to be completed at year end

A small production (22 ct) was also derived from an attempt to re-start mining of the West Salztal deposit Mining had been stopped at West Salztal following the exceptional rains of Easter 2006 which flooded the whole valley floor Despite an attempt to pump the working face dry, it has not been possible to reactivate mining of this deposit and, for the foreseeable future, no more work will be attempted there More generally, despite being located in the hyper-arid Namib coastal desert, ground water levels remain high in the valley bottoms and prospecting is still hampered in a number of promising areas

From September 2007 mining was moved to focus on the Salzpfanne deposit from which over 900 ct had been extracted by year-end The southern end of mining operations in this deposit is, as at West Salztal, constrained by a high water table and the diamond-bearing sands and gravels continue for an unspecified distance south of the presently defined limit of mining Nonetheless it is expected that mining of the identified deposit at Salzpfanne will continue throughout almost the whole of the FY 2008-9

Until late in FY 2007-8 the Company had only a single screening plant in operation at any one time However a second screening plant was brought into operation at the end of the year and after year-end the new East Salztal North deposit was brought into production simultaneously with the mining of the Salzpfanne deposit Both operating screening plants have been relocated to immediately adjacent to the deposits being mined, thus constraining operating costs

The poor performance of operations in FY 2007-8 has been the result of a number of factors – a greater prospecting requirement than initially envisaged; an inability to both prospect and mine simultaneously, and poor equipment availability and utilisation All these factors are being addressed during FY2008-9

Namibian Resources Plc

Report of the directors for the year ended 29 February 2008

The directors present their report together with the audited financial statements for the year ended 29 February 2008

Results and dividends

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

Principal activities, trading review and future developments

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

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

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 29 February 2008, 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	2,944,616	7 38
WB Nominees (for clients including Lord Sheppard and A C A Carlton – see below)	19,873,505	49 78
Roy Nominees	3,043,520	7.62

Directors

The Directors who served during the year were -

Lord Sheppard of Didgemere
ACA Carlton
BM Moritz
OJ Plummer
DG Sutherland (from 9 January 2008)

Namibian Resources Plc

Report of the directors for the year ended 29 February 2008 *(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	
	2008	**2007**	**2008**	**2007**
A C A Carlton	1,000,000	1,000,000	1,615,000	1,415,000
B M Moritz	250,000	250,000	2,994,616	2,244,616
O J Plummer	500,000	500,000	606,407	506,407
Lord Sheppard of Didgemere	1,000,000	1,000,000	3,650,000	2,800,000
D G Sutherland (from 9 Jan 08)	750,000	-	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)
Each director, with the exception of D G Sutherland, entered into an option agreement dated 18 February 2004 (see Note 14 for details of the exercise price and period)
D G Sutherland entered into an option agreement dated 9th 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 29 February 2008 was 49 (2005 41)

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 29 February 2008 *(Continued)*

Statement of disclosure to auditors

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

a) there is no relevant audit information 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 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

Date 28 August 2008

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 29 February 2008, which comprise the consolidated income statement, the consolidated and company balance sheet, the consolidated cashflow statement, consolidated statement of recognised income and expense 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 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

Opinion

In our opinion

- The 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 and company's affairs as at 29 February 2008 and of the group's loss for the year then ended,

- 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 note 1 2 of the financial statements concerning the group's ability to continue as a going concern which would depend 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, its processing of raw material 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 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

FW STEPHENS
Chartered Accountants and Registered Auditors **Dated 28 August 2008**

24 Chiswell Street
LONDON EC1Y 4YX

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 29 February 2008

	Note	2008 £	2007 £
Revenue	1 7	**140,622**	504,542
Cost of sales		**(234,943)**	(202,565)
Gross profit		**(94,321)**	301,977
Administrative expenses		**(210,317)**	(310,463)
Operating loss	3	**(304,638)**	(8,486)
Other interest receivable and similar income		**6,470**	34,554
(Loss)/Profit before tax		**(298,168)**	26,068
Income tax expense	4	**-**	-
(Loss)/Profit after tax		**£(298,168)**	£26,068
Earnings per share (pence)	5		
Basic		**(0.78)**	0 07
Diluted		**(0.78)**	0 06

All amounts relate to continuing activities

Consolidated statement of total recognised income and expense for the year ended 29 February 2008

	2008 £	2007 £
Exchange difference on translation of foreign operations	(178,543)	(548,824)
Net income (expense) recognised directly in equity	(178,543)	(548,824)
(Loss)/Profit for the financial year	(298,168)	26,068
Total recognised income and expense for the year	£(476,711)	£(522,756)

The notes on pages 15 to 35 form part of these financial statements

Namibian Resources Plc

Consolidated balance sheet at 29 February 2008

	Note	2008 £	2008 £	2007 as restated £	2007 as restated £
Assets					
Non current assets					
Intangible assets					
Mining rights and exploration costs	7	**860,499**		652,878	
			860,499		652,878
Property, Plant and Equipment	8		**970,106**		1,172,047
			1,830,605		1,824,925
Current assets					
Inventories	10	**32,673**		35,948	
Trade and other receivables	11	**26,363**		23,518	
Cash and cash equivalents		**103,500**		372,188	
			162,536		431,654
Total Assets			**£1,993,141**		£2,256,579
Equity and Liabilities					
Share capital	14		**3,992,246**		3,792,246
Share premium account	15		**359,384**		359,384
Foreign exchange reserve			**99,562**		278,105
Retained earnings	16		**(2,509,171)**		(2,211,003)
Total equity	18		**1,942,021**		2,218,732
Current Liabilities					
Trade and other payables	12		**51,120**		37,847
Total Equity and liabilities	18		**£1,993,141**		£2,256,579

The financial statements were approved by the Board on 28 August 2008

O Plummer
Director

The notes on pages 15 to 35 form part of these financial statements

Namibian Resources Plc

Company balance sheet at 29 February 2008

	Note	2008 £	2007 as restated £
Assets			
Non-current assets			
Investments	9	**4,091,729**	4,199,108
Current assets			
Cash and cash equivalents		**103,338**	208,432
Total Assets		**4,195,067**	4,407,540
Equity			
Share capital	14	**3,992,246**	3,792,246
Share premium account	15	**359,384**	359,384
Retained earnings	16	**(175,438)**	236,533
Total Equity	18	**4,176,192**	4,388,183
Current Liabilities			
Trade and other payables	12	**18,875**	19,357
Total Liabilities		**£4,195,067**	£4,407,540

The financial statements were approved by the Board on 28 August 2008

O Plummer
Director

The notes on pages 15 to 35 form part of these financial statements

Namibian Resources Plc

Consolidated cash flow statement for the year ended 29 February 2008

	Note	2008 £	2007 £
Cash generated from operating activities	20	**(70,548)**	60,992
Cash flow from investing activities			
Purchase of intangible assets		**(279,457)**	(74,582)
Purchase of property plant and equipment		**(125,003)**	(137,531)
Interest Received		**6,320**	34,554
Net cash used in investing activities		**(398,230)**	(177,559)
Cash flow from financing activities			
Proceeds from issue of shares		**200,000**	-
Net decrease in cash and cash equivalents	22	**£(268,688)**	£(116,567)

The notes on pages 15 to 35 form part of these financial statements

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 29 February 2008

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 2007 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

IAS 15	Agreement 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 2008 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 16	Property, plant and equipment – Amendments resulting from May 2008 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 2008 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 38	Intangible Assets – amendments resulting from May 2008 Annual Improvements to IFRSs	(Effective 1 January 2009)
IAS 39	Financial Instruments Recognition and Measurement Amendments resulting from May 2008 Annual Improvements to IFRSs	(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 29 February 2008 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

The company's ability to continue as a going concern depends on the prospects of future profitable trading and being able to raise sufficient finance to upgrade its production facilities and equipment, maintain a rolling programme of exploration and improve the volume of, and output from, its processing of raw material The group is seeking additional sources of finance but also relies on financial support from directors and existing shareholders 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

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 2007 under IFRS with its transition date to IFRS being 1st 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

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

Items	**Useful life**
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 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

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 1st 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

2. Employees

The average monthly number of employees, (including directors), during the year was	**Number**	**Number**
Staff of subsidiary	**17**	12
Staff of head office	**1**	1
Directors	**4**	4
	22	17

3 Operating loss

	2008	**2007**
	£	**£**
This has been arrived at after charging		
Depreciation	**127,010**	112,571
Amortisation	**12,955**	7,354
Operating lease rentals – land and buildings	**7,108**	7,200
Auditors' remuneration – audit (company - £13,290 (2007 - £12,994))	**16,631**	23,887

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

	2008 £	2007 £
(Loss)/Profit on ordinary activities before tax	**(298,168)**	(26,068)
(Loss)/Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2007 – 30%)	**(89,450)**	7,820
Effects of Tax losses	**89,450**	(7,820)
Current tax charge for year	-	-

A deferred tax asset of £548,980 (2007 - £458,231) 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 Profit per share

Profit 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 38,272,187(2007 – 37,922,460) and the loss, being the loss after tax, is £298,168 (2007 profit - £26,068)

Diluted profit per share has been calculated using a weighted average number of shares of 38,272,187 (2007 – 41,672,460), 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

	2008	2007 as restated
Holding company's (loss)/profit for the financial year	**£(411,991)**	£1,186,300

7 Intangible fixed assets

Group	Mining rights and exploration costs £
Cost	
At 1 March 2007	1,147,560
Additions	279,457
Exchange difference	(104,531)
At 29 February 2008	**1,322,486**
Amortisation	
At 1 March 2007	494,682
Charge for the year	12,955
Exchange differences	(45,060)
At 29 February 2008	**461,987**
Net book values	
At 29 February 2008	**£860,499**
At 28 February 2007	£652,878

8 Tangible fixed assets

	Office Equipment	Property, Plant And Equipment	Total
	£	£	£
Group			
Cost			
At 1 March 2007	3,241	1,425,061	1,428,302
Additions	-	36,454	36,454
Exchange difference	620	(130,588)	(129,968)
At 29 February 2008	**3,861**	**1,330,927**	**1,334,788**
Depreciation			
At 1 March 2007	1,699	254,556	256,255
Charge for the year	399	126,611	127,010
Exchange difference	526	(19,109)	(18,583)
At 29 February 2008	**2,624**	**362,058**	**364,682**
Net book Value			
At 29 February 2008	**£1,237**	**£968,869**	**£970,106**
At 28 February 2007	£1,542	£1,170,505	£1,172,047

9 Fixed asset investments

	Group undertakings £	Loans to group undertakings £	Total £
Company			
At 1 March 2007 (as restated)	2,064,225	2,763,419	4,827,644
Additions	46,205	98,072	144,277
Exchange differences	-	(251,656)	(251,656)
At 29 February 2008	**2,110,430**	**2,609,835**	**4,720,265**
Provisions for diminution in value			
At 1 March 2007 (as restated) and at 29 February 2008	**628,536**	-	**628,536**
Net book value			
At 29 February 2008	**£1,481,894**	**£2,609,835**	**£4,091,729**
At 28 February 2007 (as restated)	£1,435,689	£2,763,419	£4,199,108

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 2008	Group 2007
Consumable stores	**£32,673**	£35,948

11 Trade and Other Receivables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade receivables	**26,363**	23,518	**-**	-

All amounts fall due for repayment within one year

12 Trade and other payables

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade Payables and Accruals	**51,120**	37,847	**18,875**	19,357

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 29 February 2008, 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	
	2008	**2007**
	£	**£**
Sterling	**103,338**	163,756
Namibian dollar	**162**	208,432
	£103,500	£372,188

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

14 Share capital

Shares	**2008 Number**	**2007 Number**	**2008 £**	**2007 £**
Authorised				
500,000,000 ordinary shares of 10p each	**500,000,000**	500,000,00	**50,000,000**	50,000,00
Allotted, called up and fully paid				
Ordinary shares of 10p each	**39,922,460**	37,922,460	**3,992,246**	**3,792,246**

During the year 2,000,000 ordinary shares of 10p each were issued at par

Options

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

	2008	**2007**
Number	**4,500,000**	3,750,000

During the year 750,000 options were granted to DG Sutherland

Options issued prior to 28 February 2007 are exercisable between 11 February 2004 and 11 February 2009 at a exercise price of £0 15 Options issued during the year are exercisable between 9 January 2008 and 9 January 2013 at an exercise price of £0 12p As at 29 February 2008 all 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 2007 and 29 February 2008	**£359,384**

16 Profit and Loss Account

Group	£
At 1 March 2007 (as previously stated)	(1,932,898)
Prior year adjustment	(278,105)
At 1 March 2007 (as restated)	(2,211,003)
Loss for the year	(298,168)
At 29 February 2008	£(2,509,171)

Company	£
At 1 March 2007 (as previously stated)	(1,075,066)
Prior year adjustment	1,311,619
At 1 March 2007 (as restated)	236,553
Loss for the year	(411,991)
At 29 February 2008	£(175,438)

17 Foreign Exchange Reserve

Group	**£**
At 1 March 2007 (as previously stated)	-
Prior year adjustment	278,105
At 1 March 2007 (as restated)	278,105
Inter-company loan - elimination of exchange loss	(251,656)
Gain on foreign translation	73,113
At 29 February 2008	**£99,562**

18 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Group		
(Loss)/Profit for the financial year	**(298,168)**	26,068
Other recognised gains and losses	**(178,543)**	(548,824)
Issue of shares	**200,000**	-
	(276,711)	(522,756)
Opening shareholders' funds	**2,218,732**	2,741,488
Closing shareholders' funds	**£1,942,201**	£2,218,732

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

Company	2008 £	2007 £
(Loss)/Profit for the financial year (as restated)	**(411,991)**	1,186,300
Issue of shares	**200,000**	-
	(211,991)	1,186,300
Opening shareholders' funds (as previously stated)	**3,076,564**	3,201,883
Prior year adjustment	1,311,619	-
Closing shareholders' funds	**£4,176,192**	£4,388,183

19 Prior year adjustments

	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	278,105	
		1,311,619

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

	2008 £	2007 £
Operating loss	**(304,638)**	(8,486)
Depreciation of plant, property and equipment	**121,225**	112,571
Amortisation of intangible assets	**12,365**	7,354
Decrease/(Increase) in inventories	**3,275**	(1,304)
(Increase)/decrease in trade and other receivables	**(2,845)**	7,857
Increase/(decrease) in trade and other payables	**13,273**	(36,816)
Net effect of foreign exchange differences	**86,797**	(20,184)
Net cash (outflow)/inflow from operating activities	**£(70,548)**	£60,992

21 Analysis of net debt

	At 1 March 2007 £	Cash flow £	At 29 February 2008 £
Net cash			
Cash at bank and in hand	£372,188	**£(268,688)**	**£103,500**

22 Reconciliation of net cash flow to movement in net funds

	2008 £	2007 £
(Decrease) in cash for the year	**(268,688)**	(116,567)
Movement in net funds in the year	**(268,688)**	(116,567)
Opening net funds	**372,188**	488,755
Closing net funds	**£103,500**	£372,188

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 29 February 2008, the company had annual commitments under non-cancellable operating leases as set out below

	2008	**2007**
	Land and buildings	**Land and buildings**
	£	**£**
Expiring in less than one year	**2,400**	2,400