Registered Number. 04140379

Namibian Resources Plc

Report and Financial Statements

Year Ended

28 February 2011

Namibian Resources Plc

Annual report and financial statements for the year ended 28 February 2011

Contents

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

Namibian Resources Plc

Chairman's statement

YEAR ENDED 28 February 2011

In November last year we announced limited production from our alluvial mining operations in Namibia Further progress has been made particularly in refurbishing our equipment A further 5 year plus 5 year renewable contract has been offered by Namdeb Production is slow but prices realised have shown a good increase

The company has no debt apart from Directors' interest free unsecured loans to the company As previously announced an amount of £273,775 Directors loans were converted into equity It is the intention to convert further amounts of outstanding loans into equity as soon as possible thereby eliminating most of this debt The Directors intend to continue funding the company until capital can be raised to provide adequate equipment to boost production

Further reports on progress will be announced when appropriate

Lord Sheppard of Didgemere KCVO Kt

Namibian Resources Plc

Review of Operations

YEAR ENDED 28 February 2011

During this current financial year production has continued at a slow pace but prices realised have continued to increase Operations are slow due to minimal staff and efforts to re-furbish our vehicles and equipment For the period 1st march 2010 to 28th February 2011 production totalled 1,084 stones for a total of 445 carats and average stone size of 41 carats per stone When mining is completed from the current identified resources we intend to concentrate on re-treating the old German tailings dumps, which are considered to present an opportunity to produce profitable returns Namdeb has offered a new five year contract renewable for a further five years We intend to bring this into force when our existing contract expires in April 2012

The reduction in Directors loans should be beneficial in seeking finance in order to expand our operations

ACA Carlton

Namibian Resources Plc

Report of the directors for the year ended 28 February 2011

The directors present their report together with the audited financial statements for the year ended 28 February 2011

Results and dividends

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

Principal activities, trading review and future developments

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

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

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

Risks and uncertainties

The company is subject to the following risks and uncertainties -

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

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 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 28 February 2011, 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	2,453,946	5 54
WB Nominees (for clients including Lord Sheppard and A.C A Carlton – see below)	22,556,567	50 91
HSBC Global Custody Nominee (UK) Limited	2,063,520	4 66

No individuals holding shares within WB nominees hold more than 3% of the issued share capital

Directors

The Directors who served during the year were .-

Lord Sheppard of Didgemere
ACA Carlton
BM Moritz
OJ Plummer
DG Sutherland (resigned 31 May 2010)

Directors

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

	Ordinary shares of 1p each		Deferred shares of 9p each	
	2011	**2010**	**2011**	**2010**
A C A Carlton	**1,615,000**	1,615,000	**1,615,000**	1,615,000
B M Moritz	**2,994,616**	2,994,616	**2,994,616**	2,994,616
O J Plummer	**606,407**	606,407	**606,407**	606,407
Lord Sheppard of Didgemere	**8,030,392**	3,650,000	**3,650,000**	3,650,000
D G Sutherland (resigned 31 May 2010)	**100,000**	100,000	**100,000**	100,000

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

Creditor payment policy

Creditors are paid at the end of the month following the receipt of an agreed invoice The number of average day's purchases of the group represented by trade creditors at 28 February 2011 was 32 (2010 35)

Directors' responsibilities

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

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

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

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

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

Namibian Resources Plc

Report of the directors for the year ended 28 February 2011 *(Continued)*

Statement of disclosure to auditors

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

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

Corporate Governance

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

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

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

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

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

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

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

Auditors

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

On behalf of the Board

A C A Carlton
Director

Date 31 August 2011

Independent Auditors' Report to the members of Namibian Resources Plc

We have audited the financial statements of Namibian Resources Plc for the year ended 28 February 2011, which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes 1 to 23 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion,

- the financial statements give a true and fair view of the state of the Group's and parent Company's affairs as at 28 February 2011 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Namibian Resources Plc

Report of the independent auditors (Continued)

Emphasis of Matter - going concern and valuation of assets

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

The group's ability to continue as a going concern depends on the extension of the mining licence with Namdeb which expires on 30 April 2012, the ability of the company to raise additional finance to upgrade its production facilities and equipment, maintain a rolling programme of exploration and improve the volume of, and output from, 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 £1,037,832 and property plant and equipment of £1,117,183 included in the consolidated balance sheet and amounts due by group undertakings of £4,733,016 included in the company balance sheet is dependent on the successful discovery and development of economic reserves, including the ability of the group to raise sufficient finance to develop current projects and on the extension of the mining licence with Namdeb which expires on 30 April 2012

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

SJBradshaw

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

Dated 31 August **2011**

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 2011

	Note	2011 £	2010 £
Revenue	1.7	**52,845**	-
Cost of sales		**349,250**	-
Gross loss		**(296,405)**	-
Administrative expenses		**(120,906)**	(289,554)
Operating loss	3	**(417,311)**	(289,554)
Other interest receivable and similar income		**72**	201
(Loss) before tax		**(417,239)**	(289,353)
Income tax expense	4	-	-
(Loss) after tax		**£(417,239)**	£(289,353)
Earnings per ordinary share (pence)	5		
Basic		**(1.03)**	(0 72)
Diluted		**(1.02)**	(0 71)

Consolidated statement of comprehensive income for the year ended 28 February 2011

	2011 £	2010 £
Loss after tax	**(417,239)**	(289,353)
Exchange difference on translation of foreign operations	**204,755**	298,573
Total recognised income and expense for the year	**£(212,484)**	£9,220

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

Namibian Resources Plc

Consolidated balance sheet at 28 February 2011

	Note	2011	2011	2010	2010
Assets		£	£	£	£
Non current assets					
Intangible assets					
Mining rights and exploration costs	7	1,037,832		1,023,652	
			1,037,832		1,023,652
Property, Plant and Equipment	8		1,117,183		1,065,409
			2,155,015		2,089,061
Current assets					
Inventories	10	9263		37,520	
Trade and other receivables	11	49,546		39,895	
Cash and cash equivalents	13	10,589		6,478	
			69,398		83,893
Total Assets			£2,224,413		£2,172,954
Equity and Liabilities					
Share capital	14		4,036,050		3,992,246
Share premium account	15		589,355		359,384
Currency translation reserve	17		679,835		475,080
Retained earnings	16		(3,708,248)		(3,291,009)
Total equity			1,596,992		1,535,701
Current Liabilities					
Trade and other payables	12		627,421		637,253
Total Equity and liabilities	18		£2,224,413		£2,172,954

The financial statements were approved by the Board on 31 August 2011

O Plummer
Director

The notes on pages 16 to 38 form part of these financial statements

Namibian Resources Plc

Consolidation Statement of changes in equity for the year ended 28 February 2011

	Share capital	Share premium	Currency translation reserve	Profit and loss	Total shareholders funds
	£	£	£	£	£
At 28 February 2010	3,992,246	359,384	475,080	(3,291,009)	1,535,701
Loss for financial year	-	-	-	(417,239)	(417,239)
Foreign exchange difference	-	-	204,755	-	204,755
Share issue	43,804	229,971	-	-	273,775
At 28 February 2011	**£4,036,050**	**£589,355**	**£679,835**	**£(3,708,248)**	**£1,596,992**

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

Namibian Resources Plc

Company balance sheet at 28 February 2011

	Note	2011	2010
		£	**£**
Assets			
Non-current assets			
Investments	9	**4,733,016**	4,540,016
Current assets			
Cash and cash equivalents		**7,466**	6,376
Total Assets		**£4,740,482**	£4,546,392
Equity			
Share capital	14	**4,036,050**	3,992,246
Share premium account	15	**589,355**	359,384
Retained earnings	16	**(490,648)**	(414,238)
Total Equity	18	**4,134,757**	3,937,392
Current Liabilities			
Trade and other payables	12	**605,725**	609,000
Total Equity and Liabilities		**£4,740,482**	£4,546,392

The financial statements were approved by the Board on 31 August 2011

O Plummer
Director

The notes on pages 16 to 38 form part of these financial statements

Namibian Resources Plc

Company Statement of changes in equity for the year ended 28 February 2011

	Share capital	Share premium	Profit and loss	Total shareholders funds
	£	£	£	£
At 28 February 2010	3,992,246	359,384	(414,238)	3,937,392
Loss for financial year	-	-	(76,410)	(76,410)
Share issue	43,804	229,971	-	273,775
At 28 February 2011	**£4,036,050**	**£589,355**	**£(490,648)**	**£4,134,757**

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

Namibian Resources Plc

Cash flow statements for the year ended 28 February 2011

	Note	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Cash flow generated from operating activities	18	**(269,736)**	**(272,685)**	(30,462)	(19,305)
Cash flow from investing activities					
Interest Received		**72**	**-**	201	-
Net cash used in investing activities		**(269,664)**	**(272,685)**	(30,261)	(19,305)
Financing activities					
Proceeds of issue of shares		**273,775**	**273,775**	-	-
Net increase/(decrease) in cash and cash equivalents	19	**£4,111**	**£1,090**	(30,261)	(19,305)

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 2011

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

1 Accounting Policies

1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the Companies Act of 2006. The company has adopted IAS 1 (revised)

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

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

IFRS 1 -	First –time Adoption of International Financial Reporting Standards (Amendment clarifies that changes in Accounting policies in the year of adoption fall outside of the scope of IAS 8 AND Amendment permits the use of revaluation carried out after the date of transition)- effective for annual periods beginning on or after 1 January 2011
IFRS 2 -	Share-based Payment - Amendments resulting from April 2010 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7/2010)
IFRS 3 -	Business Combinations (Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS and clarification on the measurement of non-controlling interests and additional guidance provided on un-replaced and voluntarily replaced share-based payment awards - effective for annual periods beginning on or after 1 January 2011
IFRS 5 -	Non-current assets Held for Sale and Discontinued Operations (effective first annual period commencing on or after 1/1/2011)
IFRS 7 -	Financial Instruments Disclosures (Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading - effective for annual periods beginning on or after 1 January 2011
IFRS 8 -	Operating Segments (effective first annual period commencing on or after 1/1/2011)
IFRS 9 -	Financial Instruments (New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments Recognition and Measurement - effective for annual periods beginning on or after 1 January 2013
IFRS 10 -	Consolidated Financial Statements effective date 01 01 2013
IFRS 11-	Joint Arrangements effective date 01 01 2013
IFRS 12 -	Disclosure of Interests in Other Entities effective date 01 01 2013
IFRS 13-	Fair Value Measurements effective date 01 01 2013
IFRIC 13 -	Customer Loyalty Programmes (Clarification on the intended meaning of the term "Fair Value" in respect of award credits) - effective for annual periods beginning on or after 1 January 2011
IFRIC 17 -	Distributions of Non-cash Assets to Owners (effective first annual period commencing on or after 1/7/2010)
IFRIC 18 -	Transfers of Assets from Customers (effective first annual period commencing on or after 1/7/2010)
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments - effective for annual periods beginning on or after 1 April 2010
IAS 1 -	Presentation of Financial Statements (Clarification of statement of changes in equity) - effective for annual periods beginning on or after 1 January 2011
IAS 7 -	Statement of Cash Flows (effective first annual period commencing on or after 1/1/2011)

1 Accounting Policies (continued)

IAS 21 -	The Effects of Changes in Foreign Exchange Rates (Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)) - effective for annual periods beginning on or after 1 July 2010
IAS 23 -	Borrowing costs (effective first annual period commencing on or after 1/1/2011)
IAS 24 -	Related Party Disclosures (Simplification of the disclosure requirements for government-related entities and clarification of the definition of a related party - effective for annual periods beginning on or after 1 January 2011
IAS 27 -	Consolidated and Separate Financial Statements (Transition requirements for previous amendments arising from changes to IAS 27) - effective for annual periods beginning on or after 1 July 2010
IAS 28 -	Investments in Associates (Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)) - effective for annual periods beginning on or after 1 July 2010
IAS 31 -	Interest in Joint Ventures (Consequential amendments from changes to IAS 27 Consolidated and Separate Financial Statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation)) - effective for annual periods beginning on or after 1 July 2010
IAS 34 -	Interim Financial Reporting (Clarification of disclosure requirements around significant events and transactions including financial instruments) - effective for annual periods beginning on or after 1 January 2011
IAS 36 -	Impairment of Assets (effective first annual period commencing on of after 1/1/2011)
IAS 38 -	Intangible Assets – Amendments resulting from April 2010 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7/2010)
IAS 39 -	Financial Instruments Recognition and Measurement - Amendments for eligible hedged items (effective first annual period commencing on or after 1/7/2010)
IAS 39 -	Financial Instruments Recognition and Measurement - Amendments for embedded derivatives when reclassifying financial instruments (effective first annual period commencing on or after 1/7 /2010)
IAS 39 -	Financial Instruments Recognition and Measurement - Amendments resulting from April 2010 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7/2010)

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

1 1 Basis of Consolidation

The consolidated income statement and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 28 February 2011 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

1 2 Going Concern

The directors' consider the company is a going concern because all equipment and services are being maintained in order All contracts and liabilities have been complied with and met Since February 28 2011 the group has no outstanding liabilities other than in the normal course of business and this will continue at least until February 28 2012 There are no borrowings of any nature other than from the Directors These borrowings will be converted to share capital by the directors during the year ended February 28 2012 The company will seek additional finance to expand its operations when conditions in the diamond market and in particular the world economy improve. To date, the company and the group have accumulated trading losses since the commencement of mining activities and there are inherent uncertainties in the mining industry, which make it impossible to predict when the company will become profitable Nevertheless, the directors remain confident that the company and the group will trade profitably in the foreseeable future and will be able to continue to meet its liabilities as they fall due Namdeb has offered a new contract renewable for a further five years We intend to being this into force when our existing contract expires on 30 April 2012

1 3 Significant Judgements

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

Trade Receivables

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

Mining assets

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

Mining rights

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

1 4 Underlying concepts

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

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

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

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

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

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

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

1 5 Recognition of Assets and Liabilities

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

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

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument.
Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract

Regular purchases and sales are recognised using trade date accounting

1 6 Derecognition of Assets and Liabilities

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

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

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

1.7 Revenue

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

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

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

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

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

1 8 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

1 8 Tax (continued)

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

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

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

Tax expenses

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

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

1 9 Leases

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

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

1 10 Foreign Currency Translation

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

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

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

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	10 Years
Exploration Costs	10 Years

1 14 Investments

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

1 15 Property, Plant and Equipment

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

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

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

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

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

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

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

Item	**Average useful Life**
Motor Vehicles	8 years
Office Equipment	5 years

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

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item

1 16 Impairment of Assets

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

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

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

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

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

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

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

1 17 Inventories

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

1 18 Financial Instruments

Initial Recognition

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

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

Loans to (from) Group Companies

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

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

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

Trade and other Receivables

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

Trade and other Payables

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

Cash and cash equivalents

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

1 19 Provisions and Contingencies

Provisions are recognised when

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

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

Provisions are not recognised for future operating losses

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

Contingent assets and contingent liabilities are not recognised

1 20 Executive Share Options

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

2. Employees

	2011 Number	2010 Number
The average monthly number of employees, (including directors'), during the year was		
Staff of subsidiary - Production	**5**	5
Staff of head office - Administration	**1**	1
Directors' – Management	**4**	5
	10	11

The total wages, salaries and social security costs were 2011 £107,505 (2010 £85,057)

3 Operating Loss

	2011 £	2010 £
This has been arrived at after charging		
Depreciation	**41,805**	6,605
Amortisation	**74,869**	46,690
Operating lease rentals – land and buildings	**7,200**	7,200
Auditor's remuneration – audit (company - £12,000 (2010 - £11,500))	**17,320**	17,193
Directors' Remuneration	**6,250**	25,000

The remuneration of the highest paid director is £6,250 (2010 £25,000)

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

	2011 £	2010 £
(Loss) on ordinary activities before tax	(417,239)	(289,353)
(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 – 28%)	(116,827)	(81,019)
Effects of Tax losses carried forward	116,827	81,019
Total tax charge for year	-	-

A deferred tax asset of £1,227,245 (2010 - £950,697) relating to losses in the subsidiary undertaking has not been recognised due to inherent uncertainty regarding the availability of suitable taxable profits against which the losses can be recovered within the foreseeable future.

5 Loss per Share

Loss per share has been calculated using the weighted average number of ordinary shares in issue during the relevant financial periods The weighted average number of shares in issue is 40,287,493 (2010 – 39,922,460) and the loss, being the loss after tax, is £417,239 (2010 loss - £289,353)

Diluted Loss per share has been calculated using a weighted average number of shares of 41,037,493 (2010 – 40,672,460), which includes the share options in issue at the start and end of the year

6 Loss for the Financial Year

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

	2011	2010
Holding company's (loss) for the financial year	£(76,410)	£(105,844)

7 Intangible Assets

Group	Mining rights and exploration costs £
Cost	
At 1 March 2009	1,443,397
Additions	-
Exchange difference	250,770
At 28 February 2010	1,694,167
Additions	-
Exchange difference	150,459
At 28 February 2011	**1,844,626**
Amortisation	
At 1 March 2009	528,826
Charge for the year	46,690
Exchange differences	94,990
At 28 February 2010	670,506
Charge for the year	74,869
Exchange differences	61,419
At 28 February 2011	**806,794**
Net book values	
At 28 February 2010	£1,023,652
At 28 February 2011	**£1,037,832**

Of the net book value above £654,180 (2010 £600,821) relates to Mining Rights There has been no amortisation of these rights in the year as it is the view of the directors that the fair value of the Rights exceeds the Net Book Value at the beginning and end of the year

8 Property Plant and Equipment

	Fixtures & Fittings	Plant & Machinery	Total
	£	£	£
Group			
Cost			
At 1 March 2009	2,504	1,439,346	1,441,850
Additions	-	-	-
Exchange difference	435	250,065	250,500
At 28 February 2010	2,939	1,689,411	1,692,350
Additions	-	-	-
Exchange difference	262	150,036	150,298
At 28 February 2011	**3,201**	**1,839,447**	**1,842,648**
Depreciation			
At 1 March 2009	1,623	526,515	528,138
Charge for the year	20	6,585	6,605
Exchange difference	283	91,915	92,198
At 28 February 2010	1,926	625,015	626,941
Additions	500	41,305	41,805
Exchange difference	673	56,046	56,719
At 28 February 2011	**3,099**	**722,366**	**725,465**
Net book value			
At 28 February 2010	£1,013	£1,064,396	£1,065,409
At 28 February 2011	**£102**	**£1,117,081**	**£1,117,183**

9 Fixed Asset Investments

	Group undertaking £	Loans to group undertaking £	Total £
Company			
At 1 March 2009	2,110,430	2,340,341	4,450,771
Additions	-	-	-
Conversion to share capital	717,781	-	717,781
At 28 February 2010	2,828,211	2,340,341	5,168,552
Additions	-	193,000	193,000
Conversation to share capital	-	-	-
At 28 February 2011	**2,828,211**	**2,533,341**	**5,361,552**
Provisions for diminution in value			
At 1 March 2009 and at 28 February 2010 and at 28 February 2011	**628,536**	-	**628,536**
Net book value			
At 28 February 2011	**£2,199,675**	**£2,533,341**	**£4,733,016**
At 28 February 2010	£2,199,675	£2,340,341	£4,540,016

Investment in group undertaking includes

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

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

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

10 Inventories

	Group 2011	Group 2010
Consumable stores	**£9,263**	£37,520

11 Trade and Other Receivables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade receivables	**49,546**	39,895	-	-

All amounts fall due for repayment within one year

12 Trade and other Payables

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade Payables and Accruals	**33,696**	39,753	**12,000**	11,500
Loans from Directors	**593,725**	597,500	**593,725**	597,500
	627,421	637,253	**605,725**	609,000

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

13 Derivatives and other Financial Instruments

Financial instruments policies and strategies

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

At 28 February 2011, the group's financial instruments comprised cash and short-term receivables and payables arising directly from its operations and loans from directors The group's primary treasury activity has been the management of cash This has been held so as to maximise interest earned without compromising the group's need for flexibility in meeting its cash needs The group is not currently actively pursuing a strategy of acquiring investments

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

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

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

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

Interest rate risk profile of financial assets.	**Floating Rate**	
	2011	**2010**
	£	**£**
Sterling	**3,123**	102
Namibian dollar	**7,466**	6,376
	£10,589	£6,478

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

	2011 Number	2010 Number	2011 £	2010 £
Authorised				
Ordinary shares of 1p each	**445,078,252**	440,697,860	**4,406,979**	4,406,979
Amortisation of intangible assets	**39,922,460**	39,922,460	**3.593,021**	3,593,021
Total	**485,000,712**	480,620,320	**8,000,000**	8,000,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**44,302,852**	39,922,460	**443,029**	399,225
Deferred shares of 9p each	**39,922,460**	39,922,460	**3,593,021**	3,593,021
	84,225,312	79,844,920	**4,036,050**	3,992,246

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

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

Options

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

	2011	2010
Number	750,000	750,000

Options are exercisable between 9 January 2010 and 9 January 2013 at an exercise price of £0 12p As at 28 February 2011 these options were still outstanding

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

15 Share Premium Account

Group and Company	Share Premium Account £
At 28 February 2010	359,384
Share Issue	229,971
At 28 February 2011	**£589,355**

16 Retained Earnings

Group	**£**
At 1 March 2010	(3,291,009)
Loss for the year	(417,239)
At 28 February 2011	**£(3,708,248)**

Company	**£**
At 1 March 2010	(414,238)
Loss for the year	(76,410)
At 28 February 2011	**£(490,648)**

17 Currency Translation Reserve

Group	**£**
At 1 March 2010	475,080
Gain on currency translation	204,755
At 28 February 2011	**£679,835**

18 Reconciliation of operating loss to net group cash outflow from operating activities

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Operating loss	**(417,239)**	**(76,410)**	(289,554)	(105,844)
Depreciation of plant, property and equipment	**41,805**	**-**	6,605	-
Amortisation of intangible assets	**74,869**	**-**	46,690	-
Decrease/(Increase) in inventories	**28,257**	**-**	(5,553)	-
(Increase)/decrease in trade and other receivables	**(9,651)**	**(193,000)**	3,730	(147,908)
Increase/(decrease) in trade and other payables	**(9,832)**	**(3,275)**	230,590	234,447
Net effect of foreign exchange differences	**22,055**	**-**	(22,970)	-
Net cash (outflow)/inflow from operating activities	**£(269,736)**	**£(272,685)**	£(30,462)	£(19,305)

19 Analysis of Net Debt

	At 1 March 2010 £	Group Cash flow £	At 28 February 2011 £
Net cash			
Cash at bank and in hand	£6,478	**£4,111**	**£10,589**

	At 1 March 2010 £	Company Cash flow £	At 28 February 2011 £
Net cash			
Cash at bank and in hand	£6,376	**£1,090**	**£7,466**

20 Reconciliation of net cash flow to movement in net funds

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Increase/(decrease) in cash for the year	**4,111**	**1,090**	(30,261)	(19,305)
Movement in net funds in the year	**4,111**	**1,090**	(30,261)	(19,305)
Opening net funds	**6,478**	**6,376**	36,739	25,681
Closing net funds	**£10,589**	**£7,466**	£6,478	£6,376

21 Contingent Liabilities

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

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

22 Related Party Transactions

During the year the company received loans from Lord Sheppard of Didgemere of £208,000 (2010 £190,000), B M Moritz £ 72,000(2010 £57,500) and ACA Carlton £0 (2010 £0) The balances owed to these individuals at the year end were £324,225 (2010 £390,000), £274,500 (2010 £202,500) and £5,000 (2010 £5,000) respectively The loans are interest free and with no repayment terms During the year Lord Sheppard of Didgemere converted £273,775 of his loan to share capital

23 Foreign Currency Risk

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