

31 August 2007

Namibian Resources Plc (the "Company")

Annual Report and Accounts

Further to the announcement regarding the posting of the Annual Report and Accounts, the Chairman's statement, profit and loss, balance sheet, and cash flow statements, with related notes, as extracted from the Annual Report and Accounts are set out below. The full text of the Annual Report and Accounts can be found at the Company's website at <http://www.namibianresources.com/investor.html>.

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## **Chairman's statement**

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### **YEAR ENDED 28 FEBRUARY 2007**

The year to 28 February 2007 was very satisfactory. An extensive exploration and sampling programme was embarked upon in October 2006 and has continued into the new financial year. This will enable the company to identify and consolidate a number of resources into reserves to create an ongoing continuous mining programme. So far the results of this sampling programme are very encouraging particularly in relation to diamond size. Ground water is still encountered from the flood in April 2006, which slowed progress. However this valuable work will reward us well in the future.

Turnover to the 28 February 2007 was £504,542 against £484,030 to the end of the 2006 Financial year, an operating loss of £8,486 against an operating loss of £73,837 for the year ended 2006.

The profit on ordinary activities after interest receivable is £26,068 to the end of 28 February 2007 against a loss of £64,373 to the 28 February 2006.

Cash at bank as at 28 February 2007 was £372,188 and the company has no borrowings.

We look forward to announcing a favourable result of our sampling programme prior to the AGM.

The company's Annual General Meeting will be held on Wednesday 3 October.

Lord Sheppard of Didgemere KCVO Kt  
Chairman

28 August 2007

## Consolidated profit and loss account for the year ended 28 February 2007

	Note	2007 £	2006 £
<b>Turnover</b>	2	<b>504,542</b>	484,030
Cost of sales		(202,565)	(352,178)
<b>Gross profit</b>		<b>301,977</b>	131,852
Administrative expenses		(310,463)	(205,689)
<b>Operating loss</b>	4	<b>(8,486)</b>	(73,837)
Other interest receivable and similar income		34,554	9,464
<b>Profit / (Loss) on ordinary activities before and after taxation</b>		<b>£26,068</b>	£(64,373)
<b>Earnings per share (pence)</b>	6		
Basic		<b>0.07</b>	(0.19)
Diluted		<b>0.06</b>	(0.17)

All amounts relate to continuing activities.

## Consolidated statement of total recognised gains and losses for the year ended 28 February 2007

	2007 £	2006 £
Profit / (Loss) for the financial year	<b>26,068</b>	(64,373)
Currency translation differences on foreign currency net investments	(548,824)	147,655
<b>Total recognised gains and losses for the year</b>	<b>£(522,756)</b>	£83,282

## Consolidated balance sheet at 28 February 2007

	Note	2007 £	2007 £	2006 £	2006 £
<b>Fixed assets</b>					
Intangible assets:					
Mining rights	8		<b>652,878</b>		755,093
Tangible assets	9		<b>1,172,047</b>		1,506,284
			<b>1,824,925</b>		2,261,377

<b>Current assets</b>				
Stock	11	35,948		34,644
Debtors	12	23,518		31,375
Cash at bank and in hand		372,188		488,755
		<u>431,654</u>		<u>554,774</u>
<b>Creditors: amounts falling due within one year</b>				
	13	(37,847)		(74,663)
<b>Net current assets</b>				
			<u>393,807</u>	<u>480,111</u>
<b>Total assets less current liabilities</b>				
			<u>£2,218,732</u>	<u>£2,741,488</u>
<b>Capital and reserves</b>				
Called up share capital	15	3,792,246		3,792,246
Share premium account	16	359,384		359,384
Profit and loss account	17	(1,932,898)		(1,410,142)
<b>Shareholders' funds – equity</b>				
			<u>£2,218,732</u>	<u>£2,741,488</u>

#### Company balance sheet at 28 February 2007

	Note	2007 £	2007 £	2006 £	2006 £
<b>Fixed assets</b>					
Investments	10		2,887,489		2,802,763
Tangible assets	9		-		494
			<u>2,887,489</u>		<u>2,803,257</u>
<b>Current assets</b>					
Debtors	12	-		11,750	
Cash at bank and in hand		208,432		399,821	
		<u>208,432</u>		<u>411,571</u>	
<b>Creditors: amounts falling due within one year</b>					
	13	(19,357)		(12,945)	
<b>Net current assets</b>					
			<u>189,075</u>	<u>398,626</u>	
<b>Total assets less current liabilities</b>					
			<u>£3,076,564</u>	<u>£3,201,883</u>	
<b>Capital and reserves</b>					
Called up share capital	15	3,792,246		3,792,246	
Share premium account	16	359,384		359,384	
Profit and loss account	17	(1,075,066)		(949,747)	
<b>Shareholders' funds – equity</b>					
			<u>£3,076,564</u>	<u>£3,201,883</u>	

## Consolidated cash flow statement for the year ended 28 February 2007

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	Note	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	19	<b>60,992</b>	69,607
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>34,554</b>	9,464
<b>Investing Activities</b>			
Payments to acquire intangible assets		<b>(74,582)</b>	(28,387)
Payments to acquire tangible fixed assets		<b>(137,531)</b>	(288,374)
<b>Net cash outflow before management of liquid resources and financing</b>		<b>(116,567)</b>	(237,690)
<b>Financing</b>			
Issue of shares and exercise of warrants and options		-	508,473
<b>(Decrease) / Increase in cash in the year</b>	21	<b>£(116,567)</b>	£270,783

## Notes forming part of the financial statements for the year ended 28 February 2007

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### 1 Accounting policies

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

#### *Basis of consolidation*

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 28 February 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

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

#### *Going Concern*

The company's ability to continue as a going concern depends on the prospects of future profitable trade. To date, the company and the group have accumulated trading losses since the commencement of mining activities and there are inherent uncertainties in the mining industry which make it impossible to predict when the company will achieve sustainable profits. Nevertheless, the directors remain confident that the company and the group will trade profitably in the foreseeable future and will be able to continue to meet its liabilities as they fall due.

### *Turnover*

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

### *Mining rights*

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

### *Tangible fixed assets and depreciation*

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

Motor Vehicles	-	8-10 years
Plant and machinery	-	10 -20 years
Office Equipment	-	3 years

### *Leasing*

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

### *Investments*

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

### *Stock*

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

### *Deferred taxation*

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

Deferred tax balances are not discounted.

### *Foreign currency translation*

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

The results of overseas operations and the balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening assets are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

## 2 Turnover

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

## 3 Employees

	2007 £	2006 £
Staff costs consist of:		
Directors remuneration	55,000	55,000
Wages and salaries	8,756	19,273
Social security costs	7,040	6,768
	<u>          </u>	<u>          </u>

The average monthly number of employees, (including directors), during the year was:

	Number	Number
Staff of subsidiary	12	10
Staff of head office	1	1
Directors	4	5
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

## 4 Operating loss

	2007 £	2006 £
This has been arrived at after charging:		
Depreciation	112,571	126,534
Amortisation	7,354	13,009
Operating lease rentals – land and buildings	7,200	7,768
Auditors' remuneration (company - £12,994 (2006 - £9,211))	23,887	12,124
	<u>          </u>	<u>          </u>

## 5 Taxation on loss on ordinary activities

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

	2007 £	2006 £
Profit/(Loss) on ordinary activities before tax	26,068	(64,373)
	<u>          </u>	<u>          </u>
Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	7,820	(19,312)

Effects of:		
Tax losses	<b>(7,820)</b>	19,312
	<hr/>	<hr/>
Current tax charge for year	-	-
	<hr/> <hr/>	<hr/> <hr/>

A deferred tax asset of £458,231 (2006 - £711,728) relating to losses in the subsidiary undertakings has not been recognised due to uncertainty regarding the availability of suitable taxable profits against which the losses can be recovered.

## 6 Earnings per share

Earnings per share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of shares in issue is 37,922,460 (2006 – 34,264,560) and the profit, being the profit after tax, is £26,068 (2006 loss - £64,373).

Diluted profit per share has been calculated using a weighted average number of shares of 41,672,460 (2006 – 37,764,560), which includes the share options in issue at the start and end of the year.

## 7 Loss for the financial period

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

	<b>2007</b>	<b>2006</b>
Holding company's loss for the financial year	<b>£(125,319)</b>	£(158,410)
	<hr/> <hr/>	<hr/> <hr/>

## 8 Intangible fixed assets

<b>Group</b>	<b>Mining rights</b>
	<b>£</b>
<i>Cost</i>	
At 1 March 2006	1,383,417
Additions	74,582
Exchange adjustments	(310,439)
	<hr/>
At 28 February 2007	<b>1,147,560</b>
	<hr/>
<i>Amortisation</i>	
At 1 March 2006	628,324
Charge for the year	7,354
Exchange adjustments	(140,996)
	<hr/>
At 28 February 2007	<b>494,682</b>
	<hr/>
<b>Net book value</b>	
At 28 February 2007	<b>£652,878</b>
	<hr/> <hr/>
At 28 February 2006	£755,093
	<hr/> <hr/>

## 9 Tangible fixed assets

	Office equipment £	Plant & machinery motor vehicle £	Total £
<b>Group</b>			
<i>Cost</i>			
At 1 March 2006	4,857	2,514,126	2,518,983
Additions	-	137,531	137,531
Exchange adjustments	(1,616)	(1,226,596)	(1,228,212)
	<hr/>	<hr/>	<hr/>
At 28 February 2007	<b>3,241</b>	<b>1,425,061</b>	<b>1,428,302</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 March 2006	1,528	1,011,171	1,012,699
Charge for the year	912	111,659	112,571
Exchange adjustments	(741)	(868,274)	(869,015)
	<hr/>	<hr/>	<hr/>
At 28 February 2007	<b>1,699</b>	<b>254,556</b>	<b>256,255</b>
	<hr/>	<hr/>	<hr/>
<b>Net book Value</b>			
At 28 February 2007	<b>£1,542</b>	<b>£1,170,505</b>	<b>£1,172,047</b>
	<hr/>	<hr/>	<hr/>
At 28 February 2006	£3,329	£1,502,955	£1,506,284
	<hr/>	<hr/>	<hr/>

### Company

	Office equipment £
At 1 March 2006 and 28 February 2007	<b>1,482</b>
	<hr/>
<i>Depreciation</i>	
At 1 March 2006	988
Charge for the year	494
	<hr/>
At 28 February 2007	<b>1,482</b>
	<hr/>
<b>Net book value</b>	
At 28 February 2007	<b>£-</b>
	<hr/>
At 28 February 2006	£494
	<hr/>

## 10 Fixed asset investments

	Group undertakings £	Loans to group undertakings £	Total £
<b>Company</b>			
At 1 March 2006	2,064,225	1,867,074	3,931,299
Additions	-	84,726	84,726
	<hr/>	<hr/>	<hr/>
At 28 February 2007	<b>2,064,225</b>	<b>1,951,800</b>	<b>4,016,025</b>
	<hr/>	<hr/>	<hr/>
<i>Provisions for diminution in value</i>			

At 1 March 2006 and 28 February 2007	<b>628,536</b>	<b>500,000</b>	<b>1,128,536</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 28 February 2007	<b>£1,435,689</b>	<b>£1,451,800</b>	<b>£2,887,489</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 28 February 2006	£1,435,689	£1,367,074	£2,802,763
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

<b>11 Stock</b>			<b>Group 2007</b>	<b>Group 2006</b>
Consumable stores			<b>£35,948</b>	£34,644
			<hr/> <hr/>	<hr/> <hr/>
<b>12 Debtors</b>				
	<b>Group 2007 £</b>	<b>Group 2006 £</b>	<b>Company 2007 £</b>	<b>Company 2006 £</b>
Trade debtors	<b>23,518</b>	19,625	-	-
Prepayments	-	11,750	-	11,750
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>£23,518</b>	£31,375	<b>£-</b>	£11,750
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All amounts fall due for repayment within one year.

<b>13 Creditors: amounts falling due within one year</b>				
	<b>Group 2007 £</b>	<b>Group 2006 £</b>	<b>Company 2007 £</b>	<b>Company 2006 £</b>
Trade creditors and accruals	<b>£37,847</b>	£74,663	<b>£19,357</b>	£12,945
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### **14 Derivatives and other financial instruments**

##### *Financial instruments policies and strategies*

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

At 28 February 2007, the group's financial instruments comprised cash and short-term debtors and creditors arising directly from its operations. The group's primary treasury activity has been the management of cash. This has been held so as to maximise interest earned without compromising the group's need for flexibility in meeting its cash needs. The group is not currently actively pursuing a strategy of acquiring investments.

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

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

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

Short-term debtors and creditors have been excluded from the numerical disclosures below.

Interest rate risk profile of financial assets:	Floating rate	
	2007 £	2006 £
Sterling	163,756	459,821
Namibian dollar	208,432	28,934
	<u>£372,188</u>	<u>£488,755</u>

The financial assets comprise short-term cash deposits. The group does not have any material interest bearing financial liabilities. As the group's principal financial instruments is cash, the directors do not consider there to be a material difference between the book and fair value of the group's financial assets.

## 15 Share capital

Shares	2007 Number	2006 Number	2007 £	2006 £
<i>Authorised</i>				
500,000,000 ordinary shares of 10p each	500,000,000	500,000,000	£50,000,000	£50,000,000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 10p each	37,922,460	37,922,460	£3,792,246	£3,792,246
			=	

## Options

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

	2007 Number	2006 Number
At 1 March 2006 and 28 February 2007	3,750,000	3,750,000

These options are exercisable between 11 February 2004 and 11 February 2009 at an exercise price of £0.15. As at 28 February 2007 all options were still outstanding.

## 16 Share premium account

### Group and Company

At 1 March 2006 and 28 February 2007

### Share premium account

**£359,384**

## 17 Profit and loss account

### Group

£

At 1 March 2006	(1,410,142)
Profit for the year	26,068
Foreign currency translation differences	(548,824)
At 28 February 2007	<b>£(1,932,898)</b>

### Company

£

At 1 March 2006	(949,747)
Loss for the year	(125,319)
At 28 February 2007	<b>£(1,075,066)</b>

## 18 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
<b>Group</b>		
Profit / (Loss) for the financial year	26,068	(64,373)
Other recognised gains and losses	(548,824)	147,655
Issue of shares and exercise of warrants and options	-	508,473
	<b>(522,756)</b>	591,755
Opening shareholders' funds	2,741,488	2,149,733
Closing shareholders' funds	<b>£2,218,732</b>	£2,741,488
<b>Company</b>	2007 £	2006 £
Loss for the financial year	(125,319)	(158,410)
Issue of shares	-	508,473
	<b>(125,319)</b>	350,063
Opening shareholders' funds	3,201,883	2,851,820
Closing shareholders' funds	<b>£3,076,564</b>	£3,201,883

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

	2007 £	2006 £
Operating loss	(8,486)	(73,837)
Depreciation of tangible assets	112,571	126,534
Amortisation of intangible assets	7,354	13,009
(Increase) in stock	(1,304)	(34,644)
Decrease/(increase) in debtors	7,857	(6,012)
(Decrease)/increase in creditors	(36,816)	26,405
Net effect of foreign exchange differences	<u>(20,184)</u>	<u>18,152</u>
Net cash inflow from operating activities	<u>£60,992</u>	<u>£69,607</u>

## 20 Analysis of net debt

	At 1 March 2006 £	Cash flow £	At 28 February 2007 £
Net cash:			
Cash at bank and in hand	£488,755	£(116,567)	£372,188

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

	2007 £	2006 £
(Decrease) / Increase in cash for the year	<u>(116,567)</u>	<u>270,783</u>
Movement in net funds in the year	<u>(116,567)</u>	<u>270,783</u>
Opening net funds	488,755	217,972
Closing net funds	<u>£372,188</u>	<u>£488,755</u>

## 22 Contingent liabilities

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

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

## 23 Commitments under operating leases

As at 28 February 2007, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>2007</b>	<b>2006</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>£</b>	<b>£</b>
Expiring in less than one year	<b>2,400</b>	2,968
	<u>          </u>	<u>          </u>