Registered number: 04140379

NAMIBIAN RESOURCES PLC

ANNUAL REPORT

YEAR ENDED 28 FEBRUARY 2013

NAMIBIAN RESOURCES PLC

CONTENTS

NAMIBIAN RESOURCES PLC

COMPANY INFORMATION

Directors:	Lord Sheppard of Didgemere A C A Carlton B M Moritz M H Solomon D A Johnson
Company secretary	Cargil Management Services Limited 22 Melton Street London NW1 2BW
Company number:	04140379
Registered office:	27-28 Eastcastle Street London W1W 8DH
Nominated advisor:	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
Brokers:	Keith, Bayley, Rogers & Co. Limited 33 Throgmorton Street London EC2N 2BR
Solicitors:	Fasken Martineau 17 Hanover Square London W1S 1HU
Independent Auditors:	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Website:	www.namibianresources.com

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2013

Since my last statement the Company has made substantial strides forward towards the Board's objective of expanding our diamond mining operations, and commencing other mining activities in Southern Africa.

Operations and Financial Results

Production at the Company's Sonnberg diamond mine during the year was disappointing due to operational difficulties. In particular the mobile plant needs refurbishment and upgrading to achieve acceptable levels of production of diamonds. The position has been exacerbated by the fact that the new contract with Namdeb Diamond Corporation (Pty) Limited ("Namdeb"), under which the Company operates, remains unsigned, making fund raising for plant upgrading impossible. As a result the Board decided to seek new opportunities for expanding into other geographical areas and materials, culminating in the signature of the management agreement described below.

During the year the Group reports a loss from operating activities, before and after tax, of £1,318,332 (2012: £330,243). After adjusting for exchange differences, the total comprehensive expense for the year was £1,515,804 (2012: £506,251). Given the delay in renewing the Namdeb contract and the change in emphasis of the business we considered it prudent to write down the value of the mining rights and plant in Namibia, and this has resulted in an impairment charge of £1,009,722. Plant is now included at estimated realisable value, but it should be stressed that there is no intention to dispose of the plant.

The Directors have continued to provide finance to the Company by way of loans.

Management Agreement

On 9 May 2013, the Company signed a management agreement with Southern Goshawk Resources (Pty) Limited ("SG"), the natural resources arm of the J&J Group, a South African based investment holding and management. Under this agreement SG will manage all the Company's mining assets in Southern Africa. Initially these assets comprise the Sonnberg diamond mine in Namibia, where SG will seek to finalise negotiations on a new contract with Namdeb, which holds the mining right, and evaluate the steps required to expand production at Sonnberg to a level where it will generate profits on a sustainable basis.

Under the terms of the management agreement, SG will be entitled to a success based incentive being 20% of the increase in value of such mineral assets, to be settled in shares in the Company. The success based incentive will be paid annually, with a clawback mechanism designed to ensure that the incentive amounts to 20% of the increase in the value of the mineral assets over the term of the agreement. In addition, the Company will be responsible for paying SG's expenses in managing the Company's business, and any costs incurred in acquiring assets. It is intended that these costs and expenses be settled through the issue of shares in the Company.

The management agreement also envisages that the Company will acquire, from SG, a subsidiary of SG which holds all the existing mining and exploration rights of SG, initially in coal and copper ("the Acquisition"). The consideration for the Acquisition will be the issue of 29.9% of the share capital of the Company at the time of such acquisition, as enlarged by the capitalisation of outstanding loans to the Company by its existing Directors. The share price for the purposes of this transaction was agreed at 3.9412 pence per share, being the volume-weighted average price of the Company's ordinary shares for the 30 days ended 28 February 2013. The Acquisition is intended to be completed as soon as permission is received from the South African regulatory authorities, which permission is expected to be received shortly.

In the meantime the new Directors have been active in expanding the assets to be acquired from SG. They have commenced the management of a coal mining operation in Mpumalanga, South Africa, and are negotiating for other coal and copper mining projects, as well as for project finance to bring such opportunities to fruition. In addition they are actively negotiating with Namdeb for expanded rights in Namibia.

New Directors
I was pleased to welcome Michael Solomon and David Johnson to the Board as executive directors with effect from 9 May 2013.

Michael Solomon (aged 60) has 34 years professional experience as a practicing mining engineer within the mining industry in many commodities including gold, platinum, diamonds and base metals as a mining engineer and mine manager, as well as some 15 years in the consulting engineering environment. He also sits on the World Economic Forum Global Agenda Council for Mining and Metals and the United Nations Economic Commission on Africa Expert Group on Beneficiation.

David Johnson (aged 50) has a banking and investing background having both project and corporate finance experience with HSBC, ABSA Bank, and Decorum Capital Partners, the managers of the New Africa Mining Fund. Currently he is responsible for all investment activities of the J&J Group, being its Chief Investment Officer.

On the same date, Oliver Plummer resigned as the Company's finance director. External arrangements have been made for control of the Company's finances, which will be overseen by another Director, Brian Moritz. I would like to thank Oliver for his work for the Company over a number of years.

Nominated Adviser
Grant Thornton UK LLP was appointed as the Company's Nominated Adviser with effect from 9 May 2013, replacing Beaumont Cornish, whom I would also like to thank for their efforts on behalf of the Company.

Future Prospects
The delay in completing the Acquisition has been disappointing, but approval from the South African authorities is expected in the near future. With a strengthened Board and expanded activities, I am able to look forward to the future with a significantly greater degree of confidence than I was able to do last year.

Lord Sheppard of Didgemere
(Chairman)
30 August 2013

DIRECTORS' REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2013

The Directors present their report together with the audited financial statements of Namibian Resources Plc ('Namibian' or the 'Company') and its subsidiary, (the 'Group') for the year ended 28 February 2013.

Principal activity
The Group had contracted with the Namdeb Diamond Corporation (Pty) Limited ("Namdeb") to mine and prospect for diamonds in a specified area until 30 April 2012. The contract is renewable for a further 10 years and such renewal is being negotiated with Namdeb. In the interim period mining under the previous contract is permitted.

In May 2012 the Company entered into a contract with Southern Goshawk Resource (Pty) Limited ("SG") under which the Company will acquire the natural resources assets of that company and will expand into mining areas other than diamonds, initially coal and copper.

Review of business and financial performance
Information on the financial position and development of the Group is set out in the Chairman's Statement and the annexed financial statements.

Results
The Group reports a loss for the year from operating activities of £1,318,332 for the year to 28 February 2013 (2012: £330,243).

Financial risk management
The Group's operations are exposed to a variety of financial risks which are detailed in note 20 to these financial statements.

Dividends
The Directors do not recommend payment of a dividend for the year to 28 February 2013.

Political and charitable donations
There were no political or charitable donations during the year (2012: £nil).

Corporate governance statement
The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Company complies as far as possible with the Corporate Governance Guidelines for smaller quoted companies published by the Quoted Companies Alliance and, as the Company develops, the Board intends to comply as far as practicable with the Corporate Governance Code. The Company has established Audit and Remuneration Committees, with formally delegated duties and responsibilities.

Audit Committee
The Audit Committee, comprising Lord Sheppard and Brian Moritz, is chaired by Lord Sheppard, and is responsible for ensuring the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting the auditors and reviewing their reports relating to accounts and internal controls.

Bribery legislation
The Directors have adopted appropriate procedures to ensure compliance with the Bribery Act 2010.

Directors
The following Directors served throughout the year to 28 February 2013:

Lord Sheppard of Didgemere
A C A Carlton
B M Moritz
O J Plummer

On 9 May 2013 M H Solomon and D A Johnson joined the Board as executive directors and O J Plummer resigned from the Board.

Directors' interests
The beneficial interests of the Directors holding office on 28 February 2013 in the issued share capital of the Company were as follows:

	Ordinary shares of 1p each		Deferred shares of 9p each	
	2013	2012	2013	2012
A C A Carlton	1,757,857	1,757,857	1,615,000	1,615,000
B M Moritz	12,280,330	12,280,330	2,994,616	2,994,616
O J Plummer	606,497	606,497	606,497	606,497
Lord Sheppard of Didgemere	16,120,321	16,120,321	3,650,000	3,650,000

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 the subsidiary undertaking, Sonnberg Diamonds (Namibia) (Pty) Limited ("Sonnberg"). There have been no changes to these holdings since 28 February 2013.

Directors' remuneration
No director received any emoluments in the year (2012: £nil).

Directors' indemnities and insurance
During the year ended 28 February 2013 there were no Directors' indemnities or insurance in place. Subsequently the Company has agreed to enter into a Directors and Officers insurance policy.

Going concern
The Directors have adopted the going concern basis in preparing these financial statements. This is further explained in note 2 to the financial statements.

Creditors' payment policy
It is the Company's policy to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are generally settled within the terms agreed with the supplier, usually 30 days, at the time of supplying.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2013

Statement of Directors' responsibilities
The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the Group's result for that period.

In preparing these 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 the financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 legislation in other jurisdictions.

Statement of disclosure to auditor
Each Director at the date of approval of this annual report confirms that :

- So far as the Directors are aware there is no relevant audit information of which the Group's and Company's auditor is unaware; and
- all the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
Since the last Annual General Meeting the Directors have appointed Chantrey Vellacott DFK LLP as auditor of the Company. A resolution to re-appoint the auditor will be proposed at the Annual General Meeting.

By order of the Board

B M Moritz
Director
30 August 2013

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2013

We have audited the financial statements of Namibian Resources plc for the year ended 28 February 2013 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 28 February 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2013

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £1,515,804 during the year ended 28 February 2013 and, at that date, the Group's liabilities exceeded its total assets by £188,084. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matters 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following where, under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

IAN STAUNTON FCA (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London
30 August 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Notes	2013	2012
		£	£
Continuing operations			
Revenue		57,046	13,629
Cost of sales		(131,772)	(66,354)
Gross loss		(74,726)	(52,725)
Administrative expenses	8	(1,243,433)	(277,518)
Loss from operating activities		(1,318,159)	(330,243)
Finance costs		(173)	-
Loss before tax		(1,318,332)	(330,243)
Taxation	10	-	-
Loss for the year from operating activities		(1,318,332)	(330,243)
Exchange translation on foreign operations		(197,472)	(176,008)
Total comprehensive expense for the year		(1,515,804)	(506,251)
Loss per ordinary share (pence)			
Basic and diluted	11	(2.13)	(0.65)

The notes on pages 16 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	**12**	437,124	1,028,789
Intangible assets	**13**	200,000	900,333
		637,124	1,929,122
Current assets			
Inventories	**15**	2,030	4,378
Trade and other receivables	**16**	55,060	53,745
Cash and cash equivalents	**17**	4,307	15,301
		61,397	73,424
Total assets		698,521	2,002,546
Equity			
Share capital	**19**	4,211,235	4,211,235
Share premium		1,027,317	1,027,317
Currency translation reserve		306,355	503,827
Retained deficit		(5,356,823)	(4,038,491)
		188,084	1,703,888
Current liabilities			
Trade and other payables	**18**	510,437	298,658
		510,437	298,658
Total equity and liabilities		698,521	2,002,546

The financial statements of Namibian Resources plc were approved by the Board of Directors and authorised for issue on 30 August 2013. They were signed on its behalf by:

B M Moritz
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Share capital £	Share premium £	Currency translation reserve £	Retained deficit £	Total £
Balance at 28 February 2011	4,036,050	589,355	679,835	(3,708,248)	1,596,992
Loss for the financial year	-	-	-	(330,243)	(330,243)
Foreign exchange difference	-	-	(176,008)	-	(176,008)
Total comprehensive expense for the year	-	-	(176,008)	(330,243)	(506,251)
Issue of ordinary shares	175,185	437,962	-	-	613,147
Balance at 28 February 2012	4,211,235	1,027,317	503,827	(4,038,491)	1,703,888
Loss for the financial year	-	-	-	(1,318,332)	(1,318,332)
Foreign exchange difference	-	-	(197,472)	-	(197,472)
Total comprehensive expense for the year	-	-	(197,472)	(1,318,332)	(1,515,804)
Balance at 28 February 2013	4,211,235	1,027,317	306,355	(5,356,823)	188,084

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the foreign operation.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Loss for the year		(1,318,332)	(330,243)
Adjustments for:			
Depreciation		35,178	17,568
Amortisation of intangible assets		53,891	71,110
Impairment of non-current assets		1,009,722	-
Foreign exchange differences		-	(38,793)
Finance costs		173	-
		(219,368)	(280,358)
Changes in:			
- inventories		2,007	4,885
- trade and other receivables		(7,106)	(4,199)
- trade and other payables		213,661	(328,763)
Cash used in operating activities		(10,806)	(608,435)
Cash flows from investing activities			
Interest paid		(173)	-
Net cash used in investing activities		(173)	-
Cash flows from financing activities			
Proceeds from issue of share capital		-	613,147
Net cash flows from financing activities		-	613,147
Net (decrease)/ increase in cash and cash equivalents		(10,979)	4,712
Cash and cash equivalents at beginning of year		15,301	10,589
Effect of exchange rate fluctuations on cash held		(15)	-
Cash and cash equivalents at 28 February	**17**	4,307	15,301

The notes on pages 16 to 36 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2013

	Notes	2013 £	2012 £
Assets			
Investments	**14**	706,716	4,938,716
Non-current assets		706,716	4,938,716
Current assets			
Cash and cash equivalents	**17**	4,066	15,271
		4,066	15,271
Total assets		710,782	4,953,987
Equity			
Share capital	**19**	4,211,235	4,211,235
Share premium		1,027,317	1,027,317
Retained deficit		(5,024,332)	(561,743)
Total equity		214,220	4,676,809
Current liabilities			
Trade and other payables	**18**	496,562	277,178
		496,562	277,178
Total equity and liabilities		710,782	4,953,987

The financial statements of Namibian Resources plc, company number 04140379, were approved by the Board of Directors and authorised for issue on 30 August 2013. They were signed on its behalf by:

B M Moritz
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Share capital £	Share premium £	Retained deficit £	Total equity £
Balance at 28 February 2011	4,036,050	589,355	(490,648)	4,134,757
Issue of ordinary shares	175,185	437,962	-	613,147
Loss for the year	-	-	(71,095)	(71,095)
Balance at 28 February 2012	4,211,235	1,027,317	(561,743)	4,676,809
Loss for the year	-	-	(4,462,589)	(4,462,589)
Balance at 28 February 2013	4,211,235	1,027,317	(5,024,332)	214,220

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Loss for the year		(4,462,589)	(71,095)
Adjustments for:			
Impairment of fixed asset investment		4,400,000	-
		(62,589)	(71,095)
Changes in:			
- trade and other receivables		-	(205,700)
- trade and other payables		219,384	(328,547)
Cash from/(used in) operating activities		156,795	(605,342)
Cash flows from financing activities			
Proceeds from issue of share capital		-	613,147
Loans to subsidiary		(168,000)	-
Net cash flows (used in)/from financing activities		(168,000)	613,147
Net (decrease)/increase in cash and cash equivalents		(11,205)	7,805
Cash and cash equivalents at beginning of year		15,271	7,466
Cash and cash equivalents at 28 February	**17**	4,066	15,271

The notes on pages 16 to 36 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2013

1. Reporting entity

Namibian Resources plc (the 'Company') is a company incorporated and domiciled in England and Wales. The address of the Company's registered office is 27-28 Eastcastle Street, London, W1W 8DH. The consolidated financial statements of the Group as at and for the year ended 28 February 2013 comprise the financial statements of the Company and its subsidiary. The Group is primarily involved in the exploration and exploitation of diamonds in Namibia.

2. Going concern

After making enquiries, the Directors have formed a judgement that, as at the date of approving the financial statements, there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the accounts. In forming this judgement the Directors have taken account of there being no outstanding liabilities other than in the normal course of business. There are no borrowings other than from the Directors, who have continued to provide loans for working capital. The Company will seek additional finance to expand its operations following the acquisition of the natural resources assets of SG. The Directors believe that the Company and the Group will trade profitably in the foreseeable future and will be able to meet liabilities as they fall due. Namdeb has offered a new contract for a further five years from 30 April 2012. However, at the date of signing these accounts the final contract remains with Namdeb's legal department awaiting release for signature. Meanwhile, Namdeb has allowed the Group to continue mining and this has been the position since 30 April 2012.

3. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union.

The Company's individual statement of comprehensive income has been omitted from the Group's annual financial statements having taken advantage of the exemption not to disclose under Section 408(3) of the Companies Act 2006. The Company's comprehensive expense for the year ended 28 February 2013 was £4,462,589 (2012: £71,095).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis subject to the revaluation of certain non-current assets.

(c) Functional and presentation currency

These consolidated financial statements are presented in Pounds Sterling ('GBP'), which is considered by the Directors to be the most appropriate presentation currency. The principal functional currency is the Namibian dollar.

3. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Information about critical estimates and assumptions that have the most significant effect on the amounts recognised in the consolidated financial statements and/or have a significant risk of resulting in a material adjustment within the next financial year are as follows:

- Carrying value of intangible assets - Notes 4(e) and 13
- Carrying value of investments - Note 14
- Carrying value of property, plant and equipment - Note 4(d)

Accounting entries are made in accordance with the accounting policies detailed below.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase price is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

4. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and the fair value adjustments arising on acquisition, are translated to Pounds Sterling at exchange rates at the reporting date. The income and expenses of foreign operations are translated to GBP at average exchange rates during the year.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 4(f)(i)).

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call 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 their fair value. These are initially and subsequently recorded at fair value.

4. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

4. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Items of fixtures and fittings are depreciated on a straight-line basis in the statement of comprehensive income within administrative expenses over the estimated useful lives below:

- fixtures and fittings 5-8 years

Plant and equipment is depreciated on the unit of production method.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) 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 on a straight-line basis in the statement of comprehensive income within administrative expenses over the estimated useful lives as follows:

- mining rights 10 years

4. Significant accounting policies (continued)

(f) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment or when there is an indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

4. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

Share-based payments

For equity-settled share-based payment transactions the Company, in accordance with IFRS 2, 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 binomial 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.

(h) 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. All sales are made in Namibia and the majority of assets are also located in Namibia.

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Group; 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 and loss, using the effective interest rate method.

4. Significant accounting policies (continued)

(i) Finance costs

Finance costs comprise of interest expense on borrowings.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(j) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

5. New standards and interpretations not yet adopted

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2013 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Amendment to IAS1 Presentation of financial statements – Presentation of items of other comprehensive income
IFRS 9 Financial Instruments
IAS 19 Employee Benefits (Revised 2011)
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures (Revised 2011)
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
Amendments to IFRS 7 Financial Instrument Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
Amendment to IFRS 1 (Government Loans)
Annual Improvements to IFRSs 2009-2011 Cycle
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

6. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of items of property plant and equipment is based on market prices for similar items.

(ii) Intangible assets

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

6. Determination of fair values (continued)

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

(iv) Fixed asset investments

The fair value of fixed asset investments is based on the net assets of the group undertaking.

7. Operating segments

The Company acts as a holding company of a group involved in mineral resources exploration and exploitation in Namibia and is, therefore, considered to operate in a single geographical and business segment.

In the year ended 28 February 2013 the Group had one customer that exceeded 10% of total revenue.

8. Administrative expenses

Administrative expenses include:

	2013	2012
	£	£
Staff costs	97,610	88,534
Amortisation	53,891	71,110
Depreciation	35,178	17,568
Impairment of non-current assets	1,009,722	-
Foreign exchange cost	14,150	-
Auditor's remuneration		
- audit services parent company	14,000	12,000
- audit services subsidiary	8,134	4,522

No Director received any emoluments in the year (2012: £nil).

9. Staff costs

	2013	2012
	£'000	£'000
Wages and salaries	97,241	88,184
Social security costs	369	350
	97,610	88,534

The average number of employees (including Directors) during the period was:

	2013	2012
Management	5	5
Production	11	11
Administration	2	2
	18	18

10. Taxation

Current tax expense

	2013	2012
	£	£
Current tax expense		
Current year	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total tax expense	-	-

Reconciliation of effective tax rate

	2013	2012
	£	£
Loss before tax	(1,318,332)	(330,243)
Tax using the Company's domestic tax rate of 23.9% (2012: 26%)	(315,081)	(85,863)
Tax losses	315,081	85,863
Total taxation charge	-	-

Factors that may affect future tax charges

At the year end, the Group has unused tax losses available for offset against suitable future profits of approximately £2,400,000 (2012: £1,150,000). A deferred tax asset has not been recognised in respect of such losses due to uncertainty of future profit streams.

11. Loss per share

Loss per share

The calculation of loss per share at 28 February 2013 is based on the loss for the year from operating activities attributable to ordinary shareholders of £1,318,332 (2012: £330,243), and a weighted average number of ordinary shares in issue of 61,821,352 (2012: 50,142,352).

Basic and diluted loss per share is the same in both periods as the options that were in issue up to 9 January 2013 were antidilutive due to losses.

12. Property, plant and equipment

Group

	Fixtures and fittings £	Plant and equipment £	Total £
Cost			
Balance at 1 March 2011	3,201	1,839,447	1,842,648
Exchange difference	(202)	(116,304)	(116,506)
Balance at 28 February 2012	2,999	1,723,143	1,726,142
Balance at 1 March 2012	2,999	1,723,143	1,726,142
Exchange difference	(303)	(174,164)	(174,467)
Balance at 28 February 2013	2,696	1,548,979	1,551,675
Depreciation			
Balance at 1 March 2011	3,099	722,366	725,465
Depreciation	95	17,473	17,568
Exchange difference	(195)	(45,485)	(45,680)
Balance at 28 February 2012	2,999	694,354	697,353
Balance at 1 March 2012	2,999	694,354	697,353
Depreciation	-	35,178	35,178
Exchange difference	(303)	(71,957)	(72,260)
Balance at 28 February 2013	2,696	657,575	660,271
Impairment			
Balance at 1 March 2012	-	-	-
Impairment	-	454,280	454,280
Balance at 28 February 2013	-	454,280	454,280
Carrying amounts			
At 28 February 2012	-	1,028,789	1,028,789
At 28 February 2013	-	437,124	437,124

13. Intangible assets

Group

	Mining rights £
Cost	
Balance at 1 March 2011	1,844,626
Exchange difference	(116,632)
Balance at 28 February 2012	1,727,994
Balance at 1 March 2012	1,727,994
Exchange difference	(174,654)
Balance at 28 February 2013	1,553,340
Amortisation	
Balance at 1 March 2011	806,794
Charge for the year	71,110
Exchange differences	(50,243)
Balance at 28 February 2012	827,661
Balance at 1 March 2012	827,661
Charge for the year	53,891
Exchange differences	(83,654)
Balance at 28 February 2013	797,898
Impairment	
Balance at 1 March 2012	-
Impairment	555,442
Exchange differences	-
Balance at 28 February 2013	555,442
Carrying amounts	
Balance at 28 February 2012	900,333
Balance at 28 February 2013	200,000

14. Fixed asset investment

	Group undertaking	Loan to group undertaking	Total
	£	£	£
Cost			
Balance at 1 March 2011	2,828,211	2,533,341	5,361,552
Additions	-	205,700	205,700
Balance at 28 February 2012	2,828,211	2,739,041	5,567,252
Balance at 1 March 2012	2,828,211	2,739,041	5,567,252
Additions	-	168,000	168,000
Balance at 28 February 2013	2,828,211	2,907,041	5,735,252
Provisions for diminution in value			
Balance at 28 February 2012	628,536	-	628,536
Impairment in year	2,199,675	2,200,325	4,400,000
Balance at 28 February 2013	2,828,211	2,200,325	5,028,536
Carrying amounts			
At 28 February 2012	2,199,675	2,739,041	4,938,716
At 28 February 2013	-	706,716	706,716

Investment in group undertaking is in relation to a 100% holding in Sonnberg Diamonds (Namibia) (Proprietary) Limited, a mining company incorporated in Namibia.

The loan to group undertaking is denominated in GBP, interest free and subordinated in favour of other creditors of the subsidiary undertaking.

15. Inventories

Group

	2013	2012
	£	£
Consumable stores	2,030	4,378

16. Trade and other receivables

Group

	2013	2012
	£	£
Other receivables	55,060	53,745

The Group and Company's exposure to credit and currency risk is disclosed in note 20.

There is no material difference between the fair value of trade and other receivables and their book value.

17. Cash and cash equivalents

Group

	2013	2012
	£	£
Bank balances	4,307	15,301
Cash and cash equivalents in the statement of cash flows	4,307	15,301

Company

	2013	2012
	£	£
Bank balances	4,066	15,271
Cash and cash equivalents in the statement of cash flows	4,066	15,271

There is no material difference between the fair value of cash and cash equivalents and their book value.

18. Trade and other payables

Group

	2013	2012
	£	£
Trade payables and accruals	27,437	34,080
Loans from Directors	483,000	264,578
	510,437	298,658

Company

	2013	2012
	£	£
Trade payables and accruals	13,562	12,600
Loans from Directors	483,000	264,578
	496,562	277,178

There is no fixed date for repayment of the directors' loans which are interest free.

The Group's and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

19. Share capital

	Number of ordinary shares	
	2013	**2012**
In issue at beginning of period:		
Ordinary shares of 1p each	61,821,352	44,302,852
Deferred shares of 9p each	39,922,460	39,922,460
	101,743,812	84,225,312
Issued for cash:		
Ordinary shares of 1p each	-	17,518,500
In issue at 28 February – fully paid:		
Ordinary shares of 1p each	61,821,352	61,821,352
Deferred shares of 9p each	39,922,460	39,922,460
	101,743,812	101,743,812

	Ordinary share capital	
	2013	**2012**
	£	**£**
In issue at beginning of period:		
Ordinary shares of 1p each	618,214	443,029
Deferred shares of 9p each	3,593,021	3,593,021
	4,211,235	4,036,050
Issued for cash:		
Ordinary shares of 1p each	-	175,185
In issue at 28 February – fully paid:		
Ordinary shares of 1p each	618,214	618,214
Deferred shares of 9p each	3,593,021	3,593,021
	4,211,235	4,211,235

The holders of deferred shares are not entitled to receive dividends or to vote at meetings of the Company and have no material interest in the Company’s residual assets.

At 1 March 2012, the Company had 750,000 options outstanding at an exercise price of £0.12. These options lapsed on 9 January 2013.

20. Financial instruments and financial risk management

Overview
The Group has exposure to the following risks arising from financial instruments.

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework
The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Group

		Carrying amount	
	Note	**2013**	**2012**
		£	**£**
Other receivables	**16**	55,060	53,745
Cash and cash equivalents	**17**	4,307	15,301
		59,367	69,046

Company

		Carrying amount	
	Note	**2013**	**2012**
		£	**£**
Other receivables	**16**	-	-
Cash and cash equivalents	**17**	4,066	15,271
		4,066	15,271

20. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Group

2013

	Carrying amount	2 months or less	2 to 12 months
	£	£	£
Non-derivative financial liabilities			
Directors' loans	483,000	-	483,000
Trade payables	18,956	18,956	-
	501,956	18,956	483,000

2012

	Carrying amount	2 months or less	2 to 12 months
	£	£	£
Non-derivative financial liabilities			
Directors' loans	264,578	-	264,578
Trade payables	34,080	34,080	-
	298,658	34,080	264,578

Company

2013

	Carrying amount	2 months or less	2 to 12 months
	£	£	£
Non-derivative financial liabilities			
Directors' loans	483,000	-	483,000
Trade payables	13,562	13,562	-
	496,562	13,562	483,000

2012

	Carrying amount	2 months or less	2 to 12 months
	£	£	£
Non-derivative financial liabilities			
Directors' loans	264,578	-	264,578
Trade payables	12,600	12,600	-
	277,178	12,600	264,578

20. Financial instruments (continued)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
The Group is exposed to foreign currency risk on purchases that are denominated in currencies other than GBP. The currencies giving rise to this risk are primarily Namibian Dollar and US Dollar.

Fair values
The fair values of financial instruments such as trade and other receivables/payables are substantially equivalent to carrying amounts reflected in the balance sheet.

Other risks
The Directors believe that Namibia is currently a stable business environment particularly in the natural resources sector. However, unforeseen changes in Namibian political, fiscal or legal systems may affect the ownership or operation of the Group's interests, including, inter alia, changes in government and the legislative and regulatory regimes.

Capital management
The Group's and Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support continued operations. The Company considers its capital to comprise equity capital less accumulated losses.

21. Related parties
During the year the Company received loans from Lord Sheppard of Didgemere of £150,922 (2012: £148,500) and B M Moritz £67,500 (2012: £75,000). The balances owed to the individuals at the year-end were £340,500 (2012: £189,578) and £142,500 (2012: £75,000) respectively. The loans are interest free and with no repayment terms. They are intended to be capitalised when the Acquisition, as detailed in note 23, is completed

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, to provide for the costs of environmental rehabilitation. The contract does not provide for payments to the fund other than those based on sales so that there is no additional liability at the balance sheet date above the contributions already made to this fund. . Accordingly, no provision has been made.

23. Subsequent events
Under an agreement dated 9 May 2013, between the Company and SG, SG will manage all the Company's mining assets in Southern Africa. SG is the natural resources arm of the J&J Group, a South African based investment holding and management company with investments in a select group of companies. Initially these assets comprise the Sonnberg diamond mine in Namibia, where SG will
seek to finalise negotiations on a new contract with Namdeb, which holds the mining right, and evaluate the steps required to expand production at Sonnberg to a level where it will generate profits on a sustainable basis.

23. Subsequent events (continued)

The agreement also envisages that the Company will acquire from SG, a subsidiary of SG which holds all the existing mining and exploration rights of SG, initially in coal and copper ("the Acquisition"). The consideration for the Acquisition will be the issue of 29.9% of the share capital of the Company at the time of the Acquisition, as enlarged by the capitalisation of outstanding loans to the Company by its Directors. The share price for the purposes of this transaction has been agreed at 3.9412 pence per share, being the volume-weighted average price of the Company's ordinary shares for the 30 days ended 28 February 2013. The Acquisition is intended to be completed as soon as permission is received from the South African regulatory authorities.