

Namibian Resources Plc
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27 September 2011

Dear Shareholder

Proposed conversion of Directors' loans to new Ordinary Shares

Details of the Proposed Conversion

Namibian Resources PLC (the "Company") has announced today that it is proposing to issue a total of 17,518,500 new Ordinary Shares of £0.01 each ("Shares") at a price of 3.5p per Share, pursuant to the conversion of £613,147 of unsecured loans ("Conversion").

I am now writing to provide you with the background to and reasons for the Conversion, and to give you notice of a General Meeting convened for Friday 28 October 2011, at which Resolutions to effect the Conversion will be put to Shareholders.

For a considerable time the Company has been financed by interest free loans from the Directors and a company associated with one of them. At the present date, the outstanding amount of these loans is £775,725, of which £613,147 is proposed to be converted as set out below. This is the maximum amount which can be converted without giving rise to the requirement for a bid for the Company by those Directors acting in concert (see below) in accordance with Rule 9 of the Takeover Code.

	Loan amount	Shares to be issued
Lord Sheppard – Chairman	£274,725	7,849,286
Didgemere Consultants Limited (company controlled by Lord Sheppard)	8,422	240,643
Brian Moritz – Non Executive Director	325,000	9,285,714
Tony Carlton – Chief Executive Officer	5,000	142,857
	<hr/> 613,147	<hr/> 17,518,500

Chairman: Lord Sheppard of Didgemere KCVO Kt.
Chief Executive Officer: A C A Carlton
Finance Director: O J Plummer FCA
Non-Executive Director: B M Moritz
Registered in England No. 4140379
Registered Office: 302 High Street, Croydon, Surrey, CR0 1NG

The Directors' interests in Shares following the Conversion are as follows:

	Shares	% issued enlarged issued share capital
Lord Sheppard (including Didgemere Consultants Limited)	- 16,120,321	26.08
Brian Moritz	- 12,280,330	19.86
Tony Carlton	- 1,757,857	2.84
Oliver Plummer	- 606,407	0.98
	<u>30,764,915</u>	<u>49.76</u>

The new Shares proposed to be issued pursuant to the Conversion will rank pari passu with the existing Shares in issue and application will be made for the new Shares to be admitted to trading on AIM, which is expected to be on or around 31 October 2011. Following the Conversion, the total number of Shares in issue will be 61,821,352.

Background to and reasons for the Conversion

On 10 August 2011, it was announced that the Company had ceased production of diamonds. This was due to accidents which occurred outside of our mining operations and the Company was informed on that day that all contractor mining operations, including those of the Company, had been suspended with immediate effect. This suspension remains in effect.

The Company believes that it may be permitted to recommence operations in the near future but that is dependent on the satisfaction of certain new health and safety regulations. It should be stressed that the Company's own safety record is excellent, and that the accident which caused suspension of production occurred elsewhere.

In order to increase production to a profitable level, the Directors believe that further investment in plant and working capital is required. To date, it has not proved possible to raise further equity, and the Directors consider that a contributory factor in this is the level of Directors' loans, as new equity could be used to repay such loans rather than being used to step up operations. Although each Director has confirmed that it is not his intention to request repayment of his loan, it is also possible that amounts may require to be repaid for legal reasons beyond the control of the individual Director. As repayment could not currently be made, this would involve the sale of the Company's assets. For these reasons, it is considered advisable that the loans should be converted to equity capital.

The price agreed for the conversion is 3.5p per Share. This represents a premium of 86% over the closing price of 1.875p on 26 September 2011, the latest practicable date before the posting of this letter. The Directors believe that the current share price may be depressed by the suspension of operations referred to above, and Shareholders should note that the conversion price is also in excess of the highest closing price for the Shares in the last three months, being 3.125p which occurred in June 2011. Since 1 July 2011, the highest closing price has been 3.0p. The closing price immediately prior to the announcement of suspension of mining operations was 2.625p per Share.

The Conversion will eliminate a substantial proportion of Group debt. Based upon the audited balance sheet as at 28 February 2011, the Conversion as at that date would have resulted in pro forma unaudited group net assets of £2.29 million compared to the £1.69 million as stated.

Takeover Code and AIM Rules

Lord Sheppard, Tony Carlton and Oliver Plummer, who have other business relationships, are considered to be acting in concert under The Takeover Code and will collectively hold 18,484,585 Shares representing 29.9% of the Company's enlarged issued share capital following the Conversion. Brian Moritz is considered as not being acting in concert with either of the aforesaid under The Takeover Code. The total holdings of all Directors following the Conversion will be 49.76%.

As the Conversion is a Related Party Transaction under the AIM Rules and given that all the Directors are involved in the transaction (including Mr Plummer as a member of a concert party), it is proposed to put Resolutions to Shareholders at the forthcoming General Meeting on 28 October 2011 to approve the Conversion.

No Director will vote on the Resolution to convert his own loan. In addition, Lord Sheppard, Tony Carlton and Oliver Plummer may be considered to be acting in concert, and will not vote on the proposals to convert each of Lord Sheppard's and Tony Carlton's loans, or the loan of Didgemere Consultants Limited. Subject to those restrictions, all Directors have indicated their intention to vote in favour of the proposals. Shareholders should note that, whilst separate Resolutions are being put to the Meeting dealing with each loan conversion, these Resolutions are inter-conditional and will not take effect unless all Resolutions are passed. The Resolutions are Ordinary Resolutions requiring in each case a simple majority of those voting.

A notice convening a General Meeting of the Company convened for Friday, 28th October 2011 at 2.00pm is enclosed with this letter, together with a form of proxy.

Yours sincerely

Cargil Management Services Ltd
(Company Secretary)