MEDR

MIDDLE EAST DIAMOND RESOURCES LTD

(Incorporated in the Republic of South Africa)
Registration number: 2001/006539/06
JSE share code: MED
ISIN: ZAE000211876
("MEDR" or "the Company" or "the Group")

SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended February 2017, 2018, 2019 and 2020

PREPARED BY:

The summarised audited consolidated financial results for the years ended February 2017, 2018, 2019 and 2020 were prepared by Deon Botha *CA(SA)*, Financial Director (part-time).

AUDITOR'S REPORT

The summarised financial results are extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the abridged financial results and the correct extraction of the financial information included herein from the underlying annual financial statements. The financial statements were audited by Nexia SAB&T, and the audit report thereon is available for inspection at the Company's registered office. The auditor's report contained the following paragraphs with respect to Material Uncertainty Related to Going Concern:

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

"We draw attention to Note 25 in the financial statements, which indicates that the Group incurred net losses for the years ending 29 February 2020, 28 February 2019, 28 February 2018 and 28 February 2017 and, as of those dates, the Group's total liabilities exceeded its total assets by R16 548 924 as at 29 February 2020 (2019: R13 946 695; 2018: R11 807 322; and 2017: R8 927 617). As stated in Note 25, these events or conditions, along with other matters as set forth in Note 25, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

OVERVIEW

At a glance

	2020 R	2019 R	2018 R	2017 R	Restated 2016 R
Revenue	**–**	–	1 318 694	–	–
EBITDA	**(2 473 494)**	(1 999 614)	(2 763 811)	(7 999 298)	1 797 142
(Loss)/earnings per share (cents)	**(0,60)**	(0,49)	(0,66)	(1,86)	0,13
Headline loss per share (cents)	**(0,60)**	(0,49)	(0,66)	(1,54)	(6,07)
Net asset value per share (cents)	**(3,80)**	(3,20)	(2,71)	(2,05)	(0,19)
Tangible net asset value per share (cents)	**(3,80)**	(3,20)	(2,71)	(2,05)	(0,19)

Changes to the Board of Directors

Since 1 March 2016, there were various changes to the Board, summarised below:

Director	Position	Appointment date	Resignation date	Reappointment date
James Gordon Allan	Chief Executive Officer	23 Nov 2012		
René Carlo Hochreiter	Executive Director	23 Nov 2012	7 Mar 2016	
Afzal Ahmed Jagot	Financial Director	29 Jul 2016	4 Jan 2017	
David Norton Levithan	Executive Director	23 Nov 2012	20 Sep 2016	
Mohammed Bassam Al Mojarkesh	Independent Non-Executive Director	29 Jul 2016		
Richard Mhlontlo	Lead Independent Director	29 Jul 2016	14 Jan 2019	
MIchael Mpho Mokgatlhe	Independent Non-Executive Director	14 Oct 2014	29 Jul 2016	
Charles Phillip Mostert	Independent Non-Executive Director/ Lead Independent Director	23 Nov 2012	29 Jul 2016	7 Feb 2017
Sheikh Abdulla Khalfan Humaid Nasser	Independent Non-Executive Chairman	29 Feb 2016		
Michael Howard Rogers	Independent Non-Executive Director	7 Aug 2014	29 Jul 2016	
Eshaan Singh	Financial Director (part-time)/ Independent Non-Executive Director	31 Aug 2015	29 Jul 2016	7 Feb 2017
Mohamed Said Tinawi	Independent Non-Executive Director	16 Feb 2016		
Deon Botha	Financial Director (part-time)	4 Nov 2020		

All the directors are South African citizens, except for Sheikh Abdulla Kahlfan Humaid Nasser, who is a UAE resident, and Said Tinawi and Mohammed Bassam Al Mojarkesh, who are Saudi Arabian residents.

Reporting period under review

The 2017 financial year started with a great deal of hope for the Company, with the new strategy of pursuing acquisitions in the diamond industry.

On 11 August 2016, the Company announced the acquisition of the operations of Kamfersdam from Blain Capital Solutions Proprietary Limited ("Blain") for a consideration of R14 million, payable through the issue of 40 000 000 (forty million) shares at a price of 35 cents per share. These shares were to be issued in four equal tranches of 10 000 000 (ten million) every six months, provided that the profit after tax for each period was at least R3,45 million. This operation was to be managed by Blain during this two-year period.

The Chief Executive Officer was tasked with identifying a number of diamond acquisition targets and a presentation was made to the Board in early March 2017, wherein a number of targets had been identified requiring an investment of approximately USD50 million. The Chairman requested that this be narrowed down to a number of projects totalling USD20 million and this sum was due to be provided by the Chairman in order to complete the acquisitions.

OVERVIEW (continued)

Unfortunately for the Company, the operations at Kamfersdam did not commence, resulting in the agreement being terminated, and the funds required for the diamond strategy never materialised.

One of the non-executive directors provided some working capital on loan account for the Company. A SWIFT from the Chairman was rejected by Standard Bank, despite a draft of the SWIFT having been sent to the bank for prior approval. No further funding for the Company to pursue the diamond acquisition strategy was forthcoming.

As a result of the shortage of working capital, the Company was unable to publish interim results timeously and trading in the shares was suspended by the Johannesburg Stock Exchange in December 2016.

Steps were taken to reduce expenditure and prevent the Company from going into liquidation.

The 2018 financial year started with trading in the shares being suspended on the Johannesburg Stock Exchange and investigations were made into acquiring suitable cash-generating operations in order to restore the Company to operations and have the suspension lifted by the Johannesburg Stock Exchange.

Several potential acquisitions were investigated and one of them progressed to the stage of drafting a Heads of Agreement between the vendors of a profitable cash-generative operation in the minerals processing area.

Unfortunately, this required some internal restructuring on the part of the target company. This was not achieved, and the minority shareholder ended up acquiring the balance of the shares in the operating company, thereby precluding MEDR from acquiring the operation.

The Company, and Exchange Sponsors (2008) Proprietary Limited, continued to seek potential targets in the minerals industry.

A number of potential targets were identified, including the reverse listing of a company listed on the London AIM market with South African assets, and a company with a large coal deposit in Madagascar. Several of these discussions progressed to Heads of Agreement stage but were terminated before signature.

Future prospects

After the year ended 29 February 2020, the Company identified an asset in South Africa, which includes a gold dump, and discussions with this company are ongoing but protracted.

As a result of these discussions, it was decided to restructure the share capital and increase the number of authorised shares, do a rights issue, convert debt into equity and raise some working capital.

The shareholders' meeting on 14 August 2020, approving resolutions to consolidate the shares on a 100:1 basis, resulted in the issuing of 4 350 872 (four million three hundred and fifty thousand eight hundred and seventy two) shares and the increase of the authorised share capital to 1 500 000 000 (one billion five hundred million) shares.

The Company intends to do a partially underwritten rights issue of R30 000 000 (thirty million rand) (of which R16,3 million has been subscribed and that the CEO, James Allan, has committed to follow his rights of R2,1 million) in order to prepare the annual financial statements, pay outstanding creditors and assist MEDR with future acquisitions.

On the successful conclusion of the rights issue, the Company will follow up with the Department of Mineral Resources and Energy in order to have these applications successfully granted.

At the same time, the Company is continuing to investigate the acquisition of suitable mineral resource assets, both in South Africa and further afield in Africa, to add value to the Company. These include assets at varying stages of development, from exploration to near production, to those in production.

On 9 November 2020, MEDR announced on SENS the acquisition of the Akyanga Gold Resource in the Democratic Republic of Congo. The Akyanga deposit contains a JORC Inferred Resource of 3 million ounces of gold and is being acquired through the issue of USD15 000 000 of shares to the vendor and the original owners of the project. At the same time MEDR will do a capitalisation issue of USD5 000 000 of shares to MEDR shareholders after the rights issue resulting in a net cost to MEDR shareholders of USD10 000 000. At the same time the vendor will subscribe for USD500 000 in cash for MEDR shares. This transaction will require a circular and shareholder approval.

On 10 November 2020, MEDR announced on SENS the acquisition of 50% of the issued capital of Stepford Company which holds the prospecting right to 101,22 km^2 of ground immediately adjacent to the Ahafo Mine in Ghana, owned by Newmont, which produces 650 000 ounces of gold per annum from an open pit operation. The Stepford prospecting area has a significant gold geochemical anomaly which indicates a potential deposit with a width of 800m (meters) over a 3km (kilometers) strike length. MEDR acquires this 50% for a payment of USD100 000 to current shareholders, an investment of USD200 000 into Stepford and a commitment to spend USD3 000 000 on exploration. MEDR is in discussions with strategic partners for this project.

MEDR has embarked on a strategy of acquiring gold assets in Africa that are either in production or near production or have significant resources that could be brought into production the medium term.

It is anticipated that these acquisitions will encourage investors to provide the necessary funding to develop these projects.

Appreciation

We would like to thank the various service providers for their ongoing support during this difficult period and, in particular, Exchange Sponsors for their unwavering support during the various investigations into acquisition targets.

We would like to thank Shenver Investments Proprietary Limited for providing a working capital loan to enable the annual financial statements to be prepared and for the Company to be able to enter into a rights issue.

We are confident that the Company will grow following the successful conclusion of the rights issue.

SUMMARISED AUDITED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION

as at 29 February 2020, 2019, 2018 and 2017

	Group				
	2020 R	**2019 R**	**2018 R**	**2017 R**	**Restated 2016 R**
ASSETS					
Non-current assets					
Financial assets	**249 516**	249 516	249 516	249 516	249 515
Current assets					
Loans to previous group companies	**–**	–	–	–	1 384 510
Trade and other receivables	**1 706 059**	1 336 509	1 055 556	842 879	212 915
Cash and cash equivalents	**1 603**	1 603	1 603	1 603	399 716
	1 707 662	1 338 112	1 057 159	844 482	1 997 141
Total assets	**1 957 178**	1 587 628	1 306 675	1 093 998	2 246 656
EQUITY AND LIABILITIES					
Equity					
Share capital	**99 468 435**	99 468 435	99 468 435	99 468 435	99 468 435
Accumulated loss	**(116 004 390)**	(113 402 161)	(111 262 788)	(108 383 083)	(100 295 248)
Equity attributable to owners of the parent	**(16 535 955)**	(13 933 726)	(11 794 353)	(8 914 648)	(826 813)
Non-controlling interest	**(12 969)**	(12 969)	(12 969)	(12 969)	(12 969)
Total equity	**(16 548 924)**	(13 946 695)	(11 807 322)	(8 927 617)	(839 782)
Liabilities					
Non-current liabilities					
Other financial liabilities	**14 865 182**	12 692 850	10 380 507	7 511 315	–
Total non-current liabilities	**14 865 182**	12 692 850	10 380 507	7 511 315	–
Current liabilities					
Other financial liabilities	**–**	–	–	104 500	–
Trade and other payables	**3 640 552**	2 841 173	2 733 435	2 405 731	3 086 438
Bank overdraft	**368**	300	55	69	–
Total current liabilities	**3 640 920**	2 841 473	2 733 490	2 510 300	3 086 438
Total liabilities	**18 506 102**	15 534 323	13 113 997	10 021 615	3 086 438
Total equity and liabilities	**1 957 178**	1 587 628	1 306 675	1 093 998	2 246 656
Net asset value per share (cents)	**(3,80)**	(3,20)	(2,71)	(2,05)	(0,19)
Net tangible asset value per share (cents)	**(3,80)**	(3,20)	(2,71)	(2,05)	(0,19)

SUMMARISED AUDITED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 29 February 2020, 2019, 2018 and 2017

		Group				
	Notes	2020 R	2019 R	2018 R	2017 R	Restated 2016 R
Continuing operations						
Sales		**–**	–	1 318 694	–	–
Cost of sales		**–**	–	1 256 930	–	–
Gross profit		**–**	–	61 764	–	–
Other income		**–**	–	–	–	7 523 397
Operating expenses		**(2 473 494)**	(1 999 614)	(2 825 575)	(7 999 298)	(8 343 402)
Operating loss		**(2 473 494)**	(1 999 614)	(2 763 811)	(7 999 298)	(820 005)
Finance costs		**(128 735)**	(139 759)	(115 894)	(88 537)	(1 475 494)
Loss before taxation		**(2 602 229)**	(2 139 373)	(2 879 705)	(8 087 835)	(2 295 499)
Taxation		**–**	–	–	–	–
Loss for the year from continuing operations		**(2 602 229)**	(2 139 373)	(2 879 705)	(8 087 835)	(2 295 499)
Discontinued operations	2					
Profit for the year from discontinued operations		**–**	–	–	–	2 617 147
Total comprehensive (loss)/ profit for the year		**(2 602 229)**	(2 139 373)	(2 879 705)	(8 087 835)	321 648
Total comprehensive loss attributable to:						
Owners of the parent		**(2 602 229)**	(2 139 373)	(2 879 705)	(8 087 835)	633 648
Non-controlling interest		**–**	–	–	–	(312 000)
		(2 602 229)	(2 139 373)	(2 879 705)	(8 087 835)	321 648
Earnings and diluted earnings per share	3					
Loss per share (cents)		**(0,60)**	(0,49)	(0,66)	(1,86)	0,13
From continuing operations (cents)		**(0,60)**	(0,49)	(0,66)	(1,86)	(0,93)
From discontinued operations (cents)		**–**	–	–	–	1,06
Diluted loss per share (cents)		**(0,60)**	(0,49)	(0,66)	(1,86)	0,13
From continuing operations (cents)		**(0,60)**	(0,49)	(0,66)	(1,86)	(0,93)
From discontinued operations (cents)		**–**	–	–	–	1,06

SUMMARISED AUDITED CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY

for the years ended 29 February 2020, 2019, 2018 and 2017

	Group					
	Share capital R	Accumulated loss R	Share-based payment reserve R	Total R	Non-controlling interest R	Total equity R
Balance at 1 March 2015	97 889 857	(100 928 894)	1 778 618	(1 260 419)	(88 578)	(1 348 997)
Familia loan restatement	(10 000 000)	–	–	(10 000 000)	–	(10 000 000)
Restated balance – 1 March 2015	87 889 857	(100 928 894)	1 778 618	(11 260 419)	(88 578)	(11 348 997)
Total comprehensive loss	–	(270 896)	–	(270 896)	(312 000)	(582 896)
Transactions with owners in their capacity as owners of equity						
Subscription for shares	8 000 000	–	–	8 000 000	–	8 000 000
Capitalisation costs on subscription	(245 218)	–	–	(245 218)	–	(245 218)
Share incentive scheme charge	–	–	2 045 178	2 045 178	–	2 045 178
Disposal of subsidiary	–	–	–	–	62 620	62 620
Transfer from other reserves	3 823 796	–	(3 823 796)	–	–	–
Balance at 29 February 2016 as previously reported	99 468 435	(101 199 790)	–	(1 731 355)	(337 958)	(2 069 313)
Correction of error (note 4)	–	904 542	–	904 542	324 989	1 229 531
Balance at 29 February 2016 as restated	99 468 435	(100 295 248)	–	(826 813)	(12 969)	(839 782)
Total comprehensive loss	–	(8 087 835)	–	(8 087 835)	–	(8 087 835)
Balance at 28 February 2017	99 468 435	(108 383 083)	–	(8 914 648)	(12 969)	(8 927 617)
Total comprehensive loss	–	(2 879 705)	–	(2 879 705)	–	(2 879 705)
Balance at 28 February 2018	99 468 435	(111 262 788)	–	(11 794 353)	(12 969)	(11 807 322)
Total comprehensive loss	–	(2 139 373)	–	(2 139 373)	–	(2 139 373)
Balance at 28 February 2019	**99 468 435**	**(113 402 161)**	**–**	**(13 933 726)**	**(12 969)**	**(13 946 695)**
Total comprehensive loss	**–**	**(2 602 229)**	**–**	**(2 602 229)**	**–**	**(2 602 229)**
Balance at 29 February 2020	**99 468 435**	**(116 004 390)**	**–**	**(16 535 955)**	**(12 969)**	**(16 548 924)**

SUMMARISED AUDITED CONSOLIDATED
STATEMENTS OF CASH FLOWS

for the years ended 29 February 2020, 2019, 2018 and 2017

	Group				
	2020 R	2019 R	2018 R	2017 R	2016 R
Cash flows from operating activities					
Cash utilised in operations	**(289 276)**	(407 239)	(1 085 962)	(3 156 766)	(8 920 358)
Finance costs paid	**–**	–	–	–	(94 414)
Net cash from operating activities	**(289 276)**	(407 239)	(1 085 962)	(3 156 766)	(9 014 772)
Cash flows from investing activities					
Proceeds on disposal of plant and equipment	**–**	–	–	–	68 082
Proceeds from disposal of subsidiary	**–**	–	–	–	(688 981)
Proceeds from disposal of loan account	**–**	–	–	–	100 000
Proceeds from restricted cash	**–**	–	–	(1)	–
Net cash from investing activities	**–**	–	–	(1)	(520 899)
Cash flows from financing activities					
Proceeds from share issue	**–**	–	–	–	7 754 782
Payments of financial liabilities	**–**	–	(442 000)	(139 498)	(5 000 000)
Proceeds from financial liabilities	**289 208**	406 994	1 527 976	2 898 083	7 397 519
Loan repaid to related parties	**–**	–	–	–	(55 000)
Loan repaid to director	**–**	–	–	–	(195 110)
Net cash from financing activities	**289 208**	406 994	1 085 976	2 758 585	9 902 191
Total cash movement for the year	**(68)**	(245)	14	(398 182)	366 520
Cash at the beginning of the year	**1 303**	1 548	1 534	399 716	33 196
Cash at the end of the year	**1 235**	1 303	1 548	1 534	399 716

NOTES TO THE SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the years ended 29 February 2020, 2019, 2018 and 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised consolidated financial results for the reporting period ended 29 February 2020 have been prepared in accordance with the Group's accounting policies Financial Director (part-time), Deon Botha CA(SA), and comply with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements for preliminary reports of the JSE Limited, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended and, as a minimum, contain all of the information required by IAS 34: Interim Financial Reporting.

Accounting policies

All accounting policies, inclusive of reasonable judgements and estimates, applied by the Group in these summarised consolidated financial results are the same as those applied by the Group in the underlying audited consolidated financial statements as at and for the reporting period ended 29 February 2020. All accounting policies are consistent with the prior reporting periods, unless otherwise stated, and comply with IFRS.

IFRS 9: *Financial Instruments*

The Company adopted IFRS 9: *Financial Instruments*, which was effective from 1 March 2018. The impact of this adoption was that financial assets previously classified as loans and receivables are now classified as financial assets at amortised cost.

Standards and interpretations effective and adopted during the relevant financial years

During the applicable financial years, the Group has adopted the following standards and interpretations that were effective and that are relevant to its operations:

Standard and interpretation	Effective date – years beginning on or after	Impact on financial statements
2017 financial year		
Amendment to IFRS 7: *Financial Instruments*: Disclosures: Annual Improvements project	01/01/2016	Not material
Disclosure Initiative: Amendment to IAS 1: *Presentation of Financial Statements*	01/01/2016	Not material
Amendment to IAS 34: *Interim Financial Reporting. Annual Improvements project*	01/01/2016	Not material
2018 financial year		
Amendments to IAS 7: *Disclosure initiative*	01/01/2017	Enhanced disclosures
IAS 12: *Income Taxes*	01/01/2017	Not material
2019 financial year		
IFRS 9: *Financial Instruments*	01/01/2018	Not material There was a change in the classification of financial assets and methodology in financial assets impairments
IFRS 15: *Revenue from Contracts with Customers*	01/01/2018	Not material
Amendments to IFRS 15: Clarifications to IFRS 15: *Revenue from Contracts with Customers*	01/01/2018	Not material
2020 financial year		
IFRS 16: *Leases*	01/01/2019	Not material

2. DISCONTINUED OPERATIONS

As part of the scheme of arrangement that was approved by shareholders on 25 January 2016, Sable Platinum Mining Limited ("SPM"), would repurchase the 370 issued shares held by Sable Platinum Holdings (Pty) Ltd for a consideration of R5.

This is reported as a discontinued operation.

Financial information relating to the discontinued operation for the period to date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented are for the 11 months ended 25 January 2016.

	Group
	2016 **R**
Revenue	–
Expenses	(5 409 185)
Net loss before taxation	(5 409 185)
Taxation	–
Gain on sale of subsidiary after income tax	8 026 332
Profit/(loss) from discontinued operation	2 617 147
Other comprehensive income	–
Other comprehensive income/(loss) from discontinued operation	2 617 147

In terms of the scheme of arrangement approved by shareholders at the extraordinary general meeting of 25 January 2016, MEDR (previously Sable) would pay a consideration of R6 000 000 to SPM for the cession and assignment of all current and contingent liabilities of MEDR and Sable Platinum Holdings Pty (Ltd) ("SPH") which would include the following:

- the Familia agreement and Sable's liability towards Familia;
- Sable's contingent obligation to pay arrear non-executive directors' fees of approximately R2 million;
- Sable and SPH's obligation to repay unsecured loans to Allan Hochreiter Investments (Pty) Ltd and James Allan; and
- Sable's contingent obligation to repay the loan of R6 million to Lemur Resources Limited.

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

3. EARNINGS AND HEADLINE EARNINGS PER SHARE

	Group				
	2020 cents	**2019 cents**	**2018 cents**	**2017 cents**	**2016 cents**
Basic and diluted earnings/(loss) per share (cents)					
Attributable to the ordinary equity holders of the Company					
From continuing operations (cents)	**(0,60)**	(0,49)	(0,66)	(1,86)	(0,93)
From discontinued operations (cents)	**–**	–	–	–	1,06
Total basic loss per share	**(0,60)**	(0,49)	(0,66)	(1,86)	0,13
Headline and diluted headline loss per share (cents)					
Attributable to the ordinary equity holders of the Company					
From continuing operations (cents)	**(0,60)**	(0,49)	(0,66)	(1,54)	(3,76)
From discontinued operations (cents)	**–**	–	–	–	(2,31)
Total headline loss per share	**(0,60)**	(0,49)	(0,66)	(1,54)	(6,07)

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

3. EARNINGS AND HEADLINE EARNINGS PER SHARE

(continued)

	Group 2020 cents	2019 cents	2018 cents	2017 cents	2016 cents
Reconciliation of loss used in calculating earnings per share and headline loss per share					
Profit attributable to the ordinary equity holders of the company used in calculating basic loss per share					
From continuing operations	**(2 602 229)**	(2 139 373)	(2 879 705)	(8 087 835)	(2 295 499)
Adjusted for:					
Profit on cession of loan liabilities	**–**	–	–	–	(5 523 720)
Profit on acquisition of loan accounts	**–**	–	–	–	(1 374 301)
Loss on sale of loan claims	**–**	–	–	–	179 392
Impairment of previous group company loans	**–**	–	–	1 384 510	–
Non-controlling interest	**–**	–	–	–	(312 000)
	(2 602 229)	(2 139 373)	(2 879 705)	(6 703 325)	(9 326 128)
From discontinuing operations	**–**	–	–	–	2 617 147
Adjusted for:					
Profit on disposal of subsidiary	**–**	–	–	–	(8 026 332)
Non-controlling interest	**–**	–	–	–	(312 000)
	–	–	–	–	(5 721 185)
Weighted average number of shares used as the denominator					
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**435 126 517**	435 126 517	435 126 517	435 126 517	247 727 422
Adjusted for calculation of diluted earnings per share	**–**	–	–	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**435 126 517**	435 126 517	435 126 517	435 126 517	247 727 422

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

4. RESTATEMENT OF PRIOR PERIOD ERROR

The restatement relates to errors in the financial statements for the year ended 29 February 2016.

There was a scheme of an arrangement in 2016 where certain companies in the Group were derecognised. However, due to a different interpretation of certain statutory requirements, three companies in the Group that should also have been derecognised, wasn't derecognised. The 2016 financial statements have now been restated to derecognise these subsidiaries. The subsidiaries were Fast Pace Trade and Invest 32 (Pty) Ltd, Ochre Shimmer Trade and Invest 72 (Pty) Ltd and Sable Platinum Joint Venture (Pty) Ltd.

Furthermore, there was incorrect classification between finance income and operating expenses.

The audited financial statements for the year ended 29 February 2016, has been restated as follows:

	Group			
	Effect on statement of comprehensive income		Effect on statement of financial position	
	Debit R	Credit R	Debit R	Credit R
Disposal of subsidiaries in terms of restructure agreement				
Decrease in outside shareholders interest	–	–	–	324 989
Increase in loan receivable from previous group companies	–	–	1 384 510	–
Decrease in financial assets	–	–	–	153 779
Decrease in cash and cash equivalents	–	–	–	1 200
Decrease in operating expenses		–	–	–
Decrease in finance income	1 381 080	–	–	–
Increase in profit from discontinued operations	–	2 285 622	–	–

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

5. LOANS TO PREVIOUS GROUP COMPANIES

	Group				
	2020 R	2019 R	2018 R	2017 R	2016 R
Fast Pace Trade and Invest 32 (Pty) Ltd	–	–	–	–	1 369 370
Ochre Shimmer Trade and Invest 72 (Pty) Ltd	–	–	–	–	14 240
Sable Platinum Joint Venture	–	–	–	–	900
	–	–	–	–	1 384 510

The loans are unsecured, interest free and have no repayment terms. The loans are not repayable within the next twelve months.

The fair value of these instruments approximates their carrying value, as the terms and conditions of the financial asset is market related.

6. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

There has been no material change in the Group's financial risk management objectives and policies compared to those disclosed in the consolidated annual financial statements as at and for the year ended 29 February 2016.

The Group does not currently carry any assets or liabilities at fair value which required any disclosure on its fair value measurement.

The directors are of the opinion that the carrying amount of the financial assets and financial liabilities approximate their fair values.

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

7. CONTINGENCIES

In terms of a scheme of arrangement approved on 25 January 2016, the Group and Company have ceded and assigned all current and contingent liabilities to Sable Platinum Mining Limited.

8. SEGMENT REPORTING

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specific criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker. Furthermore, a segment is a distinguishable component of the Group that is engaged in either providing related products and services (business segment), in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different to those of other segments. The Chief Executive Officer is the chief operating decision maker and evaluates the financial information of the Group as one operating unit.

No segment information has been provided as the Group is currently not trading.

9. RELATED PARTIES

Relationships

Subsidiaries	Sable Platinum Holdings (Pty) Ltd
Members of key management	Sheikh Abdulla Khalfan Humaid Nasser James Gordon Allan Mohammed Bassam Al Mojarkesh Mohamed Said Tinawi Eshaan Singh Charles Philip Mostert

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

9. RELATED PARTIES (continued)

	Group				
	2020 R	**2019 R**	**2018 R**	**2017 R**	**2016 R**
Related party balances and transactions with entities with control, joint control or significant influence over the Company					
Accounts receivable					
James Gordon Allan	**–**	–	–	–	100 000
Loans payable to related parties					
Sable Platinum Mining Limited	**(14 065 182)**	(11 975 974)	(9 768 980)	(6 989 654)	–
Mohamed Said Tinawi	**(800 000)**	(716 876)	(611 527)	(521 661)	–
James Gordon Allan	**–**	–	–	(104 500)	–
Interest paid to related parties					
Mohamed Said Tinawi	**128 735**	139 759	115 894	88 537	94 414
Management fees					
Sable Platinum Mining Limited	**1 500 000**	1 500 000	1 500 000	3 510 000	–

10. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group incurred net losses for the years ending 29 February 2020, 28 February 2019, 28 February 2018 and 28 February 2017 and, as of those dates, the Group's total liabilities exceeded its total assets by R16 548 924 as at 29 February 2020 (2019: R13 946 695; 2018: R11 807 322; and 2017: R8 927 617). These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The directors will continue to source financial resources to continue as a going concern despite the historical losses incurred. The ability of the Group and Company to be going concerns is dependent on the success of the rights issue referred to in the subsequent events note.

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

10. GOING CONCERN (continued)

Mining and prospecting risk

The Group and Company work within the framework of the Mineral and Petroleum Resources Development Act, no 28 of 2002 and other applicable legislation in order to remain therewith and to retain its granted rights. The failure of the Group and Company to meet its obligation to the Department of Mineral Resources and Energy (DMRE) may negatively impact on its holding of the prospecting rights and hence its core business. The impact of any legislative changes as to the risk they may pose to the Group and Company's operation will be assessed as and when they occur. The communities with whom the Group and Company deal with are often fractured. The Group and Company, through ongoing negotiation with these communities, attempt to anticipate and resolve any such issues as and when they occur and prior to them becoming material.

11. EVENTS AFTER THE REPORTING PERIOD

Rights offer

The Company intends to do a partially underwritten rights issue of R30 000 000 (thirty million rand) (of which R16,3m has been subscribed and that the CEO, James Allan, has committed to follow his rights of R2,1m) in order to prepare the annual financial statements, pay outstanding creditors and assist MEDR with future acquisitions.

It is anticipated that the rights issue circular will be sent to shareholders as soon as the suspension from the JSE is lifted and the rights offer has been approved by the JSE.

General meeting

At a general meeting held on 14 August 2020, the authorised ordinary share capital of the Company, comprising 1 000 000 000 (one billion) ordinary shares of no par value, was consolidated on a 1:100 basis into 10 000 000 (ten million) shares of no par value. The issued ordinary share capital of the Company, comprising 435 126 517 (four hundred and thirty-five million one hundred and twenty-six thousand five hundred and seventeen) ordinary shares of no par value, was consolidated on a 1:100 basis into 4 351 265 shares (four million three hundred and fifty-one thousand and two hundred and sixty five) of no par value.

At the same meeting, the authorised share capital of the Company was increased by 1 490 000 000 (one billion four hundred and ninety million) shares of no-par value from 10 000 000 (ten million) shares of no par value to 1 500 000 000 (one billion five hundred million) shares of no par value.

Acquisitions – Casa Mining Limited

MEDR has widened the search for suitable assets to acquire from a narrow focus in South Africa to include the rest of Africa and, in particular, has focussed on the acquisition of gold and copper assets in Africa.

An acquisition of Casa Mining Limited ("Casa") had been entered into on 9 November 2020, which owns a sizeable gold asset in the Democratic Republic of Congo ("DRC") with 3 million ounce JORC Inferred Resource, which is currently being converted to a SAMREC defined resource.

A Heads of Agreement had been entered into on the 6 November 2020 with Chun Can Capital Group or its Nominee, a company incorporated in The State of Nevada USA ("Purchaser"), which holds 100% of Casa to acquire all the issued shares of and claims in Casa with effect from the date that all conditions precedent have been met.

NOTES TO SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the financial years ended 29 February 2020, 2019, 2018 and 2017

continued

11. EVENTS AFTER THE REPORTING PERIOD (continued)

Stepford Company Limited

A Heads of Agreement had also been entered into with Stepford Company Limited ("Stepford") on 9 November 2020, a company incorporated in Ghana to acquire 50% of the issued shares of and claims in Stepford from the shareholders of Stepford with effect from the date that all conditions precedent have been met.

Covid-19

COVID-19 had no impact on the Group due to it not trading.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

For and on behalf of the Board of Directors

James Gordon Allan
Chief Executive Officer

Mohamed Said Tanawi
Independent Non-Executive Director

1 December 2020

MIDDLE EAST DIAMOND RESOURCES LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2001/006539/06
JSE share code: MED
ISIN: ZAE000211876
("MEDR" or "the Company" or "the Group")

Directors:

James Gordon Allan (Chief Executive Officer), Deon Botha (Financial Director (part-time)), Sheikh Abdulla Khalfan Humaid Nasser (Chairman)*, Charles Philipp Mostert (Lead Independent Director)*, Eshaan Singh*, Mohamed Said Tanawi* and Mohammed Bassam Al Mojarkesh*

* *Independent Non-Executive Directors*

Registered address:

Kingsley Office Park, 85 Pretoria Road, Chistlehurston, Sandton , 2196

Postal address:

PO Box 411130, Craighall, 2024

Company Secretary:

JUBA Statutory Services Proprietary Limited, Block B, Office 103, The Park Shopping Centre, 837 Barnard Street, Elarduspark, 0181 (PO Box 4896, Rietvalleirand, 0174)

Sponsor:

Exchange Sponsors (2008) Proprietary Limited, 44a Boundary Road, Inanda, 2196 (PO Box 411216, Craighall, 2024)

Auditor:

Nexia SAB&T, 119 Witch-Hazel Avenue, Highveld Technopark, Centurion, 0157 (PO Box 10512, Centurion, 0046)

Transfer Secretaries:

Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132)

These results and an overview of MEDR are available at www.medr.co.za.