Registered Number: 04140379

Namibian Resources Plc

Report and Financial Statements

Year Ended

28 February 2010

Namibian Resources Plc

Annual report and financial statements for the year ended 28 February 2010

Contents

Directors	Lord Sheppard of Didgemere - Chairman A C A Carlton B M Moritz O J Plummer D G Sutherland – Resigned 31 May 2010
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 2010

The year to 28th February 2010 was disappointing as expected due to the cessation of production at Sonnberg following the near collapse of the international diamond market and soaring fuel costs. Our staffing was greatly reduced and care and maintenance only was carried out throughout the year

During the current financial year diamond prices have improved and although limited our production both in terms of diamond size and value has increased considerably Pending the conclusion of our ongoing efforts to raise additional financing the Directors are demonstrating their determination to achieve profitability by continuing to fund the company with interest free unsecured loans. Negotiations with potential investors are continuing and we will report again on progress when appropriate

Lord Sheppard of Didgemere KCVO Kt.

Namibian Resources Plc

Review of Operations

YEAR ENDED 28 February 2010

In October last year we reported on the severe downturn in the diamond market causing a severe impact on our operations with the cessation of all our operations in Namibia Sonnberg mining and sampling was terminated and our operations were put on a care and maintenance basis due to the uncertainty of realised diamond values Care and maintenance only was maintained throughout the year to 28th February 2010

Production on a much-reduced scale was recommenced in April this year Although production has been low since this time we are very encouraged by the prices that we are now receiving for production during the current financial year We are continuing to progress our efforts for financing options to upgrade our mining operations and to seek additional resources for development We are having ongoing discussions with potential investors to provide the necessary funds A mining plan is in place to take us through to early 2011 on identified deposits In the meantime the Directors have continued to support the company with unsecured interest free loans which totalled £597,500 at 28th February 2010

ACA Carlton

Namibian Resources Plc

Report of the directors for the year ended 28 February 2010

The directors present their report together with the audited financial statements for the year ended 28 February 2010

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 2010, the company had been notified of the following holdings of 3% or more of its issued share capital

	Ordinary shares and deferred shares of 1p and 9p each respectively	%
BM Moritz	2,994,616	7 50
WB Nominees (for clients including Lord Sheppard and A C A Carlton – see below)	19,492,953	48 82
HSBC Global Custody Nominee (UK) Limited	2,063,520	5 17

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

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	
	2010	**2009**	**2010**	**2009**
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	**3,650,000**	3,650,000	**3,650,000**	3,650,000
D G Sutherland	**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)

D G Sutherland entered into an option agreement dated 9th January 2009 in respect of 750,000 ordinary shares (see note 14 for details of the exercise price and period) This option has now lapsed following his resignation on 31st May 2010

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 2010 was 35 (2009 46)

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

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 25 August 2010

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 2010, 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 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 2010 and of the Group's profit 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

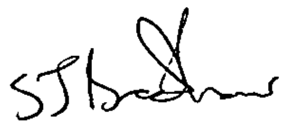
Emphasis of Matter - going concern and valuation of assets

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 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 £1,023,652 and property plant and equipment of £1,065,409 included in the consolidated balance sheet and amounts due by group undertakings of £4,540,016 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 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



Steven John Bradshaw
Senior Statutory Auditor,
For and on behalf of Montgomery Swann Ltd
Statutory Auditor, Chartered Certified Accountants — **Dated 27 August 2010**
Scott's Sufferance Wharf
1 Mill Street,
LONDON SE1 2DE

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 2010

	Note	2010 £	2009 £
Revenue	1 7	-	127,580
Cost of sales		-	(414,848)
Gross loss		-	(287,268)
Administrative expenses		**(289,554)**	(206,506)
Operating loss	3	**(289,554)**	(493,774)
Other interest receivable and similar income		**201**	1,289
(Loss) before tax		**(289,353)**	(492,485)
Income tax expense	4	-	-
(Loss) after tax		**£(289,353)**	£(492,485)
Earnings per ordinary share (pence)	5		
Basic		**(0.72)**	(1 23)
Diluted		**(0 71)**	(1 21)

Consolidated statement of comprehensive income for the year ended 28 February 2010

	2010 £	2009 £
Exchange difference on translation of foreign operations	**298,573**	76,945
Net income recognised directly in equity	**298,573**	76,945
(Loss) for the financial year	**(289,353)**	(492,485)
Total recognised income and expense for the year	**£9,220**	£(415,540)

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

Namibian Resources Plc

Consolidated balance sheet at 28 February 2010

	Note	2010	2010	2009	2009
Assets		**£**	**£**	**£**	**£**
Non current assets					
Intangible assets					
Mining rights and exploration costs	7	**1,023,652**		914,571	
			1,023,652		914,571
Property, Plant and Equipment	8		**1,065,409**		913,712
			2,089,061		1,828,283
Current assets					
Inventories	10	**37,520**		31,967	
Trade and other receivables	11	**39,895**		36,165	
Cash and cash equivalents	13	**6,478**		36,739	
			83,893		104,871
Total Assets			**£2,172,954**		£1,933,154
Equity and Liabilities					
Share capital	14		**3,992,246**		3,992,246
Share premium account	15		**359,384**		359,384
Currency translation reserve	17		**475,080**		176,507
Retained earnings	16		**(3,291,009)**		(3,001,656)
Total equity			**1,535,701**		1,526,481
Current Liabilities					
Trade and other payables	12		**637,253**		406,673
Total Equity and liabilities	18		**£2,172,954**		£1,933,154

The financial statements were approved by the Board on 25 August 2010

O Plummer
Director

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

Namibian Resources Plc

Consolidation Statement of changes in equity for the year ended 28 February 2010

	2010 £	2009 £
Opening balance	**1,526,481**	1,942,021
Loss for financial year	**(289,353)**	(492,485)
Translation reserve	**298,573**	76,945
Closing balance	**£1,535,701**	£1,526,481

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

Namibian Resources Plc

Company balance sheet at 28 February 2010

	Note	2010	2009
		£	**£**
Assets			
Non-current assets			
Investments	9	**4,540,016**	4,392,108
Current assets			
Cash and cash equivalents		**6,376**	25,681
Total Assets		**£4,546,392**	£4,417,789
Equity			
Share capital	14	**3,992,246**	3,992,246
Share premium account	15	**359,384**	359,384
Retained earnings	16	**(414,238)**	(308,394)
Total Equity	18	**3,937,392**	4,043,236
Current Liabilities			
Trade and other payables	12	**609,000**	374,553
Total Equity and Liabilities		**£4,546,392**	£4,417,789

The financial statements were approved by the Board on 25 August 2010

O Plummer
Director

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

Company Statement of changes in equity for the year ended 28 February 2010

	2010 £	2009 £
Opening balance	**4,043,236**	4,176,192
Loss for financial year	**(105,844)**	(132,956)
Closing balance	**£3,937,392**	£4,043,236

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 2010

	Note	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Cash flow generated from operating activities	19	**(30,462)**	**(19,305)**	15,454	(78,056)
Cash flow from investing activities					
Purchase of intangible assets		-	-	(47,809)	-
Purchase of property plant and equipment		-	-	(35,695)	-
Interest Received		**201**	-	1,289	399
Net cash used in investing activities		**201**	-	(82,215)	399
Net decrease in cash and cash equivalents	21	**£(30,261)**	**£(19,305)**	£(66,761)	£(77,657)

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 2010

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 2 -	Share-based Payment - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7/2009)
IFRS 3 -	Share-based Payment - Business Combinations - Comprehensive revision on applying the acquisition method (effective first annual period commencing on or after 1/7/2009)
IFRS 5 -	Non-current assets Held for Sale and Discontinued Operations (effective first annual period commencing on or after 1/1/2010)
IFRS 8 -	Operating Segments (effective first annual period commencing on or after 1/1/2010)
IFRIC 17 -	Distributions of Non-cash Assets to Owners (effective first annual period commencing on or after 1/7/2009)
IFRIC 18 -	Transfers of Assets from Customers (effective first annual period commencing on or after 1/7/2009)
IAS 7 -	Statement of Cash Flows (effective first annual period commencing on or after 1/1/2010)
IAS 23 -	Borrowing costs (effective first annual period commencing on or after 1/1/2010)
IAS 27 -	Consequential amendments arising from amendments to IFRS 3 (effective first annual period commencing on or after 1/7/2009)
IAS 31 -	Interests in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7 /2009)
IAS 36 -	Impairment of Assets (effective first annual period commencing on of after 1/1/2010)
IAS 38 -	Intangible Assets – Amendments resulting from April 2009 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7/2009)
IAS 39 -	Financial Instruments Recognition and Measurement - Amendments for eligible hedged items (effective first annual period commencing on or after 1/7/2009)
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 /2009)
IAS 39 -	Financial Instruments Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs (effective first annual period commencing on or after 1/7/2009)

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

1 1 Basis of Consolidation

The consolidated income statement account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 28 February 2010 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 9) have not been consolidated on account of it being dissolved on 15th December 2009

1 2 Going Concern

Following the disruption and down turn in the Diamond Market in November 2008 the company has continued on a care and maintenance basis pending a resumption of normal conditions The company's ability to raise finance to expand operations was curtailed by market conditions However, the company will seek additional finance to expand its operations when conditions in the Diamond Market improve To date, the company and the group have accumulated trading losses since the commencement of mining activities and there are inherent uncertainties in the mining industry, which make it impossible to predict when the company will become profitable Nevertheless, the directors remain confident that the company and the group will trade profitably in the foreseeable future and will be able to continue to meet its liabilities as they fall due

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 2010 the Group has no outstanding liabilities other than in the normal course of business and this will continue at least until February 28 2011 There are no borrowings of any nature other than from the Directors

1 3 Significant Judgements

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

Trade Receivables

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

Mining assets

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

Mining rights

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

1 4 Underlying concepts

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

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

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

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

Changes in accounting estimates are recognised in profit or loss

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

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

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
- 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	2010 Number	2009 Number
Staff of subsidiary - Production	**5**	16
Staff of head office - Administration	**1**	1
Directors' – Management	**5**	5
	11	22

The total wages, salaries and social security costs were 2010 £85,057 (2009 £122,864)

3 Operating Loss

	2010 £	2009 £
This has been arrived at after charging		
Depreciation	**6,605**	169,662
Amortisation	**46,690**	39,734
Operating lease rentals – land and buildings	**7,200**	7,200
Auditor's remuneration – audit (company - £11,500 (2009 - £11,500))	**17,193**	16,110
Directors' Remuneration	**25,000**	28,200

The remuneration of the highest paid director is £25,000 (2009 £28,200)

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

	2010 £	2009 £
(Loss) on ordinary activities before tax	**(289,353)**	(492,485)
(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 – 28%)	**(81,019)**	(137,896)
Effects of Tax losses	**81,019**	137,896
Total tax charge for year	-	-

A deferred tax asset of £950,697 (2009 - £718,299) relating to losses in the subsidiary undertakings has not been recognised due to inherent uncertainty regarding the availability of suitable taxable profits against which the losses can be recovered within the foreseeable future

5 Loss per Share

Loss per share has been calculated using the weighted average number of ordinary shares in issue during the relevant financial periods The weighted average number of shares in issue is 39,922,460 (2009 – 39,922,460) and the loss, being the loss after tax, is £289,353 (2009 loss - £492,485)

Diluted Loss per share has been calculated using a weighted average number of shares of 40,672,460 (2009 – 40,672,460), 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 408 of the Companies Act 2006, 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

	2010	2009
Holding company's (loss) for the financial year	**£(105,844)**	£(132,956)

7 Intangible Assets

Group	Mining rights and exploration costs £
Cost	
At 1 March 2008	1,322,486
Additions	47,809
Exchange difference	73,102
At 28 February 2009	1,443,397
Additions	-
Exchange difference	250,770
At 28 February 2010	**1,694,167**
Amortisation	
At 1 March 2008	461,987
Charge for the year	39,734
Exchange differences	27,105
At 28 February 2009	528,826
Charge for the year	46,690
Exchange differences	94,990
At 28 February 2010	**670,506**
Net book values	
At 28 February 2010	**£1,023,652**
At 28 February 2009	£914,571

Of the net book value above £600,821 (2009 £511,889) 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 2008	3,861	1,330,927	1,334,788
Additions	-	35,695	35,695
Exchange difference	(1,357)	72,724	71,367
At 28 February 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**
Depreciation			
At 1 March 2008	2,624	362,058	364,682
Charge for the year	394	169,268	169,662
Exchange difference	(1,395)	(4,811)	(6,206)
At 28 February 2009	1,623	526,515	528,138
Additions	20	6,585	6,605
Exchange difference	283	91,915	92,198
At 28 February 2010	**1,926**	**625,015**	**626,941**
Net book value			
At 28 February 2010	**£1,013**	**£1,064,396**	**£1,065,409**
At 28 February 2009	£881	£912,831	£913,712

9 Fixed Asset Investments

	Group undertakings £	Loans to group undertakings £	Total £
Company			
At 1 March 2008	2,110,430	2,609,835	4,720,265
Additions	-	300,379	300,379
Conversion to share capital	-	-	-
At 28 February 2009	2,110,430	2,910,214	5,020,644
Additions	-	147,908	147,908
Conversation to share capital	717,781	(717,781)	-
At 28 February 2010	**2,828,211**	**2,340,341**	**5,168,552**
Provisions for diminution in value			
At 1 March 2009 and at 28 February 2010 and at 28 February 2010	**628,536**	-	**628,536**
Net book value			
At 28 February 2010	**£2,199,675**	**£2,340,341**	**£4,540,016**
At 28 February 2009	£1,481,894	£2,910,214	£4,392,108

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 This company was dissolved on 15th December 2009

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

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 2010	Group 2009
Consumable stores	**£37,520**	£31,967

11 Trade and Other Receivables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade receivables	**39,895**	36,165	-	-

All amounts fall due for repayment within one year

12 Trade and other Payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade Payables and Accruals	**39,753**	56,673	**11,500**	24,553
Loans from Directors	**597,500**	350,000	**597,500**	350,000
	637,253	406,673	**609,000**	374,553

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 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 2010, 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**	
	2010	2009
	£	£
Sterling	**102**	25,681
Namibian dollar	**6,376**	11,058
	£6,478	£36,739

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

For the year ended 28 February 2010 the directors decided not to amortise the mining rights on the basis that their value at the beginning and end of the year exceeds the net book value

14 Share Capital

Shares	2010 Number	2009 Number	2010 £	2009 £
Authorised				
Ordinary shares of 1p each	**440,697,860**	440,697,860	**4,406,979**	4,406,979
Deferred shares of 9p each	**39,922,460**	39,922,460	**3,593,021**	3,593,021
Total	**480,620,320**	480,620,320	**8,000,000**	8,000,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**39,922,460**	39,922,460	**399,225**	399,225
Deferred shares of 9p each	**39,922,460**	39,922,460	**3,593,021**	3,593,021
	79,844,920	79,844,920	**3,992,246**	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

	2010	2009
Number	**750,000**	750,000

Options are exercisable between 9 January 2009 and 9 January 2013 at an exercise price of £0 12p As at 28 February 2010 these options were still outstanding Since the balance sheet date these have now lapsed

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 2009 and 28 February 2010	£359,384

16 Retained Earnings

Group	£
At 1 March 2009	(3,001,656)
Loss for the year	(289,353)
At 28 February 2010	£(3,291,009)

Company	£
At 1 March 2009	(308,394)
Loss for the year	(105,844)
At 28 February 2010	£(414,238)

17 Currency Translation Reserve

Group	£
At 1 March 2009	176,507
Gain on currency translation	298,573
At 28 February 2010	£475,080

18 Reconciliation of Movements in Shareholders' Funds

Group	2010 £	2009 £
(Loss) for the financial year	**(289,353)**	(492,485)
Other recognised gains and losses	**298,573**	76,945
Issue of shares	-	-
	9,220	(415,540)
Opening shareholders' funds	**1,526,481**	1,942,021
Closing shareholders' funds	**£1,535,701**	£1,526,481

Company	2010 £	2009 £
(Loss) for the financial year	**(105,844)**	(132,956)
Opening shareholders' funds	**4,043,236**	4,176,192
Closing shareholders' funds	**£3,937,392**	£4,043,236

19 Reconciliatıon of operatıng loss to net group cash outflow from operating activitıes

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Operatıng loss	**(289,554)**	**(105,844)**	(493,774)	(132,956)
Depreciatıon of plant, property and equıpment	**6,605**	-	169,662	-
Amortısatıon of ıntangıble assets	**46,690**	-	39,734	-
Decrease/(Increase) ın ınventorıes	**(5,553)**	-	706	-
(Increase)/decrease ın trade and other receıvables	**3,730**	**(147,908)**	(9,802)	(300,379)
Increase/(decrease) ın trade and other payables	**230,590**	**234,447**	355,553	355,678
Net effect of foreıgn exchange dıfferences	**(22,970)**	-	(46,625)	-
Net cash (outflow)/ınflow from operatıng actıvıtıes	**£(30,462)**	**£(19,305)**	£15,454	£(77,657)

20 Analysis of Net Debt

	At 1 March 2009 £	Group Cash flow £	At 28 February 2010 £
Net cash			
Cash at bank and ın hand	£36,739	**£(30,261)**	**£6,478**

	At 1 March 2009 £	Company Cash flow £	At 28 February 2010 £
Net cash			
Cash at bank and ın hand	£25,681	**£(19,305)**	**£6,376**

21 Reconciliation of net cash flow to movement in net funds

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
(Decrease) in cash for the year	**(30,261)**	**(19,305)**	(66,761)	(77,657)
Movement in net funds in the year	**(30,261)**	**(19,305)**	(66,761)	(77,657)
Opening net funds	**36,739**	**25,681**	103,500	103,338
Closing net funds	**£6,478**	**£6,376**	£36,739	£25,681

22 Contingent Liabilities

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

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

23 Related Party Transactions

During the year the company received loans from Lord Sheppard of Didgemere of £190,000 (2009 £200,000), B M Moritz £57,500 (2009 £145,000) and ACA Carlton £0 (2009 £5,000) The balances owed to these individuals at the year end were £390,000 (2009 £200,000), £202,500 (2009 £145,000) and £5,000 (2009 £5,000) respectively The loans are interest free and with no repayment terms