

DIRECTORS AND ADVISERS

DIRECTORS	M A Alikhani H M Silver M J Madungandaba S Sasson Dr Anna T M Mokgokong O J Lubow	Non-Executive Chairman Chief Executive Officer Finance Director Executive Director Non-Executive Director Non-Executive Director
SECRETARY	K R Sodha FCA	
REGISTERED OFFICE	2nd Floor 19/20 Grosvenor Street London W1K 4QH	
BANKERS	HSBC Bank plc 69 Pall Mall London SW1Y 5EY	
AUDITORS	Deloitte & Touche LLP Hill House 1 Little New Street London EC4A 5TR	
NOMINATED ADVISER AND STOCKBROKER	WH Ireland Limited 24 Bennetts Hill Birmingham B2 5QP	
SOLICITORS	Beachcroft LLP 100 Fetter Lane London EC4A 1BN	
REGISTRARS	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	
COMPANY NUMBER	5084775	

CHAIRMAN'S STATEMENT

I am pleased to report the results of Cape Diamonds Plc ("Cape Diamonds") for the year ended 30 June 2006, following its admission to AIM on 26 May 2006.

Cape Diamonds was established in March 2004 to capitalise upon the opportunity to acquire diamond assets in South Africa. In September of that year, the Company acquired a 51 per cent interest in Golden Falls Mining (Pty) Ltd ("Golden Falls") which wholly owned the Elandsplaagte Project, an existing mining operation based on a diamondiferous kimberlite pipe system. The project currently has indicated and inferred diamond resources of 1.25 million carats with further upside potential from established kimberlite deposits.

In February 2006, Cape Diamonds acquired the remaining 490 ordinary shares in Golden Falls for a total consideration of £190,000 in cash and 11 million ordinary shares in the Company. Following this transaction, Cape Diamonds owned 100 per cent of Golden Falls.

In March 2006, the Group entered into an agreement to sell a 25.6 per cent. interest in Golden Falls to Wheatfields Investments No. 223 (Pty) Limited ("Wheatfields"), a Black Economic Empowerment ("BEE") company and an initial payment of £87,000 (R1 million) was received. This agreement was subsequently amended to allow Wheatfields longer to pay. This change has no impact on the mining licence granted to Golden Falls. The agreement was finalised in February 2007 and £629,371 (R9 million) was received in March 2007. This resulted in benefits to both the parties including an extension of mining licence and future investment/business growth.

The results for the year to 30 June 2006 show a pre-tax loss of £5.6 million (2005: loss £0.3 million). Development expenditure amounting to £2.8 million (2005: £2.0 million) was capitalised. The Group recognised a tax credit in South Africa of £1.3 million on the mining development costs.

The results include share based payment costs on the issue of warrants of £3.2 million. A gain of £12.2 million based on the fair value acquisition of 49% of the shares in Golden Falls has been credited to reserves.

On 26 May 2006, the Company's ordinary shares were admitted to trading on AIM, at which time the Company completed a placing to raise £11.9 million, net of expenses.

A number of accounting issues including those relating to extensive restructuring of the South African sub-group, compounded by a lack of accountancy resource and by the

resignation of the Non-Executive Directors resulted in the delay in publishing our final results. We are pleased to inform our shareholders that following the release of these results, suspension of the ordinary shares will be lifted and trading of the Company's ordinary shares will resume on AIM.

BOARD CHANGES

We are pleased to announce the following appointments in June 2007:

Merika Johannes ("Joe") Madungandaba (49) joins Cape Diamonds from its Black Economic Empowerment Partner, Community Investment Holdings (Pty) Ltd ("CI Holdings"), the ultimate parent of Wheatfields, which owns 25.6% of Golden Falls, Cape Diamonds' trading subsidiary that operates the Elandsplaagte mine. Joe is a co-founder of CI Holdings and has held the position of Chief Executive Officer for 11 years. CI Holdings is a black economic empowerment investment company with substantial interests in Healthcare, Transport & Logistics, Power & Energy and Telecommunications sectors. Joe has extensive experience serving as a Board member, both for private companies and a number of public companies listed on the Johannesburg Stock Exchange. Joe completed his articles of clerkship with Ernst & Young in South Africa. He holds a certificate in taxation from UNISA and completed a Managing Enterprise Development Programme at Cranfield, in addition to being a member of the Association of Black Accountants of Southern Africa, the Black Management Forum and the Institute of Certified Public Accountants of South Africa. Joe takes overall responsibility for the financial functions at Cape Diamonds and Golden Falls.

He will be based in South Africa.

Dr Anna Theresa Masamo Mokgokong (50) is a leading business woman, recognised as such by awards from around the world, including the UK, Australia, France, Spain and Italy. She is co-founder and Executive Chairperson of CI Holdings, which Anna and her co-founders built from nothing in 1995 to a group turnover in excess of £279 million (R4 billion) in 2006. She is on the board of a number of companies and institutions including the positions of Non-Executive Chairperson of Jasco Electronics (listed on the Johannesburg Stock Exchange), Air Liquide Healthcare and Tshwane International Convention Centre, and Deputy Chairperson of Siemens Limited. Anna has been appointed by the President of South Africa, Mr Thabo Mbeki, to serve as a member of the Independent Commission for the Remuneration of Public Office Bearers for a period of five years from March 2004.

Among other responsibilities she is a member of the Premier's Economic Advisory Council, President of South African Women Entrepreneurs Network ("SAWEN") and Chairperson of the Small Enterprise Development Agency ("SEDA"). She graduated from the Medical University of South Africa (Medunsa) in 1984.

Oren Jonathan Lubow (32) is based in Israel and is the owner and Managing Director of Taurus-IL Ltd, an investment house with a portfolio of Israeli and overseas companies representing a wide range of business sectors. He is also a Director and member of the Investment Committee of Rahkia Mutual Funds Limited. Oren qualified for the Israeli Bar in May 2001 and worked in the corporate department of Naschitz, Brandes & Co Law Offices, one of Israel's largest law firms from 2001 to 2004.

Sharon Sasson (36), based in Israel, is a UK qualified lawyer who was for four years until 2004 a founding partner of a law firm specialising in investments and fundraising. From 2004, Sharon has been a self employed businessman involved in various aspects of investment banking and business development, working in close contact and co-operation with leading Israeli investment houses and banks and high net worth private investors.

As a result of the recent appointments and the resulting new distribution of responsibilities on the board, Masoud Alikhani became Non-executive Chairman of the Company, with effect from 15 June 2007.

Andrew Coxon, Robert Stubbs and John Vergopoulos resigned as Non-Executive Directors in January 2007.

OTHER APPOINTMENT

Keith J Hardy FCA (59) is retained as a consultant to the Company providing support to Joe Madungandaba, our Finance Director based in South Africa, to advise on UK specific matters. Keith is a Chartered Accountant with 35 years experience and will be appointed as Company

The resource summary as shown in the Admission Document dated 22 May 2006 is:

RESOURCE CATEGORY	IN-SITU TONNES TONNAGE t	DIAMOND GRADE cphpt	INTERNAL WASTE %	TONNAGE t	FEED GRADE TONNES DIAMOND GRADE cphpt	CARATS Ct
Indicated*	7,926,007	8.4	18.68	6,423,301	10.4	668,672
Inferred**	9,265,710	6.3	21.63	7,255,478	8.0	582,343
Total/Av	17,191,717	7.3	20.27	13,678,779	9.1	1,251,015

* Indicated diamond resource to a depth of 120m

** Inferred diamond resource to a depth of 220m

This summary will be reviewed in the light of current production, bulk sampling, mining, and micro count analysis, and will be subject to refinement and change.

M A Alikhani, Non-Executive Chairman, 15 June 2007

Secretary when trading in the Company's ordinary shares resumes on AIM.

OUTLOOK

Commercial production of the Leicester pit began on 1 October 2006. The next stage of development, to build a 200,000 tonne dense medium separation plant ("DMS") and main electrical substation, is progressing well and is expected to reach full production during the second half of the 2007 calendar year, at which time the newly built DMS plant and the current operational pan plant together are expected to increase production to 300,000 tonnes of ore per month. We anticipate diamond recoveries will improve significantly once the DMS plant is operational. The equipment being installed is the latest in mining technology and has significantly greater crushing capacity. Mining grades are also expected to improve with the ongoing pit development.

FINANCING

Financing facilities have been arranged with the Industrial Development Corporation of South Africa Limited ("IDC") for £3.7 million (R50 million) in respect of the DMS, and with Empimex Diamonds Limited, an Israeli diamond company for £4 million for working capital.

A further £1.5 million (net of expenses) has been raised via the placing of 1.6 million new ordinary shares at £1 per share with Golden Hope Limited for working capital requirements.

The Board believes that it is necessary to give the Company the facility to raise further funds, to counter the risk that production from DMS plant is delayed or reduced. The Company is seeking the consent of shareholders to provide the Company with the authority to issue up to a further 10 million ordinary shares and 5 million warrants to facilitate when necessary, raising further finance by issue of shares. An AGM has been convened, details of which can be found on page 39.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements, for the year ended 30 June 2006.

RESULTS AND DIVIDENDS

The results to 30 June 2006 reflect the development costs of the mine, fund raising and other head office costs. The results for the year are set out in the Group income statement on page 10. The Directors do not recommend the payment of a dividend on the ordinary shares.

Key performance indicators are considered in the Chairman's statement.

PRINCIPAL ACTIVITIES

The main activity of the Group is to mine and extract diamonds in the Republic of South Africa. The principal activity of the Company is that of a holding company.

CHANGE OF NAME

At an Extraordinary General Meeting on 26 January 2006, the Company changed its name from Dominion Mining Plc to Cape Diamonds Plc.

DIRECTORS AND THEIR INTERESTS

The names of the Directors who served throughout the year and subsequently, except where shown otherwise, are as follows:

M A Alikhani	Non-Executive Chairman
H M Silver	Chief Executive Officer (appointed 1 April 2006)
J D Vergopoulos	Non-Executive Director (appointed 1 September 2005, resigned 10 January 2007)
R L Stubbs	Non-Executive Director (resigned 11 January 2007)
A M Coxon	Non-Executive Director (appointed 19 April 2006, resigned 10 January 2007)
K R Sodha	Executive Director (resigned 19 April 2006)
P Mattsson	Non-Executive Director (resigned 1 August 2005)
M J Madungandaba	Executive Director (appointed 11 June 2007)
A T M Mokgokong	Non-Executive Director (appointed 11 June 2007)
O J Lubow	Non-Executive Director (appointed 11 June 2007)
S Sasson	Executive Director (appointed 15 June 2007)

All of the serving Directors have a service contract with the Company.

The interests in share capital (as defined in the Companies Act 1985) of the Directors holding office at 30 June 2006 or at date of resignation are shown below.

NAME	NUMBER OF ORDINARY SHARES OF 10P AT 30 JUNE 2006 OR DATE OF RESIGNATION	% OF ISSUED SHARE CAPITAL	NUMBER OF ORDINARY SHARES OF 10P* AT 30 JUNE 2005 OR DATE OF APPOINTMENT	% OF ISSUED SHARE CAPITAL
M A Alikhani**	2,811,420	8.56	1,250,100	0.97
H M Silver	–	–	–	–
R L Stubbs	7,500	0.02	7,500	0.01
J D Vergopoulos	100,000	0.3	–	–
A M Coxon	–	–	–	–
K Sodha	–	–	–	–
P Mattsson	50,000	0.15	50,000	0.04
Total	2,968,920	9.03	1,307,600	1.02

* The number of shares for 2005 are restated for consolidation from £0.01 per share to £0.10 per share.

** The 2,811,420 shares disclosed under M Alikhani are held by Shanley Holdings Ltd. M Alikhani is the beneficial owner of Shanley Holdings.

Details of share warrants granted to Directors are provided in Note 22.

Other than as set out in the preceding paragraphs, none of the Directors held any interests in shares of the Company or its subsidiary undertakings during the year. All of the interests reported are beneficial.

DIRECTORS AND OFFICERS' LIABILITY INSURANCE

The company purchases and maintains liability insurance for its Directors and Officers.

TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

Details of transactions with Directors and related parties are set out in Note 24 to the accounts.

ISSUES OF SHARES AND WARRANTS

During the period 19,977,687 (2005: 128,433,656) ordinary shares of £0.10 (2005: of £0.01) were issued for £17,626,788 (2005: £1,284,336).

At an Extraordinary General Meeting held on 26 January 2006, a special resolution was passed that the shares be consolidated so that 10 such £0.01 shares became one new Ordinary Share of £0.10.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that as at 23 May 2007 the following persons are interested (within the meaning of the Act) directly in 3% or more of the issued share capital of the Company:

NAME	NUMBER OF ORDINARY SHARES	% OF ISSUED SHARE CAPITAL AFTER ADMISSION
Seaton Resources Limited	6,022,120	18.25%
Shanley Holdings Limited	2,811,420	8.52%
HSBC Global Custody Nominees (UK) Limited	2,752,330	8.34%
Chase Nominees Limited (BT01C)	2,254,270	6.83%
W B Nominees Limited	1,921,414	5.82%
Chase Nominees Limited (BT01C) Des: CMBL	1,598,250	4.84%
Credit Suisse Client Nominees (UK) Limited	1,092,500	3.31%

The Company has issued share warrants to Directors, key employees and consultants which are listed in Note 22.

The Company is aware of the following options over Ordinary Shares:

SHAREHOLDER	OPTION HOLDER	NUMBER OF SHARES UNDER OPTION
Seaton Resources Limited	Activeminerals (Pty) Limited	5,022,120
Seaton Resources Limited	Interactive Trading 365 (Pty) Limited	1,000,000
Pitcher Limited	Business Harmony 12 (Pty) Limited	577,880

None of the Ordinary Shares held under the above options may be transferred to the respective option holders without the relevant South African exchange control consents having been obtained.

Pending exercise of the above options the respective option holders are entitled to exercise the voting rights attached to the Ordinary Shares in respect of which the options have been granted.

Hermanus Manuel Silver has a beneficial interest in Interactive Trading 365 (Pty) Limited.

Andries Scholtz who is involved in corporate development for the Group has beneficial interest in Activeminerals (Pty) Limited.

SPECIAL BUSINESS

Resolutions will be proposed at the Annual General Meeting, as set out in the formal notice on page 39.

The following resolutions constitute Special Business:

Resolution number 8 is proposed as an Ordinary Resolution to provide the Directors with authority to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum nominal amount of £500,000 (allotted in pursuance of the exercise of warrants) and up to an aggregate nominal amount of £1,000,000 representing approximately 28.25 per cent. of the authorised but as yet unissued share capital of the Company at the date hereof. Such authority shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company.

DIRECTORS' REPORT CONT'D

Resolution number 9 is to seek authority for the Directors to allot equity securities pursuant to the warrants granted by the Company prior to the date hereof and to allot equity securities up to an aggregate nominal amount of £1,000,000 representing approximately 28.25 per cent. of the authorised but as yet unissued share capital of the Company at the date hereof provided that the authorities, unless duly revoked, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next Annual General Meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.

SUPPLIER PAYMENT POLICY

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 30 June 2006 were equivalent to 193 days' purchases, based on the average daily amount invoiced by suppliers during the year.

FIXED ASSETS

In the opinion of the Directors the current open market value of the Group's interests in land and buildings exceeds the book value by approximately £36 million. The Group's liability to taxation if land and buildings were sold at that value would approximate to £10.8 million.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Group made charitable donations of £450, principally to local charities serving the communities in which the Group operates.

ENVIRONMENTAL MATTERS

Regular tests are carried out to ensure that our mine operates within safe environmental conditions.

RISK

The Group is vulnerable to certain risks which are detailed in Note 16.

EVENTS AFTER THE BALANCE SHEET DATE

The relevant information can be found in Note 23.

GOING CONCERN BASIS

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITORS

In accordance with section 234ZA of the Companies Act 1985, the Directors who held office at the date of approval of this Director's report confirm that, so far as they are each aware, there is no relevant audit information, being information needed by the auditors in connection with preparing this report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Company's auditors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. A resolution proposing the re-appointment of Deloitte & Touche LLP will be put to the shareholders at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board by,

M A Alikhani
Non-Executive Chairman
15 June 2007

CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and the guideline set out in the Principles of Good Corporate Governance and Code of Best Practice (the “Combined Code”). Whilst AIM companies are not obliged to comply with the Combined Code, the Directors do intend to comply with the Combined Code so far as is appropriate having regard to the size and nature of the various companies making up the Group. The Board will take such measures so far as practicable to comply with the Combined Code and in addition, the Quoted Companies Alliance (“QCA”) Guidelines for AIM Companies.

By the end of June 2007 financial year, the board will have put in place the corporate governance procedures they believe are appropriate for the Company. We will report any non-compliance with the Combined Code in our annual report for 2007.

The Company had three Non-Executive Directors until their resignation in January 2007. Two new Non-Executive Directors were appointed on 11 June 2007. The Board retains full and effective control over the Company. The Company holds regular Board meetings at which financial, operational and other reports are considered and, where appropriate, voted on. Apart from the regular meetings, additional meetings are arranged when necessary to review strategy, planning, operational, financial performance, risk and capital expenditure and human resources and environmental management. The Board is also responsible for monitoring the activities of the executive management. To enable the Board to perform its duties, all Directors will have full access to all relevant information and to the service of the Company Secretary. If necessary the Non-Executive Directors may take independent professional advice at the Group’s expense.

The Directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities to operate with effect from Admission on 26 May 2006. Following the resignation of Non-Executive Directors in January 2007, new committees were set up on 11 June 2007.

THE AUDIT COMMITTEE

The audit committee comprised Robert Stubbs, John Vergopoulos and Andrew Coxon and was chaired by John Vergopoulos before their resignations. Following the appointment of the new Non-Executive Directors on 11 June 2007, the audit committee will comprise Joe Madungandaba and Oren Lubow, chaired by Joe Madungandaba. A UK Chartered Accountant will be available as a consultant to the committee to advise on matters relating to the UK. The audit committee meet at least twice a year. The first meeting of the committee was held on 11 June 2007. The committee reviews the Group’s annual and interim financial statements before submission to the Board for approval. The committee will review regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the committee will monitor the progress of action taken in relation to such matters. The committee will also recommend the appointment of, and review the fees of, the external auditors.

THE REMUNERATION COMMITTEE

The remuneration committee comprised Robert Stubbs, John Vergopoulos and Andrew Coxon and was chaired by Robert Stubbs before their resignations. From 11 June 2007, the remuneration committee will comprise Dr Anna Mokgokong and Oren Lubow, chaired by Oren Lubow. The remuneration committee meet at least twice a year. It is responsible for reviewing the performance of the executive Directors and for setting the scale and structure of their remuneration paying due regard to the interests of shareholders as a whole and the performance of the Group. The remuneration committee also determines allocations of any warrants or options granted under any share option scheme adopted by the Company in the future and is responsible for setting any performance criteria in relation to exercise of warrants granted under the Warrant Deeds and any such share options which may be granted.

Details of the remuneration paid to the Directors and senior management are shown in Note 24.

The Directors comply with Rule 21 of the AIM Rules relating to Directors’ dealings and take all reasonable steps to ensure compliance by the Company’s applicable employees. The Company operates a share dealing code for Directors and employees in accordance with the AIM Rules.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements for the Company and the Group and have also elected to prepare such financial statements for the Company in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Company law requires the Directors to prepare such financial statements in accordance with a relevant financial reporting framework (being UK GAAP or IFRS), the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires the financial statements present fairly for each financial period the Company's and Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and criteria for assets, liabilities, income and expenses set out in the International Accounting Standard Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- > properly select and apply accounting policies;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > provide additional disclosures when the compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- > prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the requirements of the Companies Act 1985. The Board's statement on going concern is included in the Directors' Report on page 4.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPE DIAMONDS PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Cape Diamonds plc for the year ended 30 June 2006 which comprise the Consolidated Group and Company income statements, the Group statement of recognised income and expense, the Consolidated Group and Company Balance Sheets, the Group and Company Cash Flow Statements, and the related Notes 1 to 38. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- > the financial statements give a true and fair view, in accordance with IFRS, as adopted by the European Union, of the state of the Group's and the Parent Company's affairs as at 30 June 2006 and of the Group's and Company's loss for the year then ended;
- > the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- > the information given in the Director's Report is consistent with the Financial Statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

15 June 2007

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2006

	NOTES	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Continuing operations			
Revenue	3	–	–
Other operating income	3	24,842	8,853
Administrative expenses		(4,551,337)	(300,386)
Other operating expenses		(975,787)	(616,127)
Negative goodwill		–	600,733
Operating loss	4	(5,502,282)	(306,927)
Investment income	3	41,791	–
Finance costs	6	(134,237)	(13,421)
Loss before taxation		(5,594,728)	(320,348)
Taxation	7	1,286,487	–
Loss after taxation		(4,308,241)	(320,348)
Attributable to:			
Equity holders of the parent	18	(4,463,396)	(41,646)
Minority interest		155,155	(278,702)
		(4,308,241)	(320,348)
Loss per share			
Basic and diluted	9	23.19p	0.06p
Pro forma		18.64p	0.60p

The above results relate to continuing operations.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSES

YEAR ENDED 30 JUNE 2006

	NOTE	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Exchange differences on translation of foreign operations	18	(42,743)	(181)
Loss for the period		(4,308,241)	(320,348)
Total income and expense recognised		(4,350,984)	(320,529)
Attributable to:			
Equity holders of the parent		(4,506,139)	(41,827)
Minority interest		155,155	(278,702)
		(4,350,984)	(320,529)

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	NOTE	30 JUNE 2006 £	30 JUNE 2005 £
Non-current assets			
Property, plant and equipment	10	41,204,633	5,560,253
Deferred tax	8	713,078	–
		41,917,711	5,560,253
Current assets			
Diamond stocks	11	45,280	–
Trade and other debtors	12	412,973	600,957
Cash and cash equivalents	13	9,731,664	3,509
		10,189,917	604,466
Total assets		52,107,628	6,164,719
Current liabilities			
Trade and other payables	14	(2,696,211)	(3,517,727)
Provisions	15	(49,886)	(15,336)
		(2,746,097)	(3,533,063)
Net current assets/(liabilities)		7,443,820	(2,928,597)
Non-current liabilities			
Provisions	15	(196,970)	(215,530)
Deferred tax	8	(10,009,142)	–
		(10,206,112)	(215,530)
Total liabilities		(12,952,209)	(3,748,593)
Net assets		39,155,419	2,416,126
Equity			
Share capital	17	3,282,105	1,284,336
Share premium	18	25,089,041	–
Share application funds	18	–	846,500
Translation reserve	18	(42,924)	(181)
Accumulated profit/(loss)	18	10,827,197	(41,646)
Equity attributable to equity holders of the parent		39,155,419	2,089,009
Minority interest		–	327,117
Total equity		39,155,419	2,416,126

These financial statements were approved by the Board of Directors on 15 June 2007.
Signed on behalf of the Board of Directors by

M A Alikhani
Director

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2006

	NOTES	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Net cash (outflow)/inflow from operating activities	20	(2,640,076)	304,466
Investing activities			
Interest received		41,791	–
Pre-production development costs		(2,266,649)	(2,000,588)
Acquisition of property, plant and equipment		(292,074)	(237,658)
Disposal of plant		50,305	–
Acquisition of subsidiary	19	(190,000)	(43)
Net cash used in investing activities		(2,656,627)	(2,238,289)
Financing activities			
Proceeds on issue of shares (net of share issue costs)		15,178,293	1,112,605
Share application funds		–	846,500
Interest paid		(134,237)	(13,421)
Net cash from financing activities		15,044,056	1,945,684
Net increase in cash and cash equivalents		9,747,353	11,861
Cash and cash equivalents at beginning of the year/period		3,509	–
Effect of foreign exchange rate changes		(19,198)	(8,352)
Cash and cash equivalents at end of the year/period		9,731,664	3,509

COMPANY INCOME STATEMENT

YEAR ENDED 30 JUNE 2006

	NOTES	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Continuing operations			
Administrative expenses		(4,547,724)	(387,478)
Operating loss	26	(4,547,724)	(387,478)
Interest income	27	26,406	590
Investment income	27	151,492	25,810
Loss before taxation		(4,369,826)	(361,078)
Taxation		–	–
Loss for the year/period	33	(4,369,826)	(361,078)

COMPANY BALANCE SHEET

AS AT 30 JUNE 2006

	NOTES	30 JUNE 2006 £	30 JUNE 2005 £
Non-current assets			
Investment in subsidiaries	30	15,979,881	1,139,942
		15,979,881	1,139,942
Current assets			
Trade and other debtors	31	291,718	725,099
Cash and cash equivalents		8,611,760	856
		8,903,478	725,955
Total assets		24,883,359	1,865,897
Current liabilities			
Trade and other payables	32	(1,185,248)	(96,139)
Total liabilities		(1,185,248)	(96,139)
Net current assets		7,718,230	629,816
Net assets		23,698,111	1,769,758
Equity			
Share capital	33	3,282,105	1,284,336
Share premium	33	25,089,041	–
Share application funds	33	–	846,500
Accumulated loss	33	(4,673,035)	(361,078)
Total equity attributable to equity holders of the parent		23,698,111	1,769,758

These financial statements were approved by the Board of Directors on 15 June 2007.
Signed on behalf of the Board of Directors by

M A Alikhani
Director

COMPANY CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2006

	NOTES	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Net cash inflow/(outflow) from operating activities	34	219,780	(844,707)
Investing activities			
Interest received		26,406	590
Loans		(6,615,292)	(679,349)
Acquisition of subsidiary	19	(190,000)	(434,783)
Net cash used in investing activities		(6,778,886)	(1,113,542)
Financing activities			
Proceeds on issue of shares (net of share issue costs)		15,170,010	1,112,605
Share application funds		–	846,500
Net cash from financing activities		15,170,010	1,959,105
Net increase in cash and cash equivalents		8,610,904	856
Cash and cash equivalents at beginning of the year/period		856	–
Cash and cash equivalents at end of the year/period		8,611,760	856

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2006

1. GENERAL INFORMATION

Cape Diamonds Plc is a company incorporated in the United Kingdom under the Companies Act 1985. It was incorporated on 25 March 2004 under the name of Dominion Mining Plc and changed its name to Cape Diamonds Plc on 26 January 2006. The registered office is detailed on page 1. The Group's principal activities are discussed in the Director's Report.

This financial information is presented in pounds sterling. The currency of the primary economic environment in which the Group operates is South African Rand ("R"). Foreign operations are consolidated in accordance with the policies set out in note 2.

At the date of the financial statements, the following Standards and Interpretations which have not been applied in this financial information were in issue but not yet effective:

IFRS 7	Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specified Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Share-based payment transactions as defined in IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 11	IFRS2 Group and Treasury Shares
	Amendment to IAS 21 Net Investment in a Foreign Operation
	Amendment to IAS 39 The Fair Value Option
	Amendment to IAS 39 Cash Flow Hedge Accounting of Forecast Intragroup Transactions
	Amendment to IAS 39 and IFRS 4 Financial Guarantee Contracts

The Directors anticipate that the adoption of these Standards and Interpretations in later periods will not have a material impact upon the financial information of the Group.

The Group has elected to early adopt IFRS 6 Exploration for and Evaluation of Mineral Resources.

The comparative figures cover the period from 25 March 2004 to 30 June 2005.

The R/£ exchange rates for the year/period are as follows:

	2006	2005
Year and rate	13.20	12.06
Average rate for the year/period	11.44	11.63

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information has also been prepared in accordance with IFRS adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial information has been prepared on the historical cost basis, except for certain financial instruments which are carried at fair value or amortised cost and in accordance with International Financial Reporting Standards. The principal accounting policies adopted, which have been consistently applied, are set out below.

BASIS OF CONSOLIDATION

The financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries) as disclosed in Note 30. Control is achieved where the Company has the power to govern a company's financial and operating policies so as to obtain benefits from its activities or where the Group owns either directly or indirectly, the majority of a company's equity voting rights unless, in exceptional circumstances it can be demonstrated that ownership does not constitute control.

The financial information of the subsidiaries is prepared for the same reporting year as the parent company, using consistent accounting policies.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

BUSINESS COMBINATIONS

The acquisition of subsidiaries and minority interests is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquisition, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where the Group makes further acquisitions of investments it already holds, the assets and liabilities of the investment are

reassessed and their revised fair values are recognised. Goodwill is accordingly adjusted.

GOODWILL

Goodwill arising on consolidation represents the excess of the fair value of consideration given over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition and is capitalised as an asset on the balance sheet. To the extent that such excess purchase consideration relates to the acquisition of mining properties and leases, that amount is capitalised within property, plant and equipment as mining properties and leases.

IFRS 3 requires that negative goodwill is recognised immediately in the income statement. The negative goodwill that arises on the acquisition of a subsidiary under IFRS 3 is credited in full to the income statement.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Until commercial production has been reached, revenue is credited to mine development costs.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

FOREIGN CURRENCIES

The financial information of each individual Group company is presented in South African Rand, the currency of the primary economic environment in which these companies operate (their functional currency). For the purpose of the consolidated financial information, the results and financial position of each Group company are expressed in pounds sterling which is the presentation currency for the consolidated financial information.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES (CONTINUED)

In preparing the financial information 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss account for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the re-translation of non-monetary items where gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to

get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

OPERATING LOSS

Operating loss is stated before investment income and finance costs.

TAX

The tax expense represents the sum of the tax payable and deferred tax. The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 balance sheet 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 information 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 tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX (CONTINUED)

is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, being the fair value at the date of acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as tangible non-current assets in the period in which they are incurred. When a decision is taken that a mining property is viable for commercial production, all further expenditure is expensed.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

> Plant and equipment	20%
> Furniture and fittings	20%
> Office equipment	20%
> Computer equipment	33%

MINING DEVELOPMENT

Mining properties and leases are amortised on a unit of production basis over the total estimated remaining life of the mine, once commercial production commences, using estimated economically recoverable proven and probable ore reserves.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The carrying values of exploration assets are reviewed by the Directors where results of exploration of an area of interest are sufficiently advanced to permit a reasonable estimate of the costs expected to be recouped through successful developments and exploitation of the area of interest. Expenditure in excess of this estimate is written-off to the income statement in the period in which the review occurs.

At each reporting date, management assesses whether there is any indication that exploration and evaluation expenditure carried forward per area may be impaired. If any such impairment exists, the carrying amount is written-down to the higher of net selling price and value in use.

IMPAIRMENT OF TANGIBLE ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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, unless the relevant asset is carried

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF TANGIBLE ASSETS (CONTINUED)

at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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 re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

TRADE RECEIVABLES

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

FINANCIAL LIABILITIES

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

TRADE PAYABLES

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 8 September 2005 that were unvested as of 30 June 2006.

The Group issues equity-settled and cash-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Share warrants granted are stated at par value until the Company's shares are publicly traded.

Fair value is measured by use of a binomial option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SHARE-BASED PAYMENTS (CONTINUED)

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

REHABILITATION ASSETS

Rehabilitation assets are recorded at the estimated value of the long-term environmental obligation based on the Group's environmental management plan in compliance with regulatory and other requirements. Amortisation of rehabilitation assets are calculated on a unit of production basis using estimated economically recoverable proved and probable ore reserves.

FINANCIAL INSTRUMENTS

Initial recognition and measurement

All financial instruments are recognised on the balance sheet. Financial instruments are initially recognised when the Company becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given for financial asset or received for financial liability or equity instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

The Company's principal financial assets are subsidiary loans, other receivables, deposits and cash and cash equivalents at fair value.

De-recognition

Financial assets (or a portion thereof) are de-recognised when the Company realises the rights to the benefits specified in the contract, the rights expire or the Company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable is included in the income statement.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expire. On de-recognition, the difference between the carrying amount of the financial liability,

including related unamortised costs, and amount paid for it is included in the income statement.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, management has made no critical judgement that have a significant effect on the amounts recognised in the financial information, apart from those involving estimations, which are dealt with below.

Key sources of estimation uncertainty

Fair value of warrants issued

Warrants granted during the period are fair valued. The fair value of equity-based share warrants is estimated at the date of grant using an option-pricing model, taking into account the terms and conditions upon which the warrants were granted. The expected life of the warrants is based on academic research and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the comparator's volatility of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

FAIR VALUE OF MINING DEVELOPMENT

The key source of estimation uncertainty at the balance sheet date relating to the future, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year concerns the fair value of the mining development which was determined based on surveyed tonnes of ore in-situ and the waste, ore and treatment cost per tonne. Any significant change in these costs per tonne could result in a change in the carrying value of the asset.

3. REVENUE – GROUP

An analysis of the Group's revenue is as follows:

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Sale of goods (see below)	–	–
Other operating income	24,842	8,853
Investment Income	41,791	–
	66,633	8,853

The revenue generated from the sale of diamonds amounting to £220,863 (2005: £181,617) was netted off from capitalised mining costs. This will continue until commercial production is met.

All sales of goods were made in South Africa for the South African market, which is the Group's only segment.

4. OPERATING LOSS – GROUP

Loss from operations has been arrived at after charging/ (crediting):

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Net foreign exchange losses	813,070	61,593
Depreciation of property, plant and equipment	71,827	48,133
Amortisation of rehabilitation assets	2,972	1,977
Release of negative goodwill to income statement	–	(600,733)
Loss on disposal of fixed assets	41,306	–
Staff costs (see note 5)	611,455	280,083

Auditors' remuneration for audit services and expenses

Audit fees

UK – current	65,000	10,000
South Africa – current	37,019	21,488
South Africa – underprovision prior year	6,469	–
Total statutory audit fees	108,488	31,488

AIM fees

UK – current	110,402	–
South Africa – current	78,026	31,556
South Africa – underprovision prior year	3,739	–
	192,167	31,556

UK – International Financial Reporting

Standards reporting	–	5,000
Total audit and audit-related fees	300,655	68,044

5. STAFF COSTS – GROUP

	YEAR ENDED 30 JUNE 2006 NO	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 NO
The average monthly number of employees (including executive Directors) was	99	106
Number of Directors	7	4
	£	£

Emoluments for qualifying services:

Highest paid Director (note 24)	109,167	103,750
------------------------------------	---------	---------

Staff costs including Directors:

Wages and salaries – UK	141,226	34,738
– South Africa	470,229	245,345
	611,455	280,083

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

5. STAFF COSTS – GROUP (CONTINUED)

Total staff costs include amounts paid to Directors of £279,936 (2005: £190,662).

No retirement benefits are accruing to Directors under pension schemes, as a result there is no amount payable in respect of retirement benefits to either Directors or employees under any pension scheme in either period.

6. FINANCE COSTS – GROUP

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Interest on loans	–	11,006
Other	134,237	2,415
Total finance costs	134,237	13,421

7. CURRENT TAX – GROUP

Analysis of tax (charge)/credit

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Current tax		
– UK corporation tax	–	–
– Foreign tax	(25,545)	–
Deferred taxation (see note 8)	1,312,032	–
Total tax credit	1,286,487	–

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Loss before tax	(5,594,728)	(320,348)
Tax at the UK Corporation tax rate of 30%*	1,678,469	(96,104)
Tax effect of amounts that are not deductible in determining taxable profit	(1,038,881)	(83,998)
Tax effect of timing differences	–	67,280
Tax effect of tax losses not recognised	(304,059)	141,994
Tax effect of utilisation of tax losses not previously recognised	–	(28,742)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(61,347)	(430)
Additional deferred tax assets recognised	1,012,305	–
Total tax credit	1,286,487	–

*In May 2007 the government in the UK proposed a new tax rate of 28%.

The Group is carrying forward estimated tax losses of £1,489,986 (2005: £470,172) in the United Kingdom. No deferred tax provision has been made in respect of these carried forward losses due to the uncertainty over the availability of taxable profit against which these losses may be offset in the foreseeable future.

The estimated assessed losses in South Africa of £5,393,103 (2005: £1,900,000) are split between revenue loss of £1,442,665 (2005: £100,000) and capital reserve of £3,950,438 (2005: £1,800,000). Deferred tax assets have been recognised at the South African tax rate of 29% in respect of these losses with the exception of revenue losses of £21,464 arising in Elandslaagte Diamonds (Pty) Ltd due to uncertainty over the availability of taxable profit against which these losses may be offset in the foreseeable future.

8. DEFERRED TAX

	CAPEX £	TAX LOSSES £	MINING DEVELOPMENT £	TOTAL £
South Africa				
At 1 July 2005	–	–	–	–
Charge to income	1,447,783	349,651	(485,402)	1,312,032
Charge to				
Minority Interest			(489,237)	(489,237)
Exchange differences	(176,262)	(63,407)	129,952	(109,717)
At 30 June 2006	1,271,521	286,244	(844,687)	713,078
UK				
Acquisition of minority		(10,009,142)		(10,009,142)
At 30 June 2006		(10,009,142)		(10,009,142)

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is £nil (2005: £26,682). No liability was recognised in respect of these differences because the Group is in a position to control the reversal of the timing differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax provision has been made in respect of the subsidiary's taxable profit against which these losses may be offset in the foreseeable future.

8. DEFERRED TAX (CONTINUED)

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Amounts provided	1,797,433	—
Represented by:		
Estimated assessed loss	1,205,692	—
Unredeemed capital expenditure	4,992,354	—
	6,198,046	—
At 29% tax (South African Rate)	1,797,433	—

9. LOSS PER SHARE**FROM CONTINUING OPERATIONS:**

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

	YEAR ENDED 30 JUNE 2006 £	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 £
Earnings		
Loss for the purposes of basic and diluted loss per share being share attributable to equity holders of the parent	(4,463,396)	(41,646)
Statutory number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	19,247,938	73,503,008
Effect of dilutive potential ordinary shares:		
Share warrants	4,744,150	31,441,500
Weighted average number of ordinary shares for the purpose of diluted earnings per share	23,992,088	104,944,508
Basic and diluted loss per share	23.19p	0.06p
Pro forma number of shares for the purpose of basic loss per share	19,247,938	7,350,301
Pro forma basic loss per share	18.64p	0.60p

The pro forma number of shares is stated after the share consolidation on 26 January 2006 as disclosed in note 17 and the new placing of shares.

The outstanding share warrants are anti-dilutive as the Group has made a loss during the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

10. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS £	MINING PROPERTY AND LEASES £	REHABILITATION ASSETS £	PLANT AND MACHINERY £	OTHER ASSETS £	TOTAL £
Cost or valuation						
At 25 March 2004	–	–	–	–	–	–
Acquisition of subsidiary	92,334	3,210,992	220,854	10,958	–	3,535,138
Additions	–	2,000,588	–	233,446	4,212	2,238,246
Exchange difference	(2,226)	(148,538)	(5,324)	(8,565)	(150)	(164,803)
At 1 July 2005	90,108	5,063,042	215,530	235,839	4,062	5,608,581
Additions	23,421	2,789,092	–	273,258	260,428	3,346,199
Revaluation on acquisition of subsidiary minority interest	–	33,363,807	–	–	–	33,363,807
Disposals	–	–	–	(118,761)	(6,891)	(125,652)
Exchange adjustment	(10,882)	(804,260)	(18,560)	(26,650)	(34,111)	(894,463)
At 30 June 2006	102,647	40,411,681	196,970	363,686	223,488	41,298,472
Accumulated depreciation						
At 25 March 2004	–	–	–	–	–	–
Charge for the period	–	–	1,977	47,532	601	50,110
Exchange difference	–	–	(70)	(1,690)	(22)	(1,782)
At 1 July 2005	–	–	1,907	45,842	579	48,328
Charge for the period	958	–	2,972	61,859	9,010	74,799
Disposals	–	–	–	(32,000)	(2,041)	(34,041)
Exchange difference	(128)	–	(561)	6,389	(947)	4,753
At 30 June 2006	830	–	4,318	82,090	6,601	93,839
Net book value						
At 30 June 2006	101,817	40,411,681	192,652	281,596	216,887	41,204,633
At 30 June 2005	90,108	5,063,042	213,623	189,997	3,483	5,560,253

Land and buildings consist of a farm, Elandslaagte no. 385, situated in the District of Barkly West, Province of the Northern Cape in the Republic of South Africa, measuring 272 ha with some farm buildings thereon.

The property is held subject to a Notarial Mineral Lease no. K52/2002RM in terms whereof the Republic of South Africa is the lessor of all precious stones found in, on and under the property and in terms whereof Elandslaagte Diamonds (Proprietary) Limited is the lessee of the sole and exclusive right to mine and recover precious stones in, on and under the property for a duration of 20 years commencing 3 May 2001, with a further two options to extend the lease for five years.

No depreciation was charged on mining properties and leases as the mine has not reached commercial production.

11. INVENTORY

	30 JUNE 2006 £	30 JUNE 2005 £
Diamond stocks	45,280	–
Cost of production	392,335	–
Adjustment to net realisable value	(347,055)	–
	45,280	–

12. TRADE AND OTHER DEBTORS

	30 JUNE 2006 £	30 JUNE 2005 £
Trade debtors	12,746	97,327
Guarantees and deposits	75,795	149,213
Other debtors	291,718	354,417
Deferred expenses	32,714	–
	412,973	600,957

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Deposits included an amount of £74,352 (R900,000) in 2005 which was encumbered and was deposited at Standard Bank of South Africa and secured as a guarantee for loan that was repaid during the year and the deposit released (see Note 14).

However there is a deposit held by the South African Department of Mineral and Energy on estimated long term environmental obligations and other guarantees for an amount of £75,795 (R1,000,500), (2005:£ 74,861; R902,833).

Other debtors include deferred share issue expenses £nil (2005: £112,840). Also included within other debtors is a balance of £220,531 (2005: £221,992) of receivables from a related party of the Group, Prema Mining (Proprietary) Limited.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and balances in bank, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

14. TRADE AND OTHER PAYABLES

	30 JUNE 2006 £	30 JUNE 2005 £
Short-term borrowings	–	425,672
Trade creditors	2,117,345	504,192
Other taxes and social security	52,555	158,580
Other creditors	400,394	281,154
Deferred consideration	–	2,060,547
Accruals and provisions	125,917	87,582
	2,696,211	3,517,727

Short term borrowings include:

Secured obligations under finance lease	–	12,352
The lease was secured by plant and equipment with a book value of £39,172 (R472,541).		
Interest was charged at 8 % per annum.		

C Elphick	–	131,971
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This loan had interest at the South Africa prime overdraft rate (11%) and was repayable once funds were available. The shares in Golden Falls (formerly Golden Falls Trading 179 (Proprietary) Limited) of Prema Mining (Proprietary) Limited were pledged to Mr. Elphick as security for this loan. The loan was repaid during the year.

Total secured loans	–	144,323
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Unsecured

Prema Mining (Proprietary) Limited	–	261,786
The loan bore no interest and had no fixed terms of repayment		
Cape Finance Corporation Limited	–	19,563
Total unsecured	–	281,349
Balance at end of period	–	425,672

The deferred consideration related to the acquisition of Elandslaagte by Golden Falls prior to the Group's acquisition of Golden Falls, had no interest and was payable in instalments of £16,579 over a period of 20 months commencing from 31 August 2004 up to and including 31 March 2006 with a final payment made after the IPO. The deferred consideration was secured by guarantees from Golden Falls supported by cash deposits at a financial institution (see note 12).

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

14. TRADE AND OTHER PAYABLES (CONTINUED)

Renewal of the mining licence is dependent on a BEE partner being in place. This transaction was entered into, as described in note 23, on 16 March 2006 and was renegotiated on 8 February 2007.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 148 days.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

15. PROVISIONS

	CURRENT LIABILITIES LEAVE PAY £	NON-CURRENT LIABILITIES REHABILITATION £
At 25 March 2004	–	–
Acquisition of subsidiary	–	220,854
Charge to income statement	15,901	–
Exchange differences	(565)	(5,324)
At 1 July 2005	15,336	215,530
Charge to income statement/(utilised)	41,372	(2,972)
Exchange differences	(6,822)	(15,588)
At 30 June 2006	49,886	196,970

The leave pay provision relates to vested leave pay to which employees become entitled upon leaving the employment of the Company. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilised when employees who are entitled to leave pay, leave the employment of the Company or when the accrued leave due to an employee is utilised.

Rehabilitation provision relates to the estimated liability arising from current mining activities and the Group's obligation to incur costs related to the rehabilitation of the mining site when mining activities cease.

16. FINANCIAL INSTRUMENTS

CREDIT RISK

The Group's principal financial assets are bank balances and cash, trade and other debtors.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk.

The subsidiary's financial assets, which potentially subject the Company to concentrations of credit risk, consist solely of the loan to its subsidiary.

LIQUIDITY RISK

Liquidity risk is considered to be minimal.

OTHER RISKS

Due to the nature and extent of the Company's financial assets and liabilities, it is not unduly exposed to price risks and cash flow risks.

FAIR VALUES

The loans from the holding company to the subsidiary are denominated in Rand. The interest differential has been recorded in reserves (see note 33).

The carrying amounts of the following financial instruments approximate their fair values:

- > Cash at bank – deposits without specified maturity dates and bear interest at market-related rates.
- > Accounts receivable – subject to normal credit terms and reflected net of doubtful debt provision
- > Accounts payable – subject to normal credit terms and relatively short payment cycle

17. SHARE CAPITAL

	30 JUNE 2006 £	30 JUNE 2005 £
Authorised		
70 million ordinary shares of £0.10 each	7,000,000	7,000,000
Issued and fully paid		
32,731,053 ordinary shares of £0.10 each (2005: 128,433,656 shares of £0.01 each)	3,273,105	1,284,336
Issued and unpaid		
90,000 ordinary shares of £0.10 each	9,000	–
Total	3,282,105	1,284,336

MOVEMENTS IN PERIOD

Between 1 July 2005 and 30 September 2005, the Company allotted 17,091,500 ordinary shares of 1 penny each at a price of £0.10 per share through a Private Placement memorandum. Between 1 October 2005 and 30 November 2005, a further 10,972,803 ordinary shares of £0.01 each at a price of £0.10 per share through a Private Placement Memorandum. Between 1 December and 31 December 2005 a further 221,571 ordinary shares of £0.01 each were allotted at a price of £0.10 per share.

17. SHARE CAPITAL (CONTINUED)**MOVEMENTS IN PERIOD (CONTINUED)**

At an Extraordinary General Meeting held on 26 January 2006, a special resolution was passed whereby the issued and un-issued ordinary shares of £0.01 each were consolidated so that 10 shares of £0.01 each became one ordinary share of 10 pence each.

On 24 February 2006, the Company allotted 11,000,000 Ordinary shares at a price of £0.10 per share to Shanley Holdings in consideration for the transfer to the Company of 490 ordinary shares in Golden Falls.

On 21 April 2006 the Company issued and allotted 100,000 shares of £0.10 each at £1 per share and 849,100 ordinary shares of £0.10 each at £2 per share.

On Admission to AIM on 26 May 2006 the Company issued and allotted 5,200,000 ordinary shares of £0.10 each at £2.50 per share.

	NO. OF SHARES NO	NOMINAL VALUE £	CONSIDERATION £
At 1 July 2005	128,433,656	1,284,336	1,284,336
1 July 2005 to 30 September 2005	17,091,500	170,915	1,709,151
1 October 2005 to 30 November 2005	10,972,803	109,728	1,097,280
1 December 2005 to 31 December 2005	221,571	2,216	22,157
	156,719,530	1,567,195	4,112,924
After consolidation on 26 January 2006	15,671,953	1,567,195	4,112,924
24 February 2006	11,000,000	1,100,000	–
21 April 2006	949,100	94,910	1,798,200
26 May 2006	5,200,000	520,000	13,000,000
At 30 June 2006	32,821,053	3,282,105	18,911,124
At incorporation	–	–	–
Shares issued			
At 25 March 2004	2	–	–
At 16 June 2004	4,999,998	50,000	50,000
18 November 2004 to 10 December 2004	123,433,656	1,234,336	1,234,336
At 30 June 2005	128,433,656	1,284,336	1,284,336

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

18. STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE APPLICATION FUNDS £	TRANSLATION RESERVE £	ACCUMULATED (LOSS) / PROFIT £	MINORITY INTEREST £	TOTAL £
At incorporation	–	–	–	–	–	–	–
Shares issued	1,284,336	–	–	–	–	–	1,284,336
Share application funds received	–	–	846,500	–	–	–	846,500
Acquisition of subsidiary	–	–	–	–	–	605,819	605,819
Net loss for the period	–	–	–	–	(41,646)	(278,702)	(320,348)
Exchange differences on translation of overseas operations	–	–	–	(181)	–	–	(181)
At 1 July 2005	1,284,336	–	846,500	(181)	(41,646)	327,117	2,416,126
Net loss for the period	–	–	–	–	(4,463,396)	155,155	(4,308,241)
Deferred taxation	–	–	–	–	–	(489,237)	(489,237)
Shares issued	1,997,769	26,629,019	(846,500)	–	–	–	27,780,288
Share issue expenses	–	(1,539,978)	–	–	–	–	(1,539,978)
Gain on acquisition of minority (note 19)	–	–	–	–	12,157,700	6,965	12,164,665
Exchange differences on translation of overseas operations	–	–	–	(42,743)	–	–	(42,743)
Share-based payments (note 22)	–	–	–	–	3,174,539	–	3,174,539
At 30 June 2006	3,282,105	25,089,041	–	(42,924)	10,827,197	–	39,155,419

The translation of the Group's foreign operations to the functional currency at each balance sheet gives rise to a foreign exchange difference that is initially recorded as a separate component of the equity in the translation reserve. This reserve is recognised into the income statement on the disposal of the foreign operation.

19. ACQUISITION OF MINORITY INTEREST

On 24 February 2006, the Company acquired the remaining 49 per cent. of its 51 per cent. held subsidiary, Golden Falls.

Minorities share of net assets at acquisition	–
Fair value adjustments	
Mining properties	33,363,807
Deferred tax	(10,009,142)
Adjusted net book value consideration	23,354,665
Consideration paid in shares (note 17)	(11,000,000)
Consideration paid in cash	(190,000)
Gain on acquisition of minority interest	12,164,665

20. NOTES TO THE CASH FLOW STATEMENT

	30 JUNE 2006 £	30 JUNE 2005 £
Operating loss from continuing operations	(5,502,282)	(306,927)
Adjustments for:		
Depreciation of property, plant and equipment	71,827	48,133
Negative goodwill released to income	–	(600,733)
Amortisation of rehabilitation assets	2,972	1,977
Loss on disposal	41,341	–
Increase in provisions	15,990	15,901
Share-based payments	3,174,539	–
Other non-cash items	41,428	–
Net foreign exchange losses	813,070	61,593
Operating cash flows before movements in working capital	(1,341,115)	(780,056)
Increase in stocks	(52,247)	–
Increase in receivables	386,527	(576,537)
Increase in payables	(1,633,241)	1,661,059
Net cash (outflow)/inflow from operating activities	(2,640,076)	304,466

20. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

21. CONTINGENT LIABILITIES

LEASES

At balance sheet date, Golden Falls has outstanding commitments under a non-cancellable operating lease for a total of £191,138 of which £39,874 falls due within one year and £151,264 falls due from second to fifth year inclusive.

Operating lease payments represent rentals payable by the Company for certain land and buildings. The lease was negotiated for a term of five years and rentals escalate at 7% per annum.

Other commitments in Golden Falls include amounts approved by the board and contracted of £104,800.

A dispute with creditors and suppliers has resulted in a claim against Dominion Mining Investments (Proprietary) Limited which has not yet been finalised. The total amount of contingent liability is £nil (2005: £87,041).

No provision has been made in these financial statements as the Group's management does not consider that there is any probable loss.

22. SHARE-BASED PAYMENTS

EQUITY-SETTLED SHARE WARRANT SCHEME

The share-based payment arrangements made with creditors for the period amounts to £70,300 (2005: £171,731) being 703,000 of £0.10 (2005: 17,173,100 of £0.01) shares.

The nature of the arrangement is for professional services received and arrangements had been made to settle the liability by issue of shares in the Company. The fair value of the services received during the period has been measured directly at their market price.

The total expenses recognised in the period arising from share-based payment transactions have been recognised as an expense. The expenses are set off against share premium account and reduced creditors in the balance sheet.

The Group does not carry any liabilities arising from the above share-based transactions at the end of the year.

SHARE WARRANTS

The Company has a share warrant scheme for some employees of the Group. The expense recognised for share-based payments in respect of share warrants granted during the year is £3,174,539 (2005: nil).

For the purposes of the IFRS2 charge the warrants were valued using the Binominal Option Pricing Model, using the following assumptions:

Time to maturity – 3 years

Risk free rate – 4.11% to 4.55%

Dividend yield – nil

Volatility – 50%

Warrants are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period varies. If the warrants remain unexercised after a period of five years from the date of grant the warrants expire. Warrants are forfeited if the employee leaves the Group.

Details of the share warrants outstanding during the year are as follows:

	NUMBER OF SHARE WARRANTS NO.	WEIGHTED AVERAGE EXERCISE PRICE £
At 1 July 2005	31,441,500	2,041,650
26 January 2006 – after consolidation	3,144,150	2,041,650
Granted during the period	1,600,000	1,600,000
Outstanding and exercisable at 30 June 2006	4,744,150	3,641,650

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

22. SHARE BASED PAYMENTS (CONTINUED)

SHARE WARRANTS (CONTINUED)

NAME	EXERCISE PRICE	EXERCISE PERIOD	30 JUNE 2006 OR DATE OF RESIGNATION NUMBER	30 JUNE 2005 OR DATE OF RESIGNATION NUMBER
Masoud Alikhani	10p	Note A	400,000	400,000
Masoud Alikhani	100p	Note F	200,000	–
Peter Mattsson	10p	Note A	150,000	150,000
Robert Stubbs	10p	Note A	150,000	150,000
Robert Stubbs	100p	Note E	90,000	–
BR Corporate Finance Ltd	10p	Note B and D	40,000	40,000
BR Corporate Finance Ltd	100p	Note C and D	20,000	20,000
Kishor Sodha	10p	Note A	150,000	150,000
Kishor Sodha	100p	Note F	60,000	–
Other staff and consultants	10p	Note A	315,000	315,000
John Vergopoulos	100p	Note C	150,000	150,000
John Vergopoulos	100p	Note E	100,000	–
Staff and consultants	100p	Note C	48,118	48,118
Andrew Coxon	100p	Note F	100,000	–
Hermanus Manuel Silver	100p	Note E	150,000	–
Others	100p	Note E	525,000	–
Others	100p	Note F	375,000	–
Other shareholders	100p	Note C	1,721,032	1,721,032
			4,744,150	3,144,150

NOTE:

- Note A – At any time before 7 February 2010
- Note B – At any time before 1 September 2009
- Note C – At any time before 30 March 2010
- Note D – Robert Stubbs is a Director of BR Corporate Finance Ltd
- Note E – At any time between 21 October 2007 and 21 October 2012
- Note F – At any time before 21 April 2011

After the year end 175,000 share warrants of 10 pence have been exercised.

23. EVENTS AFTER THE BALANCE SHEET DATE

Dominion Investments (Pty) Ltd (“DMI”) entered an agreement to sell 25.6% of its holding in Golden Falls to a BEE accredited company, Wheatfields on 16 March 2006 when £87,000 (R1 million) was received. The contact was subject to certain conditions which were not met and the contract lapsed on 2 October 2006.

DMI re-entered into negotiations with Wheatfields and entered into a new contract on 8 February 2007 whereby Wheatfields acquired 25.6% of DMI’s holding in Golden Falls for an amount of £0.7 million (R10 million), the balance of £629,371 (R9 million) was received in March 2007. Golden Falls has issued preference shares to DMI. The terms of preference shares are that 50% of preference dividends is paid to DMI until £6.6 million (R89 million) is paid over a period of ten years, subject to dividends being declared by the Directors of Golden Falls.

23. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

The transaction will also attract capital gains tax on the difference between the cost of the shares and the proceeds received of R10 million at a rate of 50% of 29%.

Application for 1.6 million new £0.10 ordinary shares for consideration of £1.6 million (£1 each) has been received. The new shares will be issued following lifting of suspension of the Company's shares.

24. RELATED PARTY TRANSACTIONS

YEAR ENDED 30 JUNE 2006

RELATED PARTY	NATURE OF RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION 30 JUNE 2006	AMOUNT (PAYABLE) 30 JUNE 2006	AMOUNT OF TRANSACTION 30 JUNE 2005	AMOUNT RECEIVABLE/ (PAYABLE) 30 JUNE 2005
Prema Mining (Proprietary) Limited	Shareholder	Sale of assets	45,494	–	–	–
Prema Mining (Proprietary) Limited	Shareholder	Outstanding amount	–	(145,429)	–	–
Prema Mining (Proprietary) Limited	Shareholder	Repayment of creditor	153,837	–	–	–
Prema Mining (Proprietary) Limited	Shareholder	Mining contract	–	–	180,567	–
Prema Mining (Proprietary) Limited	Shareholder	Purchase of assets	–	–	67,068	–
Prema Mining (Proprietary) Limited	Shareholder	Management fee	–	–	103,684	–
Prema Mining (Proprietary) Limited	Shareholder	Loan	–	–	–	(261,787)
Ibis Business Information (Proprietary) Ltd	Company controlled by a Director	Repayment of creditor (professional services)	(9,978)	–	9,807	(9,455)
Interactive Trading 365 (Proprietary) Ltd	Company controlled by a Director	Repayment of creditor	(10,849)	–	10,662	(10,279)
Feinsteins Attorneys	Director of subsidiary company is partner at Feinsteins	Legal expenses	–	–	233,059	(110,551)
BR Corporate Finance Ltd	Company controlled by a Director	Professional services	–	–	19,975	–

Transaction with Directors and key management personnel:

RELATED PARTY	NATURE OF RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION 30 JUNE 2006 £	AMOUNT RECEIVABLE/ (PAYABLE) 30 JUNE 2006 £	AMOUNT OF TRANSACTION 30 JUNE 2005 £	AMOUNT RECEIVABLE/ (PAYABLE) 30 JUNE 2005 £
H M Silver	Director	Sale of vehicle	18,373	–	–	–

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

24. RELATED PARTY TRANSACTIONS (CONTINUED)

DIRECTORS' TRANSACTIONS

Shanley Holdings acquired 1,561,320 shares of £0.10 each during the year. M A Alikhani is the beneficial owner of Shanley Holdings Ltd. After 30 June 2006 M A Alikhani has purchased 70,000 shares of £0.10 each.

M A Alikhani is also a creditor with a balance outstanding at 30 June 2006 of £61,780 (30 June 2005: £22,845).

Seaton Resources Ltd owns 6,022,120 shares of £0.10 each. Activeminerals (Pty) Ltd is an option holder for 5,022,120 shares in Seaton Resources Ltd. A Scholtz has a beneficial interest in Activeminerals (Pty) Ltd.

Interactive Trading 365 (Pty) Limited is an option holder for 1,000,000 shares. H M Silver, a Director, has a beneficial interest in Interactive Trading 365 (Pty) Limited.

YEAR ENDED 30 JUNE 2006

Directors

NAME	CONSULTANCY FEE £	DIRECTORS' FEES £	SALARY £	SHARE-BASED PAYMENTS £	OTHERS £	TOTAL £
M A Alikhani	–	9,167	100,000	607,820	–	716,987
H M Silver	–	2,500	74,907	24,506	3,283	105,196
R L Stubbs	2,500	9,167	–	152,749	–	164,416
J D Vergopoulos	22,500	8,333	–	97,052	–	127,885
A M Coxon	–	–	–	119,850	–	119,850
K Sodha	40,000	7,162	–	209,955	–	257,117
P Mattsson	–	417	–	138,045	–	138,462
Total	65,000	36,746	174,907	1,349,977	3,283	1,629,913

Share-based payments charges relates to the IFRS 2 charge for the year with respect of warrants granted to the Directors, Group employees and consultants.

YEAR ENDED 30 JUNE 2005

Directors

NAME	CONSULTANCY FEE £	DIRECTORS' FEES £	SALARY £	OTHERS £	TOTAL £
M A Alikhani	–	3,750	100,000	–	103,750
H M Silver	–	–	67,837	7,825	75,662
R L Stubbs	–	3,750	–	–	3,750
K Sodha	–	3,750	–	–	3,750
P Mattsson	–	3,750	–	–	3,750
Total	–	15,000	167,837	7,825	190,662

Key management

NAME	30 JUNE 06 £	30 JUNE 05 £
Salary	327,136	255,320
Share based payments	157,712	–
Others	9,445	4,636
Total	494,293	259,956

Share-based payments' charges relates to the IFRS 2 charge for the period with respect to warrants granted to the Directors, Group employees and consultants.

25. STAFF COSTS – COMPANY

	YEAR ENDED 30 JUNE 2006 NO.	PERIOD FROM 25 MARCH 2004 TO 30 JUNE 2005 NO.
The average monthly number of employees (including executive Directors) was	1	1
Number of Directors	5	5
	£	£
Emoluments for qualifying services:		
Highest paid Director (payable by subsidiary)	100,000	100,000
Staff costs including Directors:		
Wages and salaries	141,226	34,738
	141,226	34,738
Share-based payments	650,602	–

No retirement benefits are accruing to Directors under pension schemes, as a result there is no amount payable in respect of retirement benefits to either Directors or employees under any pension scheme in either period.

26. LOSS FROM OPERATIONS – COMPANY

Loss from operations has been arrived at after charging:

	30 JUNE 2006 £	30 JUNE 2005 £
Net foreign exchange losses	813,070	77,840
Auditors' remuneration for audit services and expenses:		
Audit fees		
UK – current	65,000	10,000
Total statutory audit fees	65,000	10,000
AIM fees		
UK	110,402	–
International Financial Reporting Standards reporting	–	5,000
Total audit and audit-related fees		
Non-audit fees:	110,402	5,000
	–	–
Total non-audit fees	110,402	5,000

27. INVESTMENT INCOME – COMPANY

	30 JUNE 2006 £	30 JUNE 2005 £
Interest receivable from subsidiary	151,492	25,810
Interest on bank deposits	26,406	590
	177,898	26,400

28. FINANCIAL ASSETS AND LIABILITIES**CREDIT RISK**

Financial assets which potentially subject the Company to concentrations of credit risk consist solely of the loan to its subsidiary.

LIQUIDITY RISK

Liquidity risk is considered to be minimal.

29. PENSIONS

There are no pension schemes in place in the Group.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

30. INVESTMENT IN SUBSIDIARIES

	SHARES £	LOANS £	TOTAL £
At 1 July 2005	434,783	705,159	1,139,942
Purchase of shares	11,190,000	–	11,190,000
Increase in loans during the year	–	6,766,785	6,766,785
Revaluation	–	(3,116,846)	(3,116,846)
30 June 2006	11,624,783	4,355,098	15,979,881

Investment in subsidiaries comprises the purchase of the entire share capital of DMI which acquired 51% interest in Golden Falls which in turn owns Elandslaagte comprising the Leicester, Russell and Balmoral mines.

On 24 February 2006, the Company acquired 49% of Golden Falls by issue of 11 million shares and payment of £190,000 (see note 19).

Loans to subsidiary comprise a revolving loan facility to DMI, repayable from surplus on the South African operation. The loan is unsecured and bears interest at LIBOR plus 1.5% facilities agreements have been concluded which determines varying repayment terms. The Company has subordinated its rights to reclaim payment of the loan until such time that the assets of the subsidiaries, fair valued, exceeds its liabilities. The interest rate charged on this loan is lower than the normal market-related interest rate in the subsidiaries country of operation and thus this loan was treated as a low interest loan and fair valued on that basis.

The Company holds all the issued shares of the subsidiary.

At 30 June 2006 the Group and Company has investments in the following subsidiaries:

	ACTIVITY	COUNTRY OF INCORPORATION AND OPERATION	ORDINARY SHARES PORTION HELD COMPANY	ORDINARY SHARES PORTION HELD GROUP
Dominion Mining Investments (Proprietary) Ltd	Mining	South Africa	100%	100%
Golden Falls Mining (Proprietary) Limited	Mining	South Africa	51%	100%
Elandslaagte Diamonds (Proprietary) Ltd	Mining	South Africa	–	100%

31. TRADE AND OTHER RECEIVABLES – COMPANY

At the balance sheet date trade and other debtors comprise amounts receivable from fellow Group companies of £nil (2005: £299,384). The carrying amount of these assets approximates their fair value.

	30 JUNE 2006 £	30 JUNE 2005 £
Amounts due from subsidiary undertaking	–	299,384
Other debtors	291,718	425,715
	291,718	725,099

The Directors consider that the carrying amount of other receivables approximates their fair value. Included in other debtors is an amount of £90,000 for issued shares unpaid at year end.

32. TRADE AND OTHER PAYABLES – COMPANY

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 193 days.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

	30 JUNE 2006 £	30 JUNE 2005 £
Trade creditors	984,520	8,557
Other creditors	200,728	87,582
	1,185,248	96,139

33. STATEMENT OF CHANGES IN EQUITY – COMPANY**YEAR ENDED 30 JUNE 2006**

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE APPLICATION FUNDS £	ACCUMULATED LOSS £	TOTAL £
At 1 July 2005	1,284,336	–	846,500	(361,078)	1,769,758
Net loss for the year	–	–	–	(4,369,826)	(4,369,826)
Share issues	1,997,769	26,629,019	(846,500)	–	27,780,288
Share issue expenses	–	(1,539,978)	–	–	(1,539,978)
Share-based payment	–	–	–	3,174,539	3,174,539
Subsidiary interest differential	–	–	–	(3,116,670)	(3,116,670)
Balance at 30 June 2006	3,282,105	25,089,041	–	(4,673,035)	23,698,111

YEAR ENDED 30 JUNE 2005

	SHARE CAPITAL £	SHARE APPLICATION FUNDS £	ACCUMULATED LOSS £	TOTAL £
At incorporation	–	–	–	–
Shares issued	1,284,336	–	–	1,284,336
Net loss for the period	–	–	(361,078)	(361,078)
Share application funds	–	846,500	–	846,500
Balance at 30 June 2006	1,284,336	846,500	(361,078)	1,769,758

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

34. NOTES TO THE CASH FLOW STATEMENT – COMPANY

	30 JUNE 2006 £	30 JUNE 2005 £
Operating loss from continuing operations	(4,547,724)	(387,478)
Share based payments	3,174,715	–
Operating cash flows before movements in working capital	(1,373,009)	(387,478)
Decrease/(Increase) in receivables	433,380	(725,099)
Increase in payables	1,159,409	267,870
Net cash inflow/(outflow) from operating activities	219,780	(844,707)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

35. TRANSITION TO IFRS – INCOME STATEMENT

The Group reported the results for the period to 30 June 2005 under UK GAAP rules and the date of transition to IFRS was 25 March 2004. The table below shows the effects on the income statement of the adoption of IFRS.

	UK GAAP £	EFFECT OF TRANSITION TO IFRS £	IFRS £
Revenue	–	–	–
Other operating income	8,853	–	8,853
Administrative expenses	(300,386)	–	(300,386)
Other operating expenses	(616,127)	–	(616,127)
Negative goodwill	–	600,733	600,733
Operating loss	(907,660)	600,733	(306,927)
Investment income	–	–	–
Finance costs	(13,421)	–	(13,421)
Loss before taxation	(921,081)	600,733	(320,348)
Taxation	–	–	–
Loss for the period	(921,081)	600,733	(320,348)
Attributable to:			
Equity holders of the parent	(348,020)	306,374	(41,646)
Minority interest	(573,061)	294,359	(278,702)
	(921,081)	600,733	(320,348)

Negative goodwill is capitalised under UK GAAP and amortised over a maximum 20 years. The IFRS adjustment under IFRS3 requires the Group to write negative goodwill off to the income statement in the period it is generated. The UK GAAP accounts to 30 June 2005 did not account for any amortisation of negative goodwill.

36. TRANSITION TO IFRS – BALANCE SHEET

The Group reported the results for the period to 30 June 2005 under UK GAAP rules. The table below shows the effects on the balance sheet at 30 June 2005 of the adoption of IFRS.

	UK GAAP £	EFFECT OF TRANSITION TO IFRSS £	IFRS £
Non-current assets			
Negative Goodwill	(600,733)	600,733	–
Property, plant and equipment	5,560,253	–	5,560,253
Current assets			
Inventory			
Trade and other debtors	600,957	–	600,957
Cash and cash equivalents	3,509	–	3,509
	604,466	–	604,466
Total assets	5,563,986	600,733	6,164,719
Current liabilities			
Trade and other payables	(3,517,727)	–	(3,517,727)
Provisions	(15,336)	–	(15,336)
	(3,533,063)	–	(3,533,063)
Net current liabilities	(2,928,597)	–	(2,928,597)
Non-current liabilities			
Provisions	(215,530)	–	(215,530)
Total liabilities	(3,748,593)	–	(3,748,593)
Net assets	1,815,393	600,733	2,416,126
Equity			
Share capital	1,284,336	–	1,284,336
Share premium	–	–	–
Share application funds	846,500	–	846,500
Translation reserve	(181)	–	(181)
Accumulated loss	(348,020)	306,374	(41,646)
Equity attributable to equity holders of the parent	1,782,635	306,374	2,089,009
Minority interest	32,758	294,359	327,117
Total equity	1,815,393	600,733	2,416,126

See note 35 for explanation of the IFRS adjustment.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2006

37. TRANSITION TO IFRS - EQUITY

The Group reported the results for the period to 30 June 2005 under UK GAAP rules. The table below shows the effects on equity of the adoption to IFRS.

	UK GAAP £	EFFECT OF TRANSITION TO IFRSS £	IFRS £
Share capital	1,284,336	–	1,284,336
Share premium	–	–	–
Share application funds	846,500	–	846,500
Translation reserve	(181)	–	(181)
Accumulated loss	(348,020)	(306,374)	(41,646)
Balance at 30 June 2005	1,782,635	(306,374)	2,089,009

See note 35 for explanation of the IFRS adjustment.

38. TRANSITION TO IFRS - CONSOLIDATED CASHFLOW STATEMENT

The Group reported the results for the period to 30 June 2005 under UK GAAP rules. The table below shows the effects on the cash flow statement of the adoption to IFRS.

	UK GAAP £	EFFECT OF TRANSITION TO IFRSS £	IFRS £
Net cash (outflow)/inflow from operating activities	(121,206)	(425,672)	304,466
Investing activities			
Pre-production development costs	(2,000,588)	–	(2,000,588)
Acquisition of property, plant and equipment	(237,658)	–	(237,658)
Acquisition of subsidiary	(43)	–	(43)
Net cash used in investing activities	(2,238,289)	–	(2,238,289)
Financing activities			
Proceeds on issue of shares (net of share issue cost)	1,112,605	–	1,112,605
Share application funds	846,500	–	846,500
Increase in short term borrowings	425,672	425,672	–
Interest paid	(13,421)	–	(13,421)
Net cash from financing activities	2,371,356	425,672	1,945,684
Net increase in cash and cash equivalents	11,861	–	11,861
Cash and cash equivalent at beginning of the year	–	–	–
Effect of foreign exchange rate changes	(8,352)	–	(8,352)
Cash and cash equivalent at end of the year	3,509	–	3,509

See note 35 for explanation of the IFRS adjustment.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 11.00am on 26 July 2007 at Cavendish Suite, London Marriott Hotel, Grosvenor Square, 84-86 Duke St, London W1K 6JP for the purpose of considering and if thought fit, passing the following resolutions, of which Resolutions Numbered 1 to 8 will be proposed as Ordinary Resolutions and Resolution Numbered 9 will be proposed as a Special Resolution:

1. To receive the report of the Directors and Auditors and to adopt the financial statements for the year ended 30 June 2006.
2. To re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to agree their remuneration.
3. To re-elect Mr M A Alikhani as a Director of the Company.
4. To elect Mr Merika Johannes Madungandaba as a Director of the Company.
5. To elect Dr Anna T M Mokgokong as a Director of the Company.
6. To elect Mr Oren J Lubow as a Director of the Company.
7. To elect Mr Sharon Sasson as a Director of the Company.
8. THAT for the purposes of section 80 of the Companies Act 1985 as amended (the "Act") (and so that the expressions used in this resolution shall bear the same meanings as in the said section 80) the Directors of the Company be and are generally and unconditionally authorised to allot relevant securities (within the meaning of section 80(2) of the Act):
 - 8.1 up to a maximum nominal amount of £500,000 (allotted in pursuance of the exercise of warrants)
 - 8.2 up to an aggregate nominal amount of £1,000,000 representing approximately 28.25 per cent. of the authorised but as yet unissued share capital of the Company at the date hereof, provided that the authorities, unless duly revoked, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.
9. THAT subject to the passing of the previous resolution, the Directors of the Company be hereby empowered pursuant to section 95 of the Act (as defined in section 94(2) of the Act) to allot or make offers or agreements to allot equity securities pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 9.1 the allotment of equity securities in connection with any invitation made to the holders of ordinary shares to subscribe by way of rights in the same proportions (as nearly as may be) to their respective holdings but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in connection with ordinary shares representing fractional entitlement or on account of either legal or practical problems arising in connection with the laws of any territory or of the requirements of any applicable regulatory body or stock exchange in any territory;
 - 9.2 the allotment (otherwise than pursuant to subparagraph 8.1 above) of equity securities pursuant to warrants granted by the Company prior to the date hereof;

NOTICE OF ANNUAL GENERAL MEETING CONT'D

- 9.3 the allotment (otherwise than pursuant to subparagraphs 8.1 and 8.2 above) of equity securities up to an aggregate nominal amount of £1,000,000 representing approximately 28.25 per cent. of the authorised but as yet unissued share capital of the Company at the date hereof;

provided that the authorities, unless duly revoked, varied or revoked prior to their expiry date, shall expire fifteen months from the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, but such authority shall allow the Company to make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and, in that event, the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authorities shall be in substitution for any authorities conferred upon the Directors in accordance with the said section prior to the passing of this resolution, which authorities (to the extent they remain in force and unexercised) are hereby revoked.

Registered office
19/20 Grosvenor Street
London W1K 4QH

By order of the Board

M A Alikhani
15 June 2007

NOTE

A member of the Company who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy need not be a member of the Company. A Form of Proxy accompanies this document for your use. To be valid Forms of Proxy together with the power of attorney or authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the offices of the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3BR not later than forty-eight hours before the time of the meeting. Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he/she so wish to.