Report and accounts to 31 December 2013

CHINA AFRICA RESOURCES PLC

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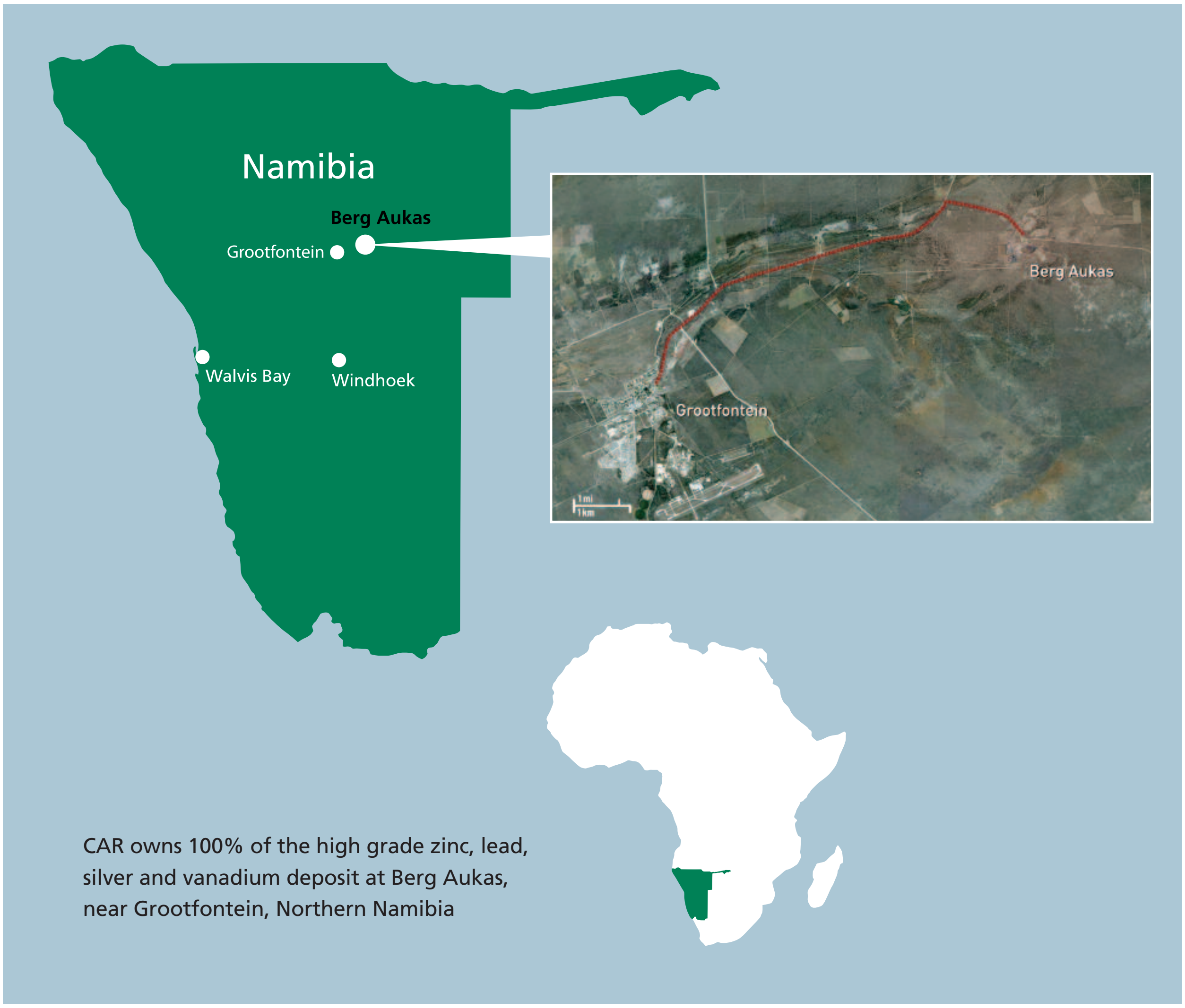


CAR owns 100% of the high grade zinc, lead, silver and vanadium deposit at Berg Aukas, near Grootfontein, Northern Namibia

Chairman's statement

I am pleased to present the Report and Accounts for China Africa Resources plc for the year to 31 December 2013. During the year the group's principal activity has been to progress the feasibility study of the Berg Aukas lead/zinc project.

Financial results

During the year the group made a loss of US$0.7 million (2012: US$0.5 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 (2012: nil).

As at 31 December 2013 the company had a cash balance of US$1.9 million (2012: US$3.2 million).

Review of the year

This year the primary focus of the company continued to be to progress the feasibility study of the Berg Aukas deposit, as well as continuing to review other business opportunities and developing our administrative procedures and our corporate governance framework of the company.

The highlight of the year was the announcement of a maiden JORC resource at the Berg Aukas mine.

The JORC Indicated Mineral Resource, of which in excess of 95% is situated between the 14 and 19 levels (approximately between 350m to 550m below surface, where the majority of historical resources are located), is 1,264,800 tonnes @ 15.5% zinc, 3.8% lead and 0.33% V2O5 at a 3% Zn cut-off. (Resource is 100% attributable to the company). The JORC resource was compiled by Coffey Mining (SA) Pty Ltd.

This JORC resource estimate verifies the historical (non-compliant with current JORC reporting standards) resource estimate from December 1977 of 1,196,000 tonnes @15% zinc, 5.3% lead and 0.63% V2O5 between the 14 and 19 levels as reported in the Berg Aukas Competent Persons Report 2011 ("2011 CPR"). This has shown the deposit to be an exceptionally high grade zinc/lead deposit with much of the significant infrastructure in place including an 800m shaft and underground development, which should allow rapid and cost effective reopening of the mine.

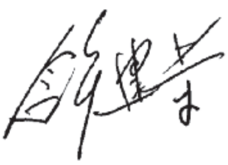
The technical report for the pre-feasibility was completed during the second half of the year but is subject to discussions with various smelters to purchase the concentrates. Management will review their options following the establishment of commercial terms for the purchase of the concentrates from Berg Aukas which will complete the pre-feasibility study.

We continue to seek opportunities to enlarge the lead and zinc asset base of CAR and grow the company for the benefit of our shareholders.

Outlook

The company's short-term objective is to establish commercial terms for the purchase of the concentrates from Berg Aukas, to complete the pre-feasibility study. Once the appropriate smelters/refineries have been identified and commercial terms finalised, the pre-feasibility study will be concluded and presented to the board for assessment.

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

Strategic report

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.

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 through 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.

Strategic report

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.

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 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 annually by external parties.

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

By order of the board

Rod Webster

Rod Webster
Chief Executive Officer

13 March 2014

Directors' report

Results and dividends

During the year the group made a loss of US$0.7 million (2012: US$0.5 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 (2012: nil).

Strategic report

A review of the business and future developments of the group are included within the strategic report and the Chairman's statement on pages 1, 2 and 3.

Going concern

The group has sufficient funds to cover overheads for the foreseeable future. The development of the group's exploration asset will require significant external funding above the group's existing working capital. The group have met all existing licence commitments and plan to consider a variety of funding options over the forthcoming year.

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 financial year and up to the date of signing the financial statements are as follows:

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

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 (2012: nil).

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. 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
2013			
Frank Lewis	47	–	47
James Richards	47	–	47
	94	–	94

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

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

13 March 2014

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

We are not required to comply with the requirements of the UK Corporate Governance Code, and do not do so; however, 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 have been applied.

Constitution of the board

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

The board was comprised of the following:

Jianrong Xu	Non-executive Chairman
Roderick Webster	Chief Executive Officer
John Bryant	Non-executive
Xingnan Xie	Non-executive
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 7. 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 during 2013 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.

Corporate governance

The Nominations Committee is made up of Jianrong Xu as 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.

Attendance at meetings

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

Jianrong Xu	Non-executive Chairman (4/4)
Roderick Webster	Chief executive Officer (4/4)
John Bryant	Non-executive (4/4)
Shasha Lu	Non-executive (3/4)
Jingbin Tian	Non-executive (4/4)
Xingnan Xie	Non-executive (4/4)
James Richards	Senior Independent Non-executive (4/4)
Frank Lewis	Independent Non-executive (4/4)

There were two meetings of the Audit Committee and no meetings 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 2013.

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 March 2013.

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 March 2013. A report on the effectiveness of these procedures was made to the Audit Committee and the board at its meeting in August 2013. 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 2013 which comprise the consolidated and company statements of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of cash flow, the consolidated 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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 Chairman's statement, strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

To the members of China Africa Resources plc

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

13 March 2014

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

Consolidated income statement

For the 12 month period ended 31 December 2013

	Note	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Administrative expenses		(683)	(687)
Operating loss	6	**(683)**	**(687)**
Finance cost	10	(7)	–
Finance income	10	1	192
Loss for the year before taxation		**(689)**	**(495)**
Tax expense	11	–	–
Loss for the year attributable to the equity holders of the parent		**(689)**	**(495)**

	Note	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Loss per share expressed in cents			
Basic and diluted attributable to the equity holders of the parent	12	(0.03c)	(0.02c)

All amounts relate to continuing activities during the period.

The notes on pages 19 to 35 form part of these financial statements.

Consolidated statement of comprehensive income

For the 12 month period ended 31 December 2013

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Loss for the year attributable to the equity holders of the parent	**(689)**	**(495)**
Items that may be reclassified to profit and loss		
Exchange differences on translation of foreign operations	(574)	(145)
Total comprehensive loss for the year	**(1,263)**	**(640)**

All amounts relate to continuing activities during the period.

The notes on pages 19 to 35 form part of these financial statements.

Consolidated and company statements of financial position

As at 31 December 2013

	Note	Group as at 31 December 2013 US$'000	Group as at 31 December 2012 US$'000	Company as at 31 December 2013 US$'000	Company as at 31 December 2012 US$'000
Assets					
Non-current assets					
Intangible assets	13	6,329	6,218	–	–
Property, plant and equipment	14	14	23	–	–
Investment in subsidiary	15	–	–	4,156	4,156
Loans to subsidiaries	16	–	–	4,053	3,085
Total non-current assets		6,343	6,241	8,209	7,241
Current assets					
Trade and other receivables	17	77	238	72	56
Cash and cash equivalents	18	1,922	3,204	1,826	3,132
		1,999	3,442	1,898	3,188
Total assets		**8,342**	**9,683**	**10,107**	**10,429**
Current liabilities					
Trade and other payables	19	(136)	(214)	(131)	(211)
Total liabilities		**(136)**	**(214)**	**(131)**	**(211)**
Net assets		**8,206**	**9,469**	**9,976**	**10,218**
Equity					
Share capital	20	377	377	377	377
Share premium		6,607	6,607	6,607	6,607
Merger relief reserve		4,052	4,052	4,052	4,052
Foreign exchange reserve		(724)	(150)	–	–
Retained deficit		(2,106)	(1,417)	(1,060)	(818)
Equity attributable to shareholders of the parent company		**8,206**	**9,469**	**9,976**	**10,218**

The financial statements were approved by the board on 13 March 2014 and signed on behalf of the board by:

R J Webster
Chief Executive Officer

The notes on pages 19 to 35 form part of these financial statements.

Consolidated and company statements of changes in equity

For the 12 month period ended 31 December 2013

	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Foreign exchange reserve US$'000	Retained deficit US$'000	Total US$'000
The group						
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**
Loss for the period	–	–	–	–	(689)	(689)
Other comprehensive income						
Exchange differences on translation of foreign operations	–	–	–	(574)	–	(574)
Balance at 31 December 2013	**377**	**6,607**	**4,052**	**(724)**	**(2,106)**	**8,206**
The company						
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**
Loss for the period	–	–	–	–	(242)	(242)
Balance at 31 December 2013	**377**	**6,607**	**4,052**	**–**	**(1060)**	**9,976**

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 19 to 35 form part of these financial statements.

Consolidated and company cash flow statements

For the 12 month period ended 31 December 2013

	Note	Group as at 31 December 2013 US$'000	Group as at 31 December 2012 US$'000	Company as at 31 December 2013 US$'000	Company as at 31 December 2012 US$'000
Cash flow from operating activities					
Loss for the year		(689)	(495)	(242)	(82)
Adjusted by:					
Depreciation		5	5	–	–
Unrealised exchange losses		30	(47)	30	(47)
Non-cash items within loans to subsidiary company		–	–	(600)	(600)
Interest received		1	(14)	(84	(69
		(653)	**(551)**	**(896)**	**(798)**
Movements in working capital					
Increase in trade and other receivables		161	(227)	(16)	(46)
Increase in trade and other payables		(79)	59	(80)	64
Net cash used in operating activities		**(571)**	**(719)**	**(992)**	**(780)**
Cash flow generated from investing activities					
Interest received		(1)	14	(1)	14
Purchase of property, plant and equipment	14	–	(29)	–	–
Loans to subsidiary company		–	–	(283)	(2,090)
Payments for evaluation of feasibility studies		(680)	(2,058)	–	–
Decrease in cash		**(681)**	**(2,073)**	**(284)**	**(2,076)**
Cash and cash equivalent at the end of the year		**(1,252)**	**(2,792)**	**(1,276)**	**(2,856)**
Reconciliation to net cash					
Opening cash balance		3,204	5,949	3,132	5,941
Decrease in cash		(1,252)	(2,792)	(1,276)	(2,856)
Foreign exchange movements		(30)	47	(30)	47
	18	**1,922**	**3,204**	**1,826**	**3,132**

The notes on pages 19 to 35 form part of these financial statements.

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2013

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' 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 13 March 2014.

2. Standards and interpretations not yet applied by the group

2.1 Overall considerations

The company has adopted all new interpretations, revisions and amendments to IFRSs issued by the International Accounting Standards Board.

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 and interpretations to IFRS's issued but not yet effective is given in note 2.2.

2.2 Standards, amendments and interpretations to 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 and interpretations to 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
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
IAS 27 – Separate Financial Statements	1 January 2014
IAS 28 – Investments in Associates and Joint Ventures	1 January 2014
IFRS 10, 11 and 12* – Amendments – Transition Guidance	1 January 2014
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	To be confirmed
IAS 36 Amendment – Recoverable Amounts Disclosures for Non-Financial Assets	1 January 2014
IAS 39 Amendment – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IFRIC 21 Levies	1 January 2014
IAS 39 Amendment – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IAS 19 Amendment – Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

* not yet endorsed by the European Union

2. Standards and interpretations not yet applied by the group CONTINUED

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 its 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.

Going concern

The group has sufficient funds to cover overheads for the foreseeable future. The development of the group's exploration asset will require significant external funding above the group's existing working capital. The group have met all existing licence commitments and plan to consider a variety of funding options over the forthcoming year.

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.

3. Significant accounting policies CONTINUED

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

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 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 entities' 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.

3. Significant accounting policies CONTINUED

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 set off 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.

3. Significant accounting policies CONTINUED

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.

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

De-recognition 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.

De-recognition 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 2013 was US$6.3 million (2012: US$6.2 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.

There is only one segment, therefore all disclosures are within other notes to the accounts.

6. Operating loss

	Note	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
This is stated after charging/(crediting):			
Staff costs	8	104	316
Auditor's remuneration	7	44	45
Depreciation		5	5

7. Auditor's remuneration

The remuneration of the auditor is further analysed as follows:

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Remuneration receivable by the company's auditors for the audit of these accounts	41	42
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	3
Total remuneration	44	45

8. Employees and key management

The total directors' emoluments for the period were US$94,000 (2012: US$96,000) and those of the highest paid director were US$47,000 (2012: US$48,000). Detailed disclosure of directors' remuneration is disclosed in the directors' report on page 7.

The group averaged 8 (2012: 8) employees during the period ended 31 December 2013.

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$242,000 (2012: US$82,000).

10. Net finance expense

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'000
Finance income		
Bank deposits	1	14
Exchange gains	–	178
Total interest revenue	1	192
Finance costs		
Exchange losses	(7)	–
Total interest expense	(7)	–
Investment revenue earned on financial assets analysed by category of asset is as follows:		
Loans and receivables (including cash and bank balances)	1	14

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2013

11. Income tax expense

	Year ended 31 December 2013 US$'000	Year ended 31 December 2012 US$'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	(689)	(495)
Loss before tax multiplied by the standard CT rate 23.25% (24.5%)	(160)	(121)
Effect of:		
Expenses not deductible for tax purposes	2	2
Differences in local tax rates	(104)	25
Tax losses for future utilisation	262	94
Tax charge for the period	–	–
Unrecognised deferred tax provision		
Fixed asset timing differences	(1,102)	(921)
Short term timing differences	(303)	(72)
Tax losses UK	(85)	(142)
Tax losses Namibia	(172)	(92)
	(1,662)	(1,227)

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 in respect of losses was measured using an expected tax rate of 20% and 37.5% for the UK and Namibian tax losses respectively (2012: 23%, 37.5%).

All the unrecognised deferred tax balances have been calculated using the rate at which these assets are expected to unwind, being 20% for the UK and 37.5% for Namibia. The March 2013 Budget included provisions for the main rate of UK corporation tax to reduce from 23% to 21% on 1 April 2014, and to 20% on 1 April 2015. This will reduce the company's future tax charge accordingly. The rates of 21% and 20% were substantially enacted on 2 July 2013.

Notes to the consolidated financial statements

For the 12 month period ended 31 December 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 2013 US$'000	Year ended 31 December 2012 US$'000
Basic and diluted loss per share (US cents)	(0.03c)	(0.02c)
Weighted average number of shares for basic and diluted loss per share	23,076,900	23,076,900

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$689,000 (2012: US$495,000) 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.

13. Intangible assets

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

	Mining licenses US$'000	Evaluation costs US$'000	Totals US$'000
Cost			
At 1 January 2012	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**
Cost			
At 1 January 2013	4,156	2,062	6,218
Additions	–	655	655
Exchange adjustment	–	(544)	(544)
At 31 December 2013	**4,156**	**2,173**	**6,329**
Net book value at 31 December 2013	**4,156**	**2,173**	**6,329**

14. Property, plant and equipment

	Totals US$'000
Cost	
At 1 January 2012	–
Additions	29
Exchange adjustment	(1)
At 31 December 2012	**28**
Depreciation	
At 1 January 2012	–
Charge for the year for depreciation	5
Exchange adjustment	–
At 31 December 2012	**5**
Net book value at 31 December 2012	**23**
Cost	
At 1 January 2013	28
Exchange adjustment	(5)
At 31 December 2013	**23**
Depreciation	
At 1 January 2013	5
Charge for the year for depreciation	5
Exchange adjustment	(1)
At 31 December 2013	**9**
Net book value at 31 December 2013	**14**

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

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2013

15. Investment in subsidiary

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

	Company as at 31 December 2013 US$'000	Company as at 31 December 2012 US$'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.

16. Loans to subsidiaries

	Company as at 31 December 2013 US$'000	Company as at 31 December 2012 US$'000
China Africa Resources (pty) Ltd	4,053	3,085
	4,053	3,085

In the prior year company cashflow an amount of $600,000 was classified as a cash outflow to a subsidiary company; however, this was a non-cash transaction and the cashflow has been adjusted accordingly.

The loan has no fixed terms of repayment and is unsecured. Interest accrues on the loan at the 12 month US Dollar LIBOR +2%.

17. Trade and other receivables

	Group As at 31 December 2013 US$'000	Group As at 31 December 2012 US$'000	Company As at 31 December 2013 US$'000	Company As at 31 December 2012 US$'000
Pre-payments	63	10	63	10
Sales taxes	14	228	9	46
	77	238	72	56

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2013

18. Cash

	Group As at 31 December 2013 US$'000	Group As at 31 December 2012 US$'000	Company As at 31 December 2013 US$'000	Company As at 31 December 2012 US$'000
Cash and short-term deposits	1,922	3,204	1,826	3,132

19. Trade and other payables – current

	Group As at 31 December 2013 US$'000	Group As at 31 December 2012 US$'000	Company As at 31 December 2013 US$'000	Company As at 31 December 2012 US$'000
Trade payables	83	165	83	165
Other payables and accruals	53	49	48	46
	136	214	131	211

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

20. Share capital

	31 December 2013 US$	31 December 2012 US$	31 December 2013 £	31 December 2012 £
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 2013	31 December 2012
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 2013 and 31 December 2012 are as follows:

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

No new share options were issued in the year.

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 2013 (2012: US$0.423). The weighted average remaining contractual life of options outstanding at the end of the year was seven 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, which 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)

21. Capital and contractual commitments

There were no capital or contractual commitments at 31 December 2013 (2012: 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 2013 US$'000	Group As at 31 December 2012 US$'000	Company As at 31 December 2013 US$'000	Company As at 31 December 2012 US$'000
Financial assets				
Current				
Loans and receivables				
Inter-company receivables	–	–	4,053	3,085
Trade and other receivables	14	228	9	46
Cash and cash equivalents	1,922	3,204	1,826	3,132
	1,936	3,432	5,888	6,263
Financial liabilities				
Current				
Amortised cost	(136)	(214)	(131)	(211)
	(136)	(214)	(131)	(211)

As at 31 December 2013 there were no trade receivables that were past due and all are believed to be recoverable. (2012: 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 intercompany loan through its management accounts and assesses its ability to repay it. It also monitors the political risk within Namibia and its effect on the loan's credit worthiness.

22. Financial instruments CONTINUED

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 2013 was as follows:

	US dollars $'000	Pound sterling $'000	Namibian dollars $'000	Total $'000
As at 31 December 2013				
Short-term deposits with fixed interest rates	–	–	–	–
Cash at bank with no interest rates	1,178	648	96	1,922
	1,178	648	96	1,922

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

At the reporting date, cash at bank floating interest rate is accruing weighted average interest of nil (2012: 0.2%). 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 nil (2012: US$26,000).

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	2013	2012
Period end	1 GBP – USD	1.65	1.62
Period end	1 USD – NAD	10.49	8.47

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2013

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:

As of 31 December 2013 the group's net exposure to foreign exchange risk was as follows:

	Group As at 31 December 2013 US$'000	Group As at 31 December 2012 US$'000
Net foreign currency financial assets/liabilities		
United States dollars	–	–
Pound sterling	648	1,186
Namibian dollars	–	–
	648	1,186

The following table details the group's sensitivity to a 10% increase and decrease in the US dollar against the relevant foreign currencies. 10% 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 2013 US$'000	Namibian dollar currency impact 31 December 2013 US$'000	British pound currency impact 31 December 2012 US$'000	Namibian dollar currency impact 31 December 2012 US$'000
Effect on loss	+10%	66	10	123	25
	–10%	66	10	123	25
Effect on equity	+10%	66	10	123	25
	–10%	66	10	123	25

23. Events subsequent to reporting date

There were no significant events subsequent to the reporting date.

Notes to the consolidated financial statements

For the 12 month period ended 31 December 2013

24. Related party transactions

	31 December 2013 US$'000	31 December 2012 US$'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	552
Trade payables	(55)	(110)
Company only		
Transactions with China Africa Resources Namibia (pty) Ltd, a wholly owned subsidiary:		
Management fee charged	600	600
Interest charged	85	56
Loans receivable	4,053	3,085

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

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