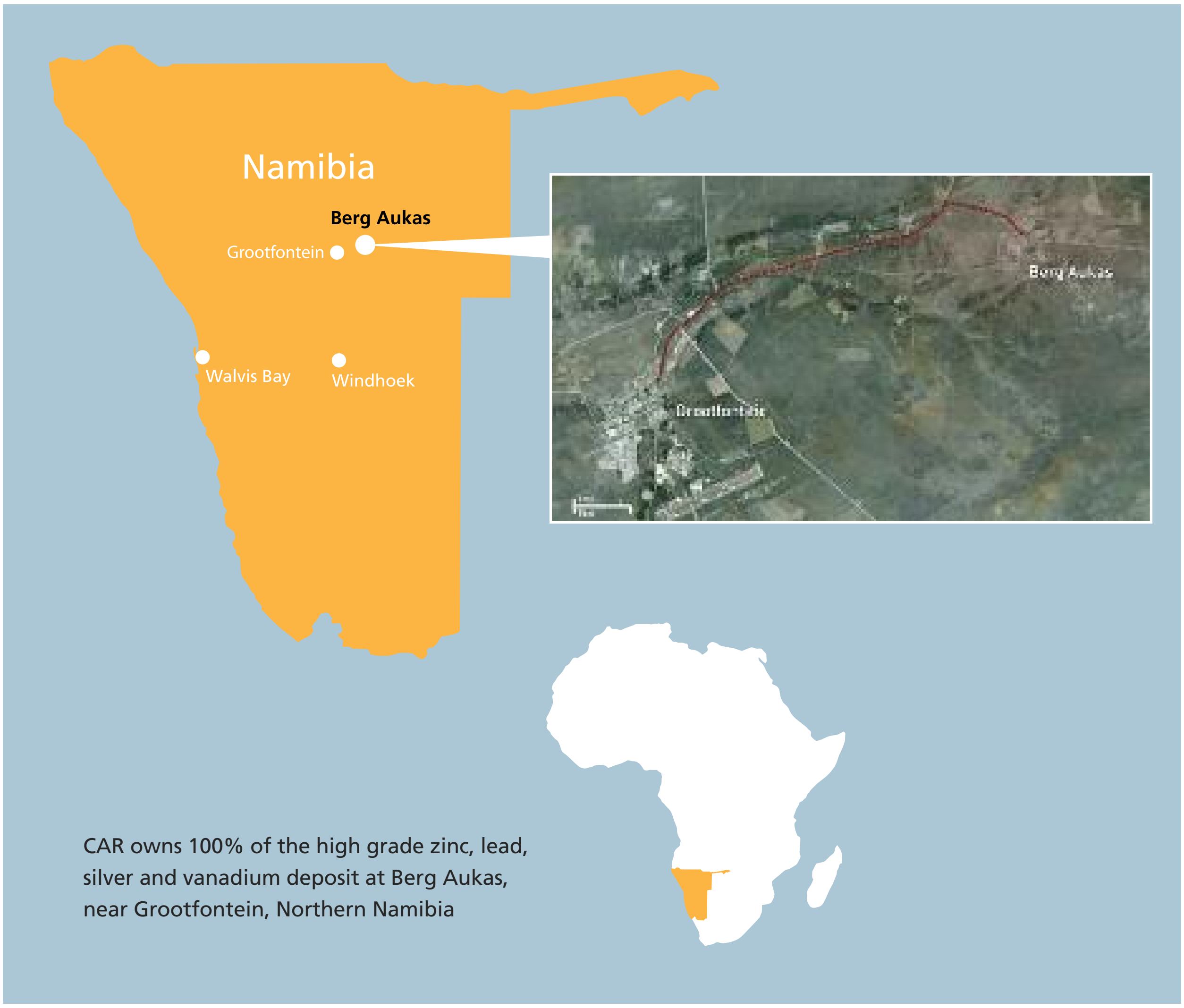
Report and accounts
to 31 December 2012

CHINA AFRICA
RESOURCES PLC

Contents



CAR owns 100% of the high grade zinc, lead, silver and vanadium deposit at Berg Aukas, near Grootfontein, Northern Namibia

Chairman's statement

I am pleased to present the report and accounts for China Africa Resources plc for the 12 month period to 31 December 2012. During this period the group's principal activity has been to progress the feasibility study of the Berg Aukas lead/zinc project.

Financial results

During the period the group made a loss of US$0.5 million (2011: US$1 million). The loss incurred during the period consisted of costs of running the head office in London and associated listing and regulatory requirements. All costs of the Berg Aukas feasibility study have been capitalised. The directors do not recommend payment of a dividend (2011: nil).

As at 31 December 2012 the company had a cash balance of US$3.2 million (2011: US$5.9 million).

Review of the period

I am honoured to be the chairman of this company following Mr Shao's resignation as both chairman and as a director of the company in August 2012. At this time Mr Xie was appointed as a non-executive director and I am pleased to welcome him to the board.

I would wish to record our gratitude to Mr Shao for his leadership in establishing China Africa Resources as a publicly listed company and his contribution as chairman of the company in its development. We are also assured of Mr Shao's continued valuable support in his role as chairman of East China Mineral Exploration and Development Bureau (ECE).

This year the primary focus of the company continues to be to progress the feasibility study of the Berg Aukas project and I am pleased to report that we have made good headway.

On the 4 December 2012 we reported the results of the 15 hole 6,856 meter confirmation diamond drilling programme. This yielded several outstanding high-grade intersections in what was a very encouraging set of results showing this to be a high-grade lead/zinc deposit. This will lead to the establishment of a maiden JORC compliant resource statement early in 2013, and provide an orebody model that will be the basis of a final mining study.

Early in the year a visual inspection of the Berg Aukas No. 2 shaft demonstrated that the shaft was open to its full depth of 792 metres. The side wall conditions were good to a depth of approximately 588 metres below the surface, below which the presence of support steel to support the side wall was noted. The shaft bottom also showed little sign of rock build-up indicating no rock failures had occurred since the mine closure and subsequent flooding in the late 1970s.

Now that we have the diamond drill cores, the metallurgical work will commence early in 2013. The timing of the completion of the feasibility study is dependent upon the results of the metallurgical test work and in particular the ability to produce a saleable vanadium product.

Once the metallurgical test work and resulting process flow sheet are completed, the engineering and other remaining elements could be completed in three to four months. On this basis the company currently anticipates that the feasibility study will now be completed by the end of 2013.

Outlook

China Africa Resources was established as an organisation focussed on rapid growth and we will continue to seek and review new investment opportunities with a view to expanding our asset base in the short term. The company will continue to strive to become a highly profitable multi-mineral mining company.

Jianrong Xu
Chairman

Directors' report

The directors present the report and audited financial statements of the company for the year ended 31 December 2012.

Company information

China Africa Resources plc is a publicly listed company incorporated and domiciled in England and Wales. The company's ordinary shares are traded on the Alternative Investment Market ('AIM') operated by the London Stock Exchange. The company was incorporated on 20 August 2010.

Principal activity

The principal activity of China Africa Resources plc is the exploration and development of base metals, primarily lead and zinc.

The subsidiary undertakings principally affecting the losses or net assets of the group in the year are listed in note 15.

A review of business can be found in the Chairman's statement on page 1.

Business review and future development

A review of the business and its operations can be found in the Chairman's statement on page 1.

Key risk factors and mitigations

Human resources: At the appropriate time, recruiting, attracting and retaining key commercial, management and technical staff will be a major challenge to the business in light of the current market conditions in the resources sector. The company has engaged a management team via Weatherly International Plc on a contract basis with the objective of seeing the company through the execution of a feasibility study of the Berg Aukas mine. The effectiveness of this arrangement is under regular review by the directors.

Project development risk: All potential projects are subject to an investment appraisal procedure that involves the board at the key stages of initiation, mandate and sanction. Projects are assessed by their strategic fit and contribution to earnings. All projects are scrutinised for consistency of assumptions and accuracy of modelling prior to presentation to the board.

Commodity and foreign exchange risks: The company's costs and the feasibility of its projects are affected by exchange rate movements between the US dollar and Namibian dollar and the commodity markets.

Management and directors review trends in the commodity markets and exchange rates on a regular basis when considering the company's risk management strategy.

Risks relating to investing in Namibia

Political: Namibia is considered one of the lowest-risk economies in the African continent. The government pursues a consistent strategy of encouraging investment in the country, and is keen to keep the climate attractive for foreign investors. China Africa Resources has strong links with the President, Prime Minister, Minister for Mines, and other government members and officials. The board reviews the strategic impact of political changes within the country on an ongoing basis.

Black Economic Empowerment and local participation: There is currently no Black Economic Empowerment legislation embodied in Namibian law; however, the government encourages local participation through a number of avenues. The directors take a proactive stance in addressing the issue of local participation in the company's projects.

Exchange controls and exchange rate fluctuations: China Africa Resources manages its treasury function through its London office. The needs of the Namibian subsidiary are balanced against fluctuations in the currency markets. The group seeks to optimise currency transfers where possible as the subsidiary draws down funds on a prudent basis. The company maintains a consistent and compliant approach to exchange regulations within Namibia.

Aerial view of the Berg Aukas mine.

Dewatering headframe.

Infrastructure: China Africa Resource's Berg Aukas project is serviced by good regional infrastructure, and the board reviews its infrastructure requirements on an ongoing basis. Any challenges relating to the supply of electricity, water or rail links are incorporated into investment decisions and addressed as required in the overall projects. Any infrastructure requirements outside the project scope are addressed through dialogue with the government and the relevant parastatal institutions.

Key performance indicators

Costs: The board and management monitor actual costs against budgeted costs on a monthly basis.

Finance: The liquidity requirements of the company are monitored on a weekly basis by management, on a monthly and quarterly basis by the board and semi-annually by external parties.

Performance: The board and management monitor the progress of the feasibility study against planned timescales on a monthly basis.

Results and dividends

During the year the group made a loss of US$0.5 million (2011: US$1 million). The loss incurred during the year consisted of costs of running the head office in London and associated listing and regulatory requirements. All costs of the Berg Aukas feasibility study have been capitalised. The directors do not recommend payment of a dividend (2011: nil).

Going concern

The company has cash resources sufficient to sustain the business for the foreseeable future and to execute its planned activities relating to the feasibility study at Berg Aukas, as set out in the business plan.

The company has no debt or financial obligations outside its operating payables.

Directors' report

Post-reporting date events

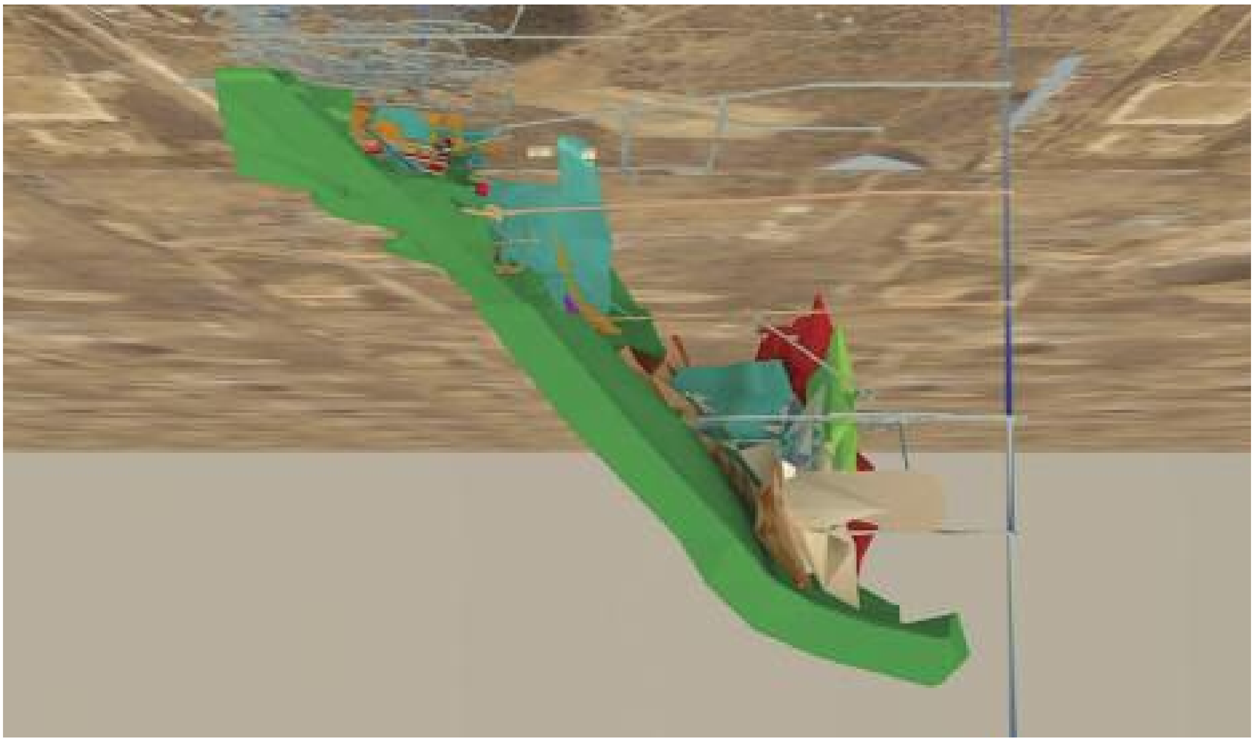
No matters or circumstances have arisen since the end of the year to the date of signature of these financial statements which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Directors

The directors who served during the period ended 31 December 2012 and up to the date of signing the financial statements are as follows:

Jianrong Xu	
Yi Shao	Resigned 29 August 2012
Roderick Webster	
John Bryant	
Xingnan Xie	Appointed 29 August 2012
Shasha Lu	
Jingbin Tian	
James Richards	
Frank Lewis	

Mr Shao resigned as chairman of the company on 29 August 2012 and was replaced by Mr Xu as chairman on the same day.



Projection of the Berg Aukas mine workings.

Directors' indemnities

China Africa Resources plc maintains liability insurance for its directors and officers during the year and also as at the date of the report of the directors. This group cover extends to and includes the directors and officers of the company.

Political contributions and charitable donations

During the period there were no charitable or political donations (2011: nil).

Payment to suppliers

The company's and group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. Trade payables of the company as at 31 December 2012 were equivalent to 23 days' (2011: 38 days) purchases, based on the average daily amount invoiced by suppliers to the group during the year.

Remuneration

The company remunerates the directors at a level commensurate with the size of the company and the experience of its directors. Only the two independent non-executive directors are remunerated directly by China Africa Resources plc as the other directors are all remunerated directly by the company that nominated them to the board of directors. However, as the company grows it will be necessary to recruit senior management and the Remuneration Committee will review the directors' remuneration and that of senior management to ensure that it upholds the objectives of the company with regard to this issue. Details of directors' emoluments and of payments made for professional services rendered are set out below:

	Fees US$'000	Other benefits US$'000	Total US$'000
2012			
Frank Lewis	48	–	48
James Richards	48	–	48
	96	–	96

	Fees US$'000	Other benefits US$'000	Total US$'000
2011			
John Bryant*	–	22	22
Frank Lewis	24	14	38
James Richards	24	19	43
	48	55	103

Other benefits consisted of payments for consultancy services prior to listing and prior to remuneration contracts being put in place.

* These payments are in relation to certain consultancy services which were provided to the company by Axeman Ltd, a company associated with John Bryant.

Directors' report

Financial instruments

The financial risk management policies and objectives are set out in detail in note 22 of the financial statements.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that 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 it has been communicated to the auditor.

Auditor

BDO LLP has expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

By order of the board

Rod Webster
Chief Executive Officer

7 March 2013

Board of directors

Jianrong Xu
Non-executive Chairman

Mr Xu holds an EMBA from Nanjing University and a doctorate in geophysics and information technology. He is a director and chief executive officer of ECE with responsibility for major mining projects and outward investment.

Xingnan Xie
Non-executive

Mr Xie is Deputy Director General of ECE and director of East China Non-Ferrous Metals Investment Holding Co Ltd, East China Non-Ferrous Metal Construction Groups and Hong Kong East China Non-Ferrous International Mineral Development Co Ltd.

Rod Webster
Chief Executive Officer

Mr Webster is a graduate mining engineer from the University of Sydney, and is the CEO of Weatherly International plc. He has over 35 years' experience in the international resources industry, including more than 15 years in managing director or CEO positions.

Shasha Lu
Non-executive

Ms Lu has served as chief executive officer of ECE responsible for coordinating overseas investment since 2008. She previously worked at Geneva University as a project manager covering Asia for the World Health Organisation.

James Richards
Senior Independent Non-executive

Mr Richards is a graduate of Oxford and Hong Kong Universities, and has considerable academic and professional business experience in China. Since 2010 he has been De La Rue plc's group director for China.

Jingbin Tian
Non-executive

Mr Tian holds a master's degree from Nanjing University and an LLM in international commercial law from Nottingham University. Since January 2010 he has acted as head of ECE's outward investment division.

Frank Lewis
Independent Non-executive

Mr Lewis has over 25 years' experience in listed and unlisted companies. He has served as chairman, CEO, finance director or non-executive director on the boards of a number of growing mid-market companies in the UK and overseas.

John Bryant
Non-executive

Mr Bryant is the non-executive chairman of Weatherly International plc, and the senior independent director of AIM-quoted Igas plc. He was formerly chairman of Gas Turbine Efficiency plc and a director of Attiki (Athens) Gas Company, both quoted on AIM.

Corporate governance

Introduction

The board of directors is committed to high standards of corporate governance.

The board is accountable to its shareholders for good governance, and the statement below is based on the review of corporate governance that was carried out prior to the listing of the company on AIM and as reviewed by the Audit Committee and describes how the principles of good governance have been applied.

Constitution of the board

During the year there were three board meetings. The Audit Committee met on three occasions and the Remuneration Committee once. The Nomination Committee did not meet.

The board was comprised of the following:

Yi Shao	Non-executive Chairman (resigned as director and chairman on 29 August 2012)
Jianrong Xu	Non-executive (appointed Non-executive Chairman 29 August 2012)
Roderick Webster	Chief Executive Officer
John Bryant	Non-executive
Xingnan Xie	Non-executive (appointed 29 August 2012)
Shasha Lu	Non-executive
Jingbin Tian	Non-executive
James Richards	Senior Independent Non-executive
Frank Lewis	Independent Non-executive

Committees of the board

The Audit Committee is made up of Frank Lewis (Chairman), John Bryant, Shasha Lu and James Richards.

The Audit Committee meets as required. It reviews the financial reports and accounts and the preliminary and interim statements, including the board's statement on internal financial control in the annual report, prior to their submission to the board for approval. The Audit Committee also reviews corporate governance within the group and reports on this to the board. In addition, it assesses the overall performance of the external auditor including scope, cost effectiveness and objectivity of the audit.

The Audit Committee is also charged with reviewing the independence of the external auditor and monitors the level of non-audit fees. These fees are disclosed in note 8. In the opinion of the Audit Committee, which has reviewed these fees and the procedures that BDO has in place to ensure they retain their independence, the auditor's independence is not compromised. The Committee met twice in February 2012 to perform its functions in respect of the review of the Report and Accounts.

The Audit Committee can meet for private discussion with the external auditor, who attends the meetings as required. The Company Secretary acts as secretary to the committee.

The Remuneration Committee is made up of James Richards (Chairman), Frank Lewis, John Bryant and Jingbin Tian with the Company Secretary serving as secretary.

It should be noted that the board has determined the remuneration of the independent non-executive directors. All the other directors do not receive any direct remuneration from the company but are paid by the company that nominated them to the board. In the future as the company develops, the Remuneration Committee will determine, on behalf of the board, the group's policy on executive remuneration and the remuneration packages for executive directors. It will also approve and administer any executive share option scheme and the granting of options as part of a remuneration package.

The Nominations Committee is made up of Jianrong Xu (Chairman), James Richards and Frank Lewis and did not meet during the year under review.

In accordance with the Quoted Companies Alliance Guidance, the board nominated James Richards as the senior independent non-executive director on 13 May 2011.

Attendance at meetings

During the year there were three board meetings and the details of attendees are set out below.

Yi Shao	Non-executive Chairman (2/2)
Roderick Webster	Chief executive Officer (3/3)
John Bryant	Non-executive (3/3)
Jianrong Xu	Non-executive (3/3)
Shasha Lu	Non-executive (3/3)
Jingbin Tian	Non-executive (3/3)
Xingnan Xie	Non-executive (1/1)
James Richards	Senior Independent Non-executive (3/3)
Frank Lewis	Independent Non-executive (3/3)

There were three meetings of the Audit Committee and one meeting of the Remuneration Committee. All the directors who were members attended these meetings. Following the year end there was a meeting of the Audit Committee to review the Report and Accounts for the year ended 31 December 2012. All members of these Committees attended all the appropriate meetings.

Internal control

The board is responsible for reviewing and approving the adequacy and effectiveness of the group's internal controls, including financial and operational control, risk management and compliance.

In order to establish effective procedures for internal control and communicate this throughout the group, including its subsidiaries, the board has issued two important documents to all staff known as the Board Protocol and the Manual of Internal Control. These were produced prior to listing of the shares on AIM and were reviewed by the Audit Committee at its meetings in February 2012.

The key elements of the group's internal control are set out in these documents, and contain:

- a clearly defined structure for the group, its subsidiaries and management teams;
- powers which the board has reserved for itself. These include the approval of all business plans and budgets for the group and all its subsidiaries, the establishment of subsidiary companies and appointment of directors to them, and the process for project approval and capital expenditure;
- terms of reference for the Audit, Remuneration and Nominations Committees, which define the roles of their members;
- information about how often the board should meet (as a minimum) and an annual cycle of meetings. This covers the process for the preparation of board agendas and board papers and their prior consideration by the management team at its weekly meetings;
- detailed business plans and budgets to be approved annually and performance monitored by the management team and the board at its monthly meetings; and
- procedures for the approval of expenditure, the levels of authority and the management controls.

Corporate governance

The directors acknowledge their responsibility for the group's system of internal financial control and risk management, and place considerable importance on maintaining this. The Manual of Internal Control and the process for authorisation that it imposes, together with the Board Protocol setting out the process for authorising business plans, budgets and projects, form an important part of our decision-making process; however, this can only provide reasonable and not absolute assurance against material errors, losses or fraud.

There is currently no internal audit function within the group owing to the small size of the administrative function. However, there is a high level of review by directors and a clear requirement for them to authorise transactions. Should the need for a separate internal audit function become apparent, the board will establish one.

The Board Protocol and the Manual of Internal Control will continue to be updated and refined as China Africa Resources plc evolves and grows.

Bribery Act compliance

At its board meeting on 13 May 2011 the company adopted a Policy for Compliance with the Bribery Act 2010 together with a set of management procedures, which were reviewed by the Audit Committee at its meetings in February 2012. A Report on the effectiveness of these procedures was made to the Audit Committee and at the board at its meeting on the 15 August 2012. This matter is kept under review by the Audit Committee under its terms of reference.

Relations with shareholders

The company endeavours to maintain communication with shareholders through regulatory announcements, via the company's website and by direct contact with its major shareholders. The board values the views of its shareholders and fosters continuing dialogue with investment and fund managers, other investors and equity analysts to ensure that the investing community receives an informed view of the group's prospects, plans and progress.

Directors' responsibility

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report

To the members of China Africa Resources plc

We have audited the financial statements of China Africa Resources plc for the year ended 31 December 2012 which comprise the group and company statements of financial position, the group statement of comprehensive income, the group and company statement of cash flows, the group and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott Knight (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

7 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the 12 month period ended 31 December 2012

	Note	Year ended 31 December 2012 US$'000	17 month period ended 31 December 2011 US$'000
Administrative expenses		(687)	(599)
Operating loss	6	**(687)**	**(599)**
Finance income	10	192	4
Finance cost	10	–	(393)
Loss for the year/period before taxation		**(495)**	**(988)**
Tax expense	11	–	–
Loss for the period attributable to the equity holders of the parent company		**(495)**	**(988)**
Exchange differences on translation of foreign operations		(145)	(5)
Total comprehensive income for the year/period		**(640)**	**(993)**

	Note	Year ended 31 December 2012	17 month period ended 31 December 2011 (Restated)
Loss per share expressed in cents			
Basic and diluted attributable to the equity holders of the parent company	12	(0.02c)	(0.09c)

All amounts relate to continuing activities during the period.

The notes on pages 18 to 35 form part of these financial statements.

Consolidated and company statements of financial position

As at 31 December 2012

	Note	Group as at 31 December 2012 US$'000	Group as at 31 December 2011 US$'000	Company as at 31 December 2012 US$'000	Company as at 31 December 2011 US$'000
Assets					
Non-current assets					
Intangible assets	13	6,218	4,305	–	–
Property, plant and equipment	14	23	–	–	–
Investment in subsidiary	15	–	–	4,156	4,156
Loans to subsidiaries	16	–	–	3,085	340
Total non-current assets		6,241	4,305	7,241	4,496
Current assets					
Trade and other receivables	17	238	11	56	10
Cash and cash equivalents	18	3,204	5,949	3,132	5,941
		3,442	5,960	3,188	5,951
Total assets		**9,683**	**10,265**	**10,429**	**10,447**
Current liabilities					
Trade and other payables	19	(214)	(156)	(211)	(147)
Total liabilities		**(214)**	**(156)**	**(211)**	**(147)**
Net assets		**9,469**	**10,109**	**10,218**	**10,300**
Equity					
Share capital	20	377	377	377	377
Share premium	20	6,607	6,607	6,607	6,607
Merger relief reserve	20	4,052	4,052	4,052	4,052
Foreign exchange reserve		(150)	(5)	–	–
Retained deficit		(1,417)	(922)	(818)	(736)
Equity attributable to shareholders of the parent company		**9,469**	**10,109**	**10,218**	**10,300**

The financial statements were approved by the board on 7 March 2013 and signed on behalf of the board by:

R J Webster
Chief Executive Officer

The notes on pages 18 to 35 form part of these financial statements.

Consolidated and company statements of changes in equity

For the 12 month period ended 31 December 2012

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign exchange reserve US$'000	Retained deficit US$'000	Total US$'000
Group						
Balance at 20 August 2010	–	–	–	–	–	–
Issue of share capital	377	6,658	4,052	–	–	11,087
Share-based payments	–	(51)	–	–	66	15
Loss for the period	–	–	–	–	(988)	(988)
Other comprehensive income						
Exchange differences on translation of foreign operations	–	–	–	(5)	–	(5)
Balance at 31 December 2011	**377**	**6,607**	**4,052**	**(5)**	**(922)**	**10,109**
Loss for the period	–	–	–	–	(495)	(495)
Other comprehensive income						
Exchange differences on translation of foreign operations	–	–	–	(145)	–	(145)
Balance at 31 December 2012	**377**	**6,607**	**4,052**	**(150)**	**(1,417)**	**9,469**
Company						
Balance at 20 August 2010	–	–	–	–	–	–
Issue of share capital	377	6,658	4,052	–	–	11,087
Share-based payments	–	(51)	–	–	66	15
Loss for the period	–	–	–	–	(802)	(802)
Balance at 31 December 2011	**377**	**6,607**	**4,052**	**–**	**(736)**	**10,300**
Loss for the period	–	–	–	–	(82)	(82)
Balance at 31 December 2012	**377**	**6,607**	**4,052**	**–**	**(818)**	**10,218**

The following describes the nature and purpose of each reserve within the owners' equity:

Reserve	**Description and purpose**
Share capital	Nominal value of shares issued.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in accordance with Companies Act 2006 provisions.
Foreign exchange reserve	Cumulative translation differences of net assets of subsidiaries.
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

The notes on pages 18 to 35 form part of these financial statements.

Consolidated and company cash flow statements

For the 12 month period ended 31 December 2012

	Note	Group Year ended 31 December 2012 US$'000	Group 17 month period ended 31 December 2011 US$'000	Company Year ended 31 December 2012 US$'000	Company 17 month period ended 31 December 2011 US$'000
Cash flow from operating activities					
Loss for the year		(495)	(988)	(82)	(802)
Adjusted by:					
Depreciation		5	–	–	–
Unrealised exchange losses		(47)	371	(47)	371
Share-based payments		–	15	–	15
Interest received		(14)	(4)	(69)	(4)
		(551)	**(606)**	**(198)**	**(420)**
Movements in working capital					
Increase in trade and other receivables		(227)	(11)	(46)	(10)
Increase in trade and other payables		59	153	64	147
Net cash used in operating activities		**(719)**	**(464)**	**(180)**	**(283)**
Cash flow generated from investing activities					
Interest received		14	4	14	4
Purchase of property, plant and equipment	14	(29)	–	–	–
Loans to subsidiary company		–	–	(2,690)	(340)
Payments for evaluation of feasibility studies		(2,058)	(151)	–	–
Net cash used for investing activities		**(2,073)**	**(147)**	**(2,676)**	**(336)**
Cash flow from financing activities					
Proceeds from issue of equity shares		–	7,877	–	7,877
Associated costs of issue of equity shares		–	(946)	–	(946)
Net cash generated by financing activities		**–**	**6,931**	**–**	**6,931**
Cash and cash equivalent at the end of the year/period		**(2,792)**	**6,320**	**(2,856)**	**6,312**
Reconciliation to net cash					
Opening cash balance		5,949	–	5,941	–
Increase in cash		(2,792)	6,320	(2,856)	6,312
Foreign exchange movements		47	(371)	47	(371)
	18	**3,204**	**5,949**	**3,132**	**5,941**

The notes on pages 18 to 35 form part of these financial statements.

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2012

1. Nature of operations and general information

China Africa Resources plc's and subsidiaries' (the group's) principal activities include exploration and evaluation of mining assets.

China Africa Resources plc is incorporated and domiciled in England. The address of China Africa Resources plc's registered office, which is also its principal place of business, is 180 Piccadilly, London W1J 9HF. China Africa Resources plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

China Africa Resources's financial statements are presented in United States dollars (US$), which is also the functional currency of the parent company.

These consolidated financial statements were approved for issue by the board of directors on 27 February 2013.

2. Standards and interpretations not yet applied by the group

2.1 Overall considerations

The company has adopted the new interpretations, revisions and amendments to IFRSs issued by the International Accounting Standards Board, which are relevant to and effective for the company's financial statements for the year beginning 1 January 2012.

The adoption had no significant effects on current, prior or future periods due to the first-time application of these new requirements in respect of presentation, recognition and measurement. An overview of relevant new standards, amendments to and interpretations of IFRSs issued but not yet effective is given in note 2.2.

2.2 Standards, amendments to and interpretations of existing standards that are not yet effective and have not been adopted early by the company

At the date of authorisation of these financial statements, certain new standards, amendments to and interpretations of existing standards have been published but are not yet effective, and have not been adopted early by the company.

Management anticipates that all of the pronouncements will be adopted in the company's accounting policy for the first period beginning after the effective date of the pronouncement. The new standards and interpretations are not expected to have a material impact on the company's financial statements.

	Effective period commencing on or after
IAS 1 Amendment – Presentation of Items of Other Comprehensive Income	1 July 2012
IFRS 10 – Consolidated Financial Statements	1 January 2014
IFRS 11 – Joint Arrangements	1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014
IFRS 13* – Fair Value Measurement	1 January 2013
IAS 27 – Separate Financial Statements	1 January 2014
IAS 28 – Investments in Associates and Joint Ventures	1 January 2014
IAS 19 – Employee Benefits	1 January 2013
IFRS 7 – Amendment – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 1* – Amendment – Government Loans	1 January 2013
Improvements to IFRS (2009–2011 Cycle)	1 January 2013
IFRS 10, 11 and 12* – Amendments – Transition Guidance	1 January 2013
IFRIC 20 – Interpretation – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IAS 32 Amendment – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10,12 and IAS 27* – Amendments – Investment Entities	1 January 2014
IFRS 9* – Financial Instruments	1 January 2015

* not yet endorsed by the European Union

The company is currently assessing the impact of these standards and initial indications suggest that they are not expected to have a significant impact on the company's financial statements.

Based on the company's current business model and accounting policies, management does not expect material impacts on the company's financial statements when the new standards and interpretations become effective.

3. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The principal accounting policies are summarised below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses and intra-group unrealised profits and losses are eliminated on consolidation.

Intangible assets

Exploration and evaluation costs

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the period in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions must also be met:

   (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

   (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include the acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General, administrative and any share-based payment costs are only included in the measurement of exploration and evaluation costs where they are related directly to exploration and evaluation activities in a particular area of interest.

Exploration expenditure is transferred to property, plant and equipment upon achieving a bankable feasibility study.

Property, plant and equipment

Property, plant and equipment are recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided using the straight line method to write off the cost of the asset less any residual value over its useful economic life as follows:

Plant and machinery	3 to 15 years

3. Significant accounting policies CONTINUED

Impairment

At each reporting date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising, if any, are recognised in profit or loss.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Exchange differences recognised in the profit or loss in the group's separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the group's foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount of exchange differences relating to that operation is reclassified from equity to profit or loss.

Taxes

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the group is able to control the reversal of the temporary difference and it is expected that the temporary difference will not reverse in the foreseeable future. In addition, tax losses available to be carried forward as well as other tax credits to the group are assessed for recognition as deferred tax assets.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority. The group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments, assets and liabilities

The group uses financial instruments comprising cash, trade receivables and trade payables that arise from its operations.

Financial assets

The only financial assets currently held by the group are classified as loans and receivables and cash and cash equivalents. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Included within loans and receivables are cash and cash equivalents which include cash in hand and other short-term highly liquid investments with a maturity of three months or less. Any interest earned is accrued monthly and classified as interest. Short-term deposits comprise deposits made for varying periods of between one day and three months.

3. Significant accounting policies CONTINUED

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

Financial liabilities

Trade payables and other short-term monetary liabilities are all classified as other financial liabilities. At present, the group does not have any liabilities classified as fair value through profit or loss.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in the consolidated statement of comprehensive income.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Investment in subsidiaries

In its separate financial statements, the company recognises its investments in subsidiaries at cost less any provision for impairment. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition. It also includes share-based payments issued to employees of the company for services provided to subsidiaries.

Finance income

Finance income is recognised as interest accrued using the effective interest method.

Merger relief

The difference between the fair value of an acquisition and the nominal value of the shares allotted in a share exchange has been credited to a merger reserve account, in accordance with the merger relief provisions of the Companies Act 2006 and accordingly no share premium for such transactions has been set up.

Related parties

Parties are considered related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or under common control are considered related parties.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the group's accounting policies, described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of intangibles

The group determines whether intangibles are impaired when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. The carrying amount of intangibles at 31 December 2012 was US$6.2 million (2011: US$4.3 million), refer to note 13.

5. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the board, who are responsible for allocating resources and assessing performance of the operating segment.

The group had no operating revenue during the year.

The group currently has one operating segment: the mining segment. This segment is currently engaged in the evaluation of the Berg Aukas mine in Namibia.

Year ended 31 December 2012

	As at 31 December 2012	As at 31 December 2011
	Mining US$'000	Mining US$'000
Segmental loss		
Operating costs	(687)	(323)
Cost of listing China Africa Resources plc on AIM	–	(276)
Total segmental operating loss	(687)	(599)
Exchange gains/(losses)	178	(393)
Interest income	14	4
Loss after tax	(495)	(988)

	Mining US$'000	Mining US$'000
Segment assets	9,683	10,265

	Mining US$'000	Mining US$'000
Depreciation	5	–

	Namibia US$'000	Namibia US$'000
Non-current assets by geographic area	6,241	4,305

6. Operating loss

	Year ended 31 December 2012 US$'000	17 month period ended 31 December 2011 US$'000
This is stated after charging/(crediting):		
Staff costs	316	108
Auditor's remuneration (note 7)	45	69
Depreciation	5	–
Share-based payment expense	–	15

7. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	Year ended 31 December 2012 US$'000	17 month period ended 31 December 2011 US$'000
Remuneration receivable by the company's auditors for the audit of these accounts	42	25
Fees payable to the company's auditor and its associates for other services:		
Remuneration receivable by associates of the company's auditors for the audit of subsidiary accounts	3	4
Other services pursuant to legislation		
Reporting accountant on AIM listing	–	40
Total remuneration	45	69

8. Employees and key management

The total directors' emoluments for the period were US$96,000 (2011: US$103,000) and those of the highest paid director were US$48,000 (2011: US$43,000). Detailed disclosure of directors' remuneration is disclosed in the directors' report on page 2.

The group averaged 8 (2011: 4) employees during the period ended 31 December 2012.

	Year ended 31 December 2012 US$'000	17 month period ended 31 December 2011 US$'000
Aggregated remuneration comprised:		
Wages and salaries (including directors)	306	103
Social security costs	10	5
	316	108
Key management remuneration		
Salaries and fees	96	103
Social security costs	10	5
	106	108

Key management personnel as defined under IAS 24 have been identified as the board of directors.

9. Loss for the financial period

The company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The company's loss for the period was US$82,000 (2011: US$802,000).

10. Net finance expense

	Year ended 31 December 2012 US$'000	17 month period ended 31 December 2011 US$'000
Finance income		
Bank deposits	14	4
Exchange gains	178	–
Total interest revenue	192	4
Finance costs		
Exchange losses	–	(393)
	–	(393)
Investment revenue earned on financial assets analysed by category of asset is as follows:		
Loans and receivables (including cash and bank balances)	14	4

11. Income tax expense

	Year ended 31 December 2012 US$'000	17 month period ended 31 December 2011 US$'000
Current tax:		
UK corporation tax on the result for the year/period	–	–
Total current taxation	–	–
Deferred taxation	–	–
Taxation	–	–
Differences explained below:		
Loss before tax	(495)	(988)
Loss before tax multiplied by the standard CT rate 24.5% (26.2%)	(121)	(259)
Effect of:		
Expenses not deductible for tax purposes	2	67
Differences in local tax rates	25	30
Tax losses for future utilisation	94	162
Tax charge for the period	–	–
Unrecognised deferred tax provision		
Fixed asset timing differences	(921)	(27)
Short-term timing differences	(72)	(4)
Tax losses UK	(142)	(143)
Tax losses Namibia	(92)	(96)
	(1,227)	(270)

The deferred tax assets are currently unrecognised as the likelihood of sufficient future taxable profits does not yet meet the definition of 'probable'.

The estimated value of the potential deferred tax asset of US$0.3m (2011: US$0.06m) was in respect of tax losses incurred measured at an expected standard tax rate of 23% (2011: 24%).

The unrecognised deferred tax asset has no expiry period.

The Finance Act 2012 includes provision for the main rate of corporation tax to reduce from 26% to 24% on 1 April 2012, and to 23% on 1 April 2013. It has also been announced that there will be a further 1% reduction to bring the main rate to 22% from 1 April 2014. This will reduce the company's future tax charge accordingly. The rate of 24% was substantially enacted on the 26 March 2012 and the rate of 23% substantially enacted on 6 July 2012. Accordingly, deferred tax balances have been recognised at 23%, the rate of corporation tax enacted in the Finance Act 2012 to apply from 1 April 2013.

12. Loss per share

The calculation of basic and diluted loss per ordinary share is based on the following data:

	Year ended 31 December 2012	17 month period ended 31 December 2011 (Restated)
Basic and diluted loss per share (US cents)	(0.02c)	(0.09c)
Weighted average number of shares for basic and diluted loss per share	23,076,900	10,517,447

The basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the parent company, China Africa Resources plc, of US$495,000 (2011: US$988,000) as the numerator, i.e. no adjustment to profit was necessary. The basic and dilutive earnings per share are the same as the group made a loss in the period.

The 2011 weighted average number of shares has been restated due to a calculation error in the previous year. This increased the weighted average number of shares by 1,526,104 and reduced the loss per share to US$0.09 from US$0.11.

13. Intangible assets

	Mining licenses US$'000	Evaluation costs US$'000	Totals US$'000
Cost			
On incorporation	–	–	–
Additions	4,156	151	4,307
Exchange adjustment	–	(2)	(2)
At 31 December 2011	**4,156**	**149**	**4,305**
Net book value at 31 December 2011	**4,156**	**149**	**4,305**
At 31 December 2011	4,156	149	4,305
Additions	–	1,990	1,990
Exchange adjustment	–	(77)	(77)
At 31 December 2012	**4,156**	**2,062**	**6,218**
Net book value at 31 December 2012	**4,156**	**2,062**	**6,218**

The mining licenses and evaluation costs relate to the Berg Aukas mine in Namibia.

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2012

14. Property, plant and equipment

	Totals US$'000
Cost	
At 31 December 2011	–
Additions	29
Exchange adjustment	(1)
At 31 December 2012	**28**
Depreciation	
At 31 December 2011	–
Additions	5
Exchange adjustment	–
At 31 December 2012	**5**
Net book value at 31 December 2012	**23**
Net book value at 31 December 2011	**–**

All property plant and equipment can be classified as mobile plant.

15. Investment in subsidiary

The investments at the reporting date in the share capital of companies include the following:

	Company as at 31 December 2012 US$'000	Company as at 31 December 2011 US$'000
China Africa Resources Namibia (pty) Ltd	4,156	4,156

China Africa Resources Namibia (pty) Ltd is 100% owned by China Africa Resources plc and is incorporated in the Republic of Namibia.

On 1 August 2011 the group acquired 100% of the voting equity instruments of China Africa Resources Namibia (pty) Ltd, a company whose principal activity is exploration and evaluation of mining assets in Namibia. The company was acquired by the issuing of 6,326,923 ordinary 1p shares at a price of 40p being the price on the date of acquisition. The acquisition price was converted to US dollars at an exchange rate of 1.642. The principal reason for this acquisition was to develop the Berg Aukas mine in Namibia.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value US$'000	Adjustment US$'000	Fair value US$'000
Mining licenses	–	4,156	4,156

16. Loans to subsidiaries

	Company as at 31 December 2012 US$'000	Company as at 31 December 2011 US$'000
China Africa Resources (pty) Ltd	3,085	340
	3,085	340

The loan has no fixed terms of repayment and is unsecured. The loan attracts interest of US$12 per month libor +2%.

17. Trade and other receivables

	Group As at 31 December 2012 US$'000	Group As at 31 December 2011 US$'000	Company As at 31 December 2012 US$'000	Company As at 31 December 2011 US$'000
Pre-payments	10	–	10	–
Sales taxes	228	11	46	10
	238	11	56	10

18. Cash

	Group As at 31 December 2012 US$'000	Group As at 31 December 2011 US$'000	Company As at 31 December 2012 US$'000	Company As at 31 December 2011 US$'000
Cash and short-term deposits	3,204	5,949	3,132	5,941

19. Trade and other payables – current

	Group As at 31 December 2012 US$'000	Group As at 31 December 2011 US$'000	Company As at 31 December 2012 US$'000	Company As at 31 December 2011 US$'000
Trade payables	165	114	165	105
Other payables and accruals	49	42	46	42
	214	156	211	147

Trade and other payables are non-interest bearing and normally settled in the month following date of invoice.

20. Share capital

	31 December 2012 US$	31 December 2011 US$	31 December 2012 £	31 December 2011 £
Allotted, called up and fully paid				
Ordinary shares of 0.1p converted at an exchange rate of £:USD 1.642	377,001	377,001	230,769	230,769

	31 December 2012	31 December 2011
Number of ordinary 0.1p shares in issue	23,076,924	23,076,924

Options to subscribe for ordinary shares of the company at 31 December 2012 and 31 December 2011 are as follows:

Date of grant	Number of options	Price per option	Expiry date
1 August 2011	230,769	42.3p	1 August 2014

All of the 230,769 outstanding options are exercisable at a price higher than the current share price. All options vest on the grant date.

The weighted average exercise price of share options was US$0.423 at 31 December 2012 (2011: US$0.423). The weighted average remaining contractual life of options outstanding at the end of the year was one year eight months.

Fair value of options

Inputs to the valuation model

The fair values of options granted have been calculated using the Black–Scholes pricing model that takes into account specific factors such as the vesting periods, the expected dividend yield on the company's shares and expected early exercise of share options.

Grant date	1 August 2011
Share price at date of grant	£0.423 (US$0.695)
Exercise price	£0.423 (US$0.695)
Volatility	83%
Option life	3 years
Dividend yield	–
Risk-free investment rate	0.68%

Volatility has been based on a peer group of companies as considered relevant by the directors due to the lack of trading history of the company.

Based on the assumptions, the fair values of the options granted are estimated to be:

Grant date	1 August 2011
Fair value	£0.173 (US$0.284)

No new share options were issued in the year.

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2012

21. Capital and contractual commitments

There were no capital or contractual commitments at 31 December 2012 (2011: nil).

22. Financial instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3.

The only financial assets currently held by the group are classified as loans and receivables and cash and cash equivalents.

Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

	Carrying value		Carrying value	
	Group As at 31 December 2012 US$'000	Group As at 31 December 2011 US$'000	Company As at 31 December 2012 US$'000	Company As at 31 December 2011 US$'000
Financial assets				
Current				
Loans and receivables				
Inter-company receivables	–	–	3,085	340
Trade and other receivables	228	11	46	10
Cash and cash equivalents	3,204	5,949	3,132	5,941
	3,432	5,960	6,263	6,291
Financial liabilities				
Current				
Amortised cost	(214)	(156)	(211)	(147)
	(214)	(156)	(211)	(147)

As at 31 December 2012 there were no trade receivables that were past due and all are believed to be recoverable (2011: nil).

All financial liabilities are repayable within one year.

The fair value is equivalent to book value for current assets and liabilities. Non-current liabilities are discounted at prevailing interest rates for both the long- and short-term elements.

The main risks arising from the group's financial instruments are liquidity risk, interest rate risk and foreign currency risk. The directors review and agree policies for managing these risks and these are summarised below.

Liquidity risk

Liquidity risk arises from the group's management of working capital. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The directors monitor cash flow on a daily basis and at monthly board meetings in the context of their expectations for the business, in order to ensure sufficient liquidity is available to meet foreseeable needs.

Credit risk

The company monitors the credit risk of its inter-company loan through its management accounts and assesses its ability to repay them. It also monitors the political risk within Namibia and its effect on the loan's creditworthiness.

Interest rate risk

The group and company currently finances its operations through equity raisings. There are no borrowings and therefore no significant exposure to interest rate fluctuations.

The group and company manages the interest rate risk associated with the group and company cash assets by ensuring that interest rates are as favourable as possible, whether this is through investment in floating or fixed interest rate deposits, whilst managing the access the group and company requires to the funds for working capital purposes.

The interest rate profile of the group's cash and cash equivalents as at 31 December 2012 was as follows:

	US dollars US$'000	Pound sterling US$'000	Namibian dollars US$'000	Total US$'000
As at 31 December 2012				
Short-term deposits with fixed interest rates 2,559		1,750	809	–
Cash at bank with no interest rates	195	377	73	645
	1,945	1,186	73	3,204

	US dollars US$'000	Pound sterling US$'000	Namibian dollars US$'000	Total US$'000
As at 31 December 2011				
Short-term deposits with fixed interest rates 5,410		–	5,410	–
Cash at bank with no interest rates	–	531	8	539
	–	5,941	8	5,949

At the reporting date, the cash at bank floating interest rate is accruing weighted average interest of 0.2% (2011: 0.7%). As required by IFRS 7, the group has estimated the interest rate sensitivity on period-end balances and determined that a one percentage point increase or decrease in the interest rate earned on short-term deposits would have caused a corresponding increase or decrease in net income for the amount of US$26,000 (2011: US$54,000).

Foreign currency risk management

The functional currencies of the companies in the group are US dollars and Namibian dollars. The group does not hedge against the effects of movements in exchange rates. These risks are monitored by the board on a regular basis.

The following table discloses the period-end rates applied by the group for the purposes of producing the financial statements:

	Translation	2012	2011
Period end	1 GBP – USD	1.62	1.55
Period end	1 USD – NAD	8.47	8.12

22. Financial instruments CONTINUED

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group As at 31 December 2012 US$'000	Group As at 31 December 2011 US$'000
Cash and cash equivalents		
United States dollars	1,945	–
Pound sterling	1,186	5,941
Namibian dollars	73	8
	3,204	5,949

The following table details the group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. Ten per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the US dollar strengthens 10% against the relevant currency. For a 10% weakening of the US dollar against the relevant currency, there would be an equal and opposite impact on the profit and equity, and the balances below would be negative.

		British pound currency impact 31 December 2012 US$'000	Namibian dollar currency impact 31 December 2012 US$'000	British pound currency impact 31 December 2011 US$'000	Namibian dollar currency impact 31 December 2011 US$'000
Effect on loss	+10%	123	25	595	1
	-10%	123	25	595	1
Effect on equity	+10%	123	25	595	1
	-10%	123	25	595	1

23. Events subsequent to reporting date

There were no significant events subsequent to the reporting date.

24. Related party transactions

	31 December 2012 US$'000	31 December 2011 US$'000
Group and company		
The group and company had the following transactions with Weatherly International plc, a 25% shareholder of the group:		
Management fee paid	552	230
Trade payables	(110)	(46)
Purchase of China Africa Resources Namibia (pty) Ltd (see note 15)	–	4,156
Company only		
Transactions with China Africa Resources Namibia (pty) Ltd, a wholly owned subsidiary:		
Management fee charged	600	250
Interest charged	56	2
Loans receivable	3,085	340

The ultimate holding company of China Africa Resources plc is East China Mineral Exploration and Development Bureau for Non-Ferrous Metals.

25. Capital management policies and procedures

The group considers its capital to comprise its ordinary share capital, share premium and accumulated retained losses as well as the reserves (consisting of share-based payments reserve, foreign currency translation reserve and merger relief reserve).

The group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The company meets its capital needs by equity financing. The group sets the amount of capital it requires to fund the group's project evaluation costs and administration expenses. The group manages its capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The company and group do not have any derivative instruments or hedging instruments. It has been determined that a sensitivity analysis will not be representative of the company's and group's position in relation to market risk and therefore such an analysis has not been undertaken.

Company information

Directors

Jianrong Xu	*Non-executive Chairman*
Roderick Webster	*Chief Executive Officer*
James Richards	*Senior Independent Non-executive Director*
Frank Lewis	*Independent Non-executive Director*
John Bryant	*Non-executive Director*
Xingnan Xie	*Non-executive Director*
Shasha Lu	*Non-executive Director*
Jingbin Tian	*Non-executive Directorr*

Secretary
Max Herbert

Registered office
180 Piccadilly
London W1J 9HF

Registered number
07352056 (England and Wales)

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Bankers
Bank of Scotland
St James's Gate
14-16 Cockspur Street
London SW1Y 5BL

Solicitors
Morrison & Foerster (UK) LLP
CityPoint
One Ropemaker Street
London EC2Y 9AW

Nominated adviser and broker
RFC Ambrian Ltd
Condor House
10 St Paul's Churchyard
London EC4M 8AL

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Website
www.chinaafricares.com

CHINA AFRICA
RESOURCES PLC

China Africa Resources plc
180 Piccadilly, London W1J 9HF

www.chinaafricares.com