

**Registered Number: 04140379**

**Namibian Resources Plc**

Report and Financial Statements

Year ended

28 February 2007

## **Namibian Resources Plc**

### **Annual report and financial statements for the year ended 28 February 2007**

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Directors and advisers

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**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** FW Stephens, 24 Chiswell Street, London EC1Y 4YX.

**Solicitors** Stringer Saul, 17 Hanover Square, London, W1R 9AJ.

**Nominated adviser** Collins Stewart Limited, 88 Wood Street, London, EC2V 7QR

**Broker** Collins Stewart Limited, 88 Wood Street, London, EC2V 7QR

## **Namibian Resources Plc**

### **Chairman's statement**

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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

## Namibian Resources Plc

### Report of the directors for the year ended 28 February 2007

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The directors present their report together with the audited financial statements for the year ended 28 February 2007.

#### Results and dividends

The consolidated profit and loss account is set out on page 7. 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 licence with the Namdeb Diamond (Corporation) (Pty) Limited to mine diamonds until 30 April 2012. The contract is renewable for a further 10 years thereafter.

During the year the company increased turnover. The newly mined area, known as Saltztal East, far exceeded our expectations.

A sampling and exploration programme has continued since the year end and a number of viable resources have been identified. The sampling programme will continue until a sufficient resource is established for continuous mining.

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 in results.

#### Substantial shareholdings

At 28 February 2007, the company had been notified of the following holdings of 3% or more of its issued share capital

	Ordinary shares of 10p each	%
BM Moritz	2,244,616	5.92
WB Nominees (for clients including Lord Sheppard and A.C.A. Carlton – see below)	21,489,761	56.66
G Shepherd	2,378,520	6.27
C J Garcka	1,154,147	3.04

#### Directors

The Directors who served during the year were :-

Lord Sheppard of Didgemere  
ACA Carlton  
BM Moritz  
OJ Plummer

## Namibian Resources Plc

### Report of the directors for the year ended 28 February 2007 (*Continued*)

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#### Directors

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

	Share Options		Ordinary shares of 10p each	
	2007	2006	2007	2006
A C A Carlton	1,000,000	1,000,000	1,415,000	1,415,000
B M Moritz	250,000	250,000	2,244,616	2,244,616
O J Plummer	500,000	500,000	506,407	506,407
Lord Sheppard	1,000,000	1,000,000	2,800,000	2,800,000

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

Each director entered into an option agreement dated 18 February 2004 (see Note 15 for details of the exercise price and period).

#### Creditor payment policy

Creditors are paid at the end of the month following the receipt of an agreed invoice. The number of average day's purchases of the group represented by trade creditors at 28 February 2007 was 49 (2005: 41).

#### Directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- a) there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Namibian Resources Plc**

### **Report of the directors for the year ended 28 February 2007 (*Continued*)**

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#### **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 adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **Auditors**

A resolution to reappoint FW Stephens as the group's auditors will be put to the forthcoming Annual General Meeting.

#### **On behalf of the board**

A C A Carlton  
**Director**

28 August 2007

## **Namibian Resources Plc**

### **Independent auditors' report to the members of Namibian Resources Plc**

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We have audited the group and parent company financial statements of Namibian Resources Plc for the year ended 28 February 2007, which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated cashflow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body for our audit work, for this report, or for the opinion we have formed.

#### **Respective responsibilities of the directors and auditors**

As described in the Statement of Directors' Responsibilities, set out in the report of the directors, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information in the Directors' Report is consistent with the financial statements, if the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and the Chairman's statement and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Namibian Resources Plc**

### **Independent auditors' report to the members of Namibian Resources Plc (Continued)**

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#### **Opinion**

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and company's affairs as at 28 February 2007 and of its profit for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors Report is consistent with the financial statements.

**FW STEPHENS**  
**Chartered Accountants and Registered Auditors**

**24 Chiswell Street**  
**LONDON EC1Y 4YX**

29 August 2007

**Namibian Resources Plc**

**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		<b>(202,565)</b>	(352,178)
<b>Gross profit</b>		<b>301,977</b>	131,852
Administrative expenses		<b>(310,463)</b>	(205,689)
<b>Operating loss</b>	4	<b>(8,486)</b>	(73,837)
Other interest receivable and similar income		<b>34,554</b>	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	<b>(548,824)</b>	147,655
<b>Total recognised gains and losses for the year</b>	<b>£(522,756)</b>	£83,282

The notes on pages 11 to 20 form part of these financial statements.

**Namibian Resources Plc**

**Consolidated balance sheet at 28 February 2007**

	<b>Note</b>	<b>2007</b> £	<b>2007</b> £	<b>2006</b> £	<b>2006</b> £
<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
			<u><b>1,824,925</b></u>		<u>2,261,377</u>
<b>Current assets</b>					
Stock	11	<b>35,948</b>		34,644	
Debtors	12	<b>23,518</b>		31,375	
Cash at bank and in hand		<b>372,188</b>		488,755	
		<u><b>431,654</b></u>		<u>554,774</u>	
<b>Creditors: amounts falling due within one year</b>	13	<b>(37,847)</b>		<b>(74,663)</b>	
<b>Net current assets</b>			<u><b>393,807</b></u>		<u>480,111</u>
<b>Total assets less current liabilities</b>			<u><b>£2,218,732</b></u>		<u>£2,741,488</u>
<b>Capital and reserves</b>					
Called up share capital	15		<b>3,792,246</b>		3,792,246
Share premium account	16		<b>359,384</b>		359,384
Profit and loss account	17		<b>(1,932,898)</b>		(1,410,142)
<b>Shareholders' funds – equity</b>			<u><b>£2,218,732</b></u>		<u>£2,741,488</u>

The financial statements were approved by the board on 28 August 2007

O Plummer  
Director

The notes on pages 11 to 20 form part of these financial statements.

**Namibian Resources Plc**

**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>

The financial statements were approved by the board on 28 August 2007

O Plummer  
Director

The notes on pages 11 to 20 form part of these financial statements.

## Namibian Resources Plc

### 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>	<b>£270,783</b>

The notes on pages 11 to 20 form part of these financial statements.

## Namibian Resources Plc

### 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.

## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2007 (*Continued*)

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#### 1 Accounting policies (*Continued*)

##### *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>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2007 (Continued)**

**3. Employees (Continued)**

The average monthly number of employees, (including directors), during the year was:	<b>Number</b>	<b>Number</b>
Staff of subsidiary	12	10
Staff of head office	1	1
Directors	4	5
	<u>17</u>	<u>16</u>

**4 Operating loss**

	<b>2007</b> £	<b>2006</b> £
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>23,887</u>	<u>12,124</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.

	<b>2007</b> £	<b>2006</b> £
Profit/(Loss) on ordinary activities before tax	26,068	(64,373)
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	(7,820)	19,312
Current tax charge for year	<u>-</u>	<u>-</u>

## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2007 (*Continued*)

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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:

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

#### 8 Intangible fixed assets

Group	Mining rights
	£
<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>
<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>
<b>Net book value</b>	
At 28 February 2007	<b>£652,878</b>
	<hr/>
At 28 February 2006	£755,093
	<hr/>

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2007 (Continued)**

**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/>
<b>Company</b>			
			<b>Office equipment £</b>
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			£-
			<hr/>
At 28 February 2006			£494
			<hr/>

Namibian Resources Plc

Notes forming part of the financial statements for the year ended 28 February 2007 (*Continued*)

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
At 28 February 2007	<u>2,064,225</u>	<u>1,951,800</u>	<u>4,016,025</u>
<i>Provisions for diminution in value</i>			
At 1 March 2006 and 28 February 2007	<u>628,536</u>	<u>500,000</u>	<u>1,128,536</u>
<b>Net book value</b>			
At 28 February 2007	<u>£1,435,689</u>	<u>£1,451,800</u>	<u>£2,887,489</u>
At 28 February 2006	<u>£1,435,689</u>	<u>£1,367,074</u>	<u>£2,802,763</u>

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.

11 Stock

	Group 2007	Group 2006
Consumable stores	<u>£35,948</u>	<u>£34,644</u>

12 Debtors

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade debtors	23,518	19,625	-	-
Prepayments	-	11,750	-	11,750
	<u>£23,518</u>	<u>£31,375</u>	<u>£-</u>	<u>£11,750</u>

All amounts fall due for repayment within one year.

## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2007 (*Continued*)

#### 13 Creditors: amounts falling due within one year

	Group 2007 £	Group 2006 £	Company 2007 £	Company 2006 £
Trade creditors and accruals	<b>£37,847</b>	£74,663	<b>£19,357</b>	£12,945

#### 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
	<b>£372,188</b>	<b>£488,755</b>

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

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2007 (Continued)**

**15 Share capital**

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

**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	<b>3,750,000</b>	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	Share premium account
At 1 March 2006 and 28 February 2007	<b>£359,384</b>

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

**Namibian Resources Plc**

**Notes forming part of the financial statements for the year ended 28 February 2007 (Continued)**

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

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

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

## Namibian Resources Plc

### Notes forming part of the financial statements for the year ended 28 February 2007 (*Continued*)

#### 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	(116,567)	270,783
Movement in net funds in the year	(116,567)	270,783
Opening net funds	488,755	217,972
Closing net funds	£372,188	£488,755

#### 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:

	2007 Land and buildings £	2006 Land and buildings £
Expiring in less than one year	2,400	2,968