

# CAPE DIAMONDS PLC

REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2007



## DIRECTORS AND ADVISERS

<b>DIRECTORS</b>	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
<b>SECRETARY</b>	K R Sodha FCA	
<b>REGISTERED OFFICE</b>	2nd Floor 19/20 Grosvenor Street London W1K 4QH	
<b>BANKERS</b>	HSBC Bank plc 69 Pall Mall London SW1Y 5EY	
<b>AUDITORS</b>	Deloitte & Touche LLP London	
<b>NOMINATED ADVISER AND STOCKBROKER</b>	WH Ireland Limited 5th Floor 85-89 Colmore Row Birmingham B3 2BB	
<b>SOLICITORS</b>	Beachcroft LLP 100 Fetter Lane London EC4A 1BN	
<b>REGISTRARS</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	
<b>COMPANY NUMBER</b>	5084775	

## CHAIRMAN'S STATEMENT

I am pleased to report Cape Diamonds' final results for the year ended 30 June 2007.

The results for the year ended 30 June 2007 show a loss after taxation of £8.4 million (2006: loss £4.3 million).

In February 2007, the Group finalised the agreement to sell a 25.6 per cent interest in Golden Falls to Wheatfields a Black Economic Empowerment (BEE) company. Consideration of £0.1 million was received in March 2006 and in March 2007, £0.6 million (R9 million) was received from Wheatfields. This transaction will result in benefits to both the parties, including continuation of the mining licence (beyond the current 2008 expiry date) and potential investment and business growth opportunities. The transaction results in a loss on the partial disposal of a subsidiary to the BEE partner of £5.2 million. In addition, deferred consideration is payable, in the form of preference dividends which will be credited to the income statement on receipt. The maximum receivable over a period of ten year from 2007 is £6.3 million (R89 million).

During the year the development of the Leicester pit was completed. Development expenditure amounting to £4.3 million (2006: £2.8 million) was capitalised. Additional expenditure on plant and equipment including the DMS plant amounted to £1.8 million (2006: £0.4 million) in the period.

The results include share-based payment costs on the issue of warrants of £0.7 million (2006: £3.2 million).

### FINANCING

In December 2007 a further financing facility has been agreed with IDC for £2.1 million (R30 million). Also in December 2007 £2.85 million (net of expenses) has been raised via the placing of 10 million new ordinary shares of 10 pence each at a subscription price of 30 pence per share from Forreton Limited, a subsidiary of Golden Hope Limited. The off-take agreement with Empimex Diamonds Limited of Israel for £4 million for working capital is available.

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 access to adequate resources to continue in operation and remain in existence for the foreseeable future.

These resources include the anticipated revenue from the projected diamond recoveries achievable by the new DMS plant and the Group's ability to raise further funds. If the production from the plant is delayed or at lower levels than expected, the Board will have to take steps to address any short-term funding shortfall that may arise in the period to 31 December 2008. The Company is seeking the consent of shareholders to provide the Company with the authority to issue up to a further 17 million ordinary shares to facilitate, when necessary, the raising of further finance through the issue of shares. The DMS plant has now been tested and the Board is confident that it will be fully operational by early January 2008 and be in full production in May 2008. For these reasons the Directors continue to adopt the going concern basis in preparing the Financial Statements (see note 1).

### OUTLOOK

As stated above, the newly built DMS plant is being commissioned and is expected to reach full production capacity of 200,000 tonnes treated per month by May 2008. The DMS plant is the latest in mining and metallurgical technology and has significantly greater recovery capacities in comparison to traditional pan operations. Mining grades are also expected to improve with the ongoing pit development.

The resource summary as shown in the Admission Document dated 22 May 2006 is currently being upgraded to reflect the results of the continual site exploration and production and we hope to be able to report more fully on the reserves and resources at the site in the next two to three months.

2007 was a difficult year for Cape but I am pleased to report that the DMS plant has been successfully installed and sufficient capital has been raised to allow the business to move forward. My desire was to bring the Company to an operational stage which is now imminent. It is for this reason that I have told the Board of Directors that I will retire from the Board and will not seek re-election at the Annual General Meeting on 22nd February 2008.

The Board is seeking a replacement Chairman and this appointment will be announced to shareholders in due course.

M A Alikhani, Non-Executive  
Chairman,  
21 December 2007

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements, for the year ended 30 June 2007.

### RESULTS AND DIVIDENDS

The results to 30 June 2007 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 9. The Directors do not recommend the payment of a dividend on the ordinary shares.

Key performance indicators for the Group are as follows:

	YEAR ENDED 30/06/2007	YEAR ENDED 30/06/2006
Property, plant and equipment	47,638,581	41,204,633
Net Cash	3,013,191	9,731,664
Net assets	38,585,283	39,155,419
Loss on partial disposal of subsidiary	(5,156,070)	–
Loss for the year	(8,413,179)	(4,308,241)
EPS	(22.14p)	(23.19p)

### 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.

### 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
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)
J D Vergopoulos	Non-Executive Director (resigned 10 January 2007)
R L Stubbs	Non-Executive Director (resigned 11 January 2007)
A M Coxon	Non-Executive Director (resigned 10 January 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 2007 or at date of resignation are shown below.

NAME	NUMBER OF ORDINARY SHARES OF 10P AT 30 JUNE 2007 OR DATE OF RESIGNATION	% OF ISSUED SHARE CAPITAL	NUMBER OF ORDINARY SHARES OF 10P AT 30 JUNE 2006 OR DATE OF APPOINTMENT	% OF ISSUED SHARE CAPITAL
M A Alikhani*	2,881,420	8.33	2,811,420	8.56
H M Silver	–	–	–	–
A T M Mokgokong	–	–	–	–
M J Madungandaba	–	–	–	–
O J Lubow	–	–	–	–
S Sasson	–	–	–	–
R L Stubbs	7,500	0.02	7,500	0.02
J D Vergopoulos	10,000	0.03	100,000	0.30
P Mattson	–	–	50,000	0.15
<b>Total</b>	<b>2,898,920</b>	<b>8.38</b>	<b>2,968,920</b>	<b>9.03</b>

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

## DIRECTORS' REPORT CONT'D

Details of share warrants granted to Directors are provided in Note 23.

Other than as set out in the preceding paragraphs, none of the Directors held any interests in the 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 25 to the accounts.

### ISSUES OF SHARES AND WARRANTS

During the year 1,775,000 (2006: 19,977,687) ordinary shares of £0.10 (2006: of £0.10) were issued for £1,617,500 (2006: £17,626,788).

### SUBSTANTIAL SHAREHOLDINGS

The Company is aware that as at 19 December 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	17.41%
Credit Suisse Client Nominees (UK) Limited (8NKAV)	3,425,000	9.90%
HSBC Global Custody Nominees (UK) Limited (BH01)	2,822,330	8.33%
Shanley Holdings Limited	2,811,420	8.13%
Chase Nominees Limited (BT01C)	2,293,820	6.63%
Golden Hope Ltd	1,690,000	4.88%
Chase Nominees Limited (BT01C) Des: CMBL	1,573,250	4.55%
W B Nominees Limited	1,308,914	3.78%
Vidacos Nominees Ltd (08XST)	1,074,557	3.11%

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 35.

The following resolutions constitute Special Business:

Resolution number 3 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) and up to an aggregate nominal amount of £1.7 million representing approximately 66.92 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.

Resolution number 4 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 £1.7 million representing approximately 66.92 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 2007 were equivalent to 183 days' purchases, based on the average daily amount invoiced by suppliers during the year. A disputed creditor balance of £680,000 has distorted this average.

#### **FIXED ASSETS**

In the opinion of the Directors the current open market value of the Group's interests in land and buildings is not less than their book value.

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

During the year the Group made charitable donations of £3,127, (2006: £450) principally to local charities serving the communities in which the Group operates.

The Group did not make any contributions to any political organisation.

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the group that the training/career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **EMPLOYEE CONSULTATION**

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **ENVIRONMENTAL MATTERS**

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

#### **RISK**

The Directors consider that there are the following material risks associated with the Group's operations:

- Geological risks associated with the development of the Group's resources;
- Environmental hazards, industrial and mechanical accidents and occupational health hazards; and
- Labour disputes, unscheduled shut-downs or other processing problems and technical failures.

The Group is vulnerable to additional risks which are detailed in Note 17.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

The relevant information can be found in Note 24.

## DIRECTORS' REPORT CONT'D

### 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. These resources include the anticipated revenue from the projected diamond recoveries achievable by the new DMS plant and the Group's ability to raise further funds if the production from the plant is delayed or reduced. The DMS plant has now been tested and the Board is confident that it will be fully operational by early January 2008 and be in full production in May 2008. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Refer to Note 1 to the financial statements for further detail.

### DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

### 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  
21 December 2007

## CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance and the guidelines 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.

The board has put in place the corporate governance procedures they believe are appropriate for the Company.

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 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 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

Following the appointment of the new Non-Executive Directors on 11 June 2007, the audit committee comprises Joe Madungandaba and Oren Lubow, chaired by Joe Madungandaba. A UK Chartered Accountant has been available as a consultant to the committee to advise on matters relating to the UK. The audit committee meets at least twice a year. The committee reviews the Group’s annual and interim financial statements before submission to the Board for approval. The committee reviews regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the committee monitors the progress of action taken in relation to such matters. The committee also recommends the appointment of, and reviews the fees of, the external auditors.

### THE REMUNERATION COMMITTEE

From 11 June 2007, the remuneration committee comprises Dr Anna Mokgokong and Oren Lubow, chaired by Oren Lubow. The remuneration committee meets 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 25.

The Directors comply with Rule 21 of the AIM Rules for Companies 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 for Companies.

## 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 to 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 6.

The Directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAPE DIAMONDS PLC

We have audited the Group and Company financial statements of Cape Diamonds Plc for the year ended 30 June 2007 which comprise the Consolidated Group and Company Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated and Company Balance Sheet, the Consolidated and Company Cash Flow Statement and the related notes 1 to 35. 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 Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group 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 Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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 Group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, 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 Group 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 Group 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 Company's affairs as at 30 June 2007 and of their losses for the year then ended;
- > the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- > the information given in the Directors' Report is consistent with the financial statements.

## EMPHASIS OF MATTER – GOING CONCERN

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the Group's ability to continue as a going concern which would depend upon full commissioning of the DMS plant on a timely basis and the expected levels of production of the plant being met, or alternatively, on obtaining additional financing if the plant is delayed or underperforming. This, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or the Group was unable to continue as a going concern as it is not practicable to determine or quantify them.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

21 December 2007

## CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 JUNE 2007

	NOTES	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
Revenue	4	883,975	–
Mining Expenses		(987,142)	–
<b>Gross loss</b>		<b>(103,167)</b>	<b>–</b>
Other operating income	4	11,565	24,842
Administrative expenses		(2,117,978)	(4,551,337)
Other operating expenses		(1,249,261)	(975,787)
Loss on part disposal of subsidiary	20(b)	(5,156,070)	–
<b>Operating loss</b>	5	<b>(8,614,911)</b>	<b>(5,502,282)</b>
Investment income	4	248,626	41,791
Finance costs	7	(52,337)	(134,237)
<b>Loss before taxation</b>		<b>(8,418,622)</b>	<b>(5,594,728)</b>
Taxation	8	5,443	1,286,487
<b>Loss for the year</b>		<b>(8,413,179)</b>	<b>(4,308,241)</b>
Attributable to:			
Equity holders of the parent	19	(7,305,535)	(4,463,396)
Minority interest		(1,107,644)	155,155
		(8,413,179)	(4,308,241)
<b>Loss per share</b>			
Basic and diluted	10	22.14p	23.19p

The above results all relate to continuing operations.

CONSOLIDATED STATEMENT OF  
RECOGNISED INCOME AND EXPENSE

YEAR ENDED 30 JUNE 2007

	NOTE	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
Exchange differences on translation of foreign operations	19	(172,982)	(42,743)
Loss for the year		(8,413,179)	(4,308,241)
<b>Total income and expense recognised</b>		<b>(8,586,161)</b>	<b>(4,350,984)</b>
Attributable to:			
Equity holders of the parent		(7,478,517)	(4,506,139)
Minority interest		(1,107,644)	155,155
		(8,586,161)	(4,350,984)

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	NOTE	30 JUNE 2007 £	30 JUNE 2006 £
<b>Non-current assets</b>			
Property, plant and equipment	11	47,638,581	41,204,633
Investments	11(b)	161,344	–
Deferred tax	9	–	713,078
		47,799,925	41,917,711
<b>Current assets</b>			
Diamond stocks	12	145,588	45,280
Trade and other debtors	13	1,370,875	412,973
Cash and cash equivalents	14	3,013,191	9,731,664
		4,529,654	10,189,917
<b>Total assets</b>		<b>52,329,579</b>	<b>52,107,628</b>
<b>Current liabilities</b>			
Trade and other payables	15(a)	(2,152,351)	(2,696,211)
Provisions	16	(40,103)	(49,886)
		(2,192,454)	(2,746,097)
<b>Net current assets</b>		<b>2,337,200</b>	<b>7,443,820</b>
<b>Non-current liabilities</b>			
Provisions	16	(183,357)	(196,970)
Long term liabilities	15(b)	(1,290,197)	–
Deferred tax	9	(10,078,288)	(10,009,142)
		(11,551,842)	(10,206,112)
<b>Total liabilities</b>		<b>(13,744,296)</b>	<b>(12,952,209)</b>
<b>Net assets</b>		<b>38,585,283</b>	<b>39,155,419</b>
<b>Equity</b>			
Share capital	18	3,459,605	3,282,105
Share premium	19	26,394,541	25,089,041
Translation reserve	19	(215,906)	(42,924)
Accumulated profit	19	4,259,047	10,827,197
<b>Equity attributable to equity holders of the parent</b>		<b>33,897,287</b>	<b>39,155,419</b>
Minority interest		4,687,996	–
<b>Total equity</b>		<b>38,585,283</b>	<b>39,155,419</b>

These financial statements were approved by the Board of Directors on 21 December 2007.

Signed on behalf of the Board of Directors by

M A Alikhani  
Director

## CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2007

	NOTES	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
<b>Net cash outflow from operating activities</b>	21	(4,017,402)	(2,640,076)
<b>Investing activities</b>			
Interest received		248,626	41,791
Pre-production development costs		(4,383,698)	(2,266,649)
Acquisition of property, plant and equipment		(2,132,669)	(292,074)
Acquisition of investments		(164,004)	–
Disposal of plant		–	50,305
Acquisition of subsidiary	20	–	(190,000)
Sale of subsidiary shares		716,828	–
<b>Net cash used in investing activities</b>		(5,714,917)	(2,656,627)
<b>Financing activities</b>			
Proceeds on issue of shares (net of share-issue costs)		1,617,500	15,178,293
Loans received		1,684,587	–
Interest paid		(52,337)	(134,237)
<b>Net cash from financing activities</b>		3,249,750	15,044,056
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,482,569)	9,747,353
Cash and cash equivalents at beginning of the year		9,731,664	3,509
Effect of foreign exchange rate changes		(235,904)	(19,198)
<b>Cash and cash equivalents at end of the year</b>		3,013,191	9,731,664

## COMPANY INCOME STATEMENT

YEAR ENDED 30 JUNE 2007

	NOTES	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
<b>Continuing operations</b>			
Administrative expenses		(2,117,977)	(4,547,724)
<b>Operating loss</b>	27	(2,117,977)	(4,547,724)
Interest income	28	135,882	26,406
Investment income	28	842,286	151,492
<b>Loss before taxation</b>		(1,139,809)	(4,369,826)
Taxation		–	–
<b>Loss for the year</b>	34	(1,139,809)	(4,369,826)

# COMPANY BALANCE SHEET

AS AT 30 JUNE 2007

	NOTES	30 JUNE 2007 £	30 JUNE 2006 £
<b>Non-current assets</b>			
Investment in subsidiaries	31	21,315,476	15,979,881
		<b>21,315,476</b>	<b>15,979,881</b>
<b>Current assets</b>			
Trade and other debtors	32	337,163	291,718
Cash and cash equivalents		2,443,875	8,611,760
		<b>2,781,038</b>	<b>8,903,478</b>
<b>Total assets</b>		<b>24,096,514</b>	<b>24,883,359</b>
<b>Current liabilities</b>			
Trade and other payables	33	(950,000)	(1,185,248)
<b>Total liabilities</b>		<b>(950,000)</b>	<b>(1,185,248)</b>
<b>Net current assets</b>		<b>1,831,038</b>	<b>7,718,230</b>
<b>Net assets</b>		<b>23,146,514</b>	<b>23,698,111</b>
<b>Equity</b>			
Share capital	34	3,459,605	3,282,105
Share premium	34	26,394,541	25,089,041
Accumulated loss	34	(6,707,632)	(4,673,035)
<b>Total equity attributable to equity holders of the parent</b>		<b>23,146,514</b>	<b>23,698,111</b>

These financial statements were approved by the Board of Directors on 21 December 2007.

Signed on behalf of the Board of Directors by

M A Alikhani  
Director

## COMPANY CASH FLOW STATEMENT

### YEAR ENDED 30 JUNE 2007

	NOTES	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED TO 30 JUNE 2006 £
<b>Net cash (outflow)/inflow from operating activities</b>	35	(1,180,823)	219,780
<b>Investing activities</b>			
Interest received		135,882	26,406
Loans to subsidiary		(6,740,444)	(6,615,292)
Acquisition of subsidiary	20	–	(190,000)
<b>Net cash used in investing activities</b>		(6,604,562)	(6,778,886)
<b>Financing activities</b>			
Proceeds on issue of shares		1,617,500	15,170,010
<b>Net cash from financing activities</b>		1,617,500	15,170,010
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,167,885)	8,610,904
Cash and cash equivalents at beginning of the year		8,611,760	856
<b>Cash and cash equivalents at end of the year</b>		2,443,875	8,611,760

# NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

## 1. GOING CONCERN

The Group was loss making in the current year, recording a loss of £8.4 million. In addition, the nature of the Group's business is such that there is significant reliance on the DMS plant at the Elandslaagte mine reaching full capacity by May 2008.

The Directors' assumption over the timing of the DMS plant reaching full capacity is crucial to the Group meeting its forecast cashflows for the period ending 31 December 2008. Should the full commissioning of the DMS plant be delayed or the expected levels of production not be reached there may be insufficient cashflow for the Group to manage its day to day operations without seeking and relying on further financing, which may or may not be available. Therefore there is a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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 can access adequate resources to continue in operation and remain in existence for the foreseeable future. This assumes that these resources include the Group's ability to raise further funds if the production from the plant is delayed or does not meet forecast expectations. The Directors plan to seek the approval of the shareholders to issue a further 17 million shares at the AGM. In addition, the Directors consider that there are various costs in relation to the mining activities which could be deferred without an adverse impact on the operations.

The DMS plant has now been tested and the Board is confident that it will be fully operational by early January 2008 and be in full production in May 2008.

For these reasons the Directors continue to adopt the going concern basis in preparing the financial statements.

## 2. GENERAL INFORMATION

Cape Diamonds Plc is a company incorporated in Great Britain 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
IFRIC 12	Service concession arrangements

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 comparative figures cover the year ended 30 June 2006.

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

	2007	2006
Year end rate	14.18	13.20
Average rate for the year	13.95	11.44

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 3. SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have 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 statements have 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 statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company has the power to govern the investee entity'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 statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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.

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### TAX (CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in 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.

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%

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.

##### MINING DEVELOPMENT

Mining development comprise mining development costs and exploration costs on mineral exploration prospects.

Exploration costs are accumulated separately for each area of interest (an individual geological area which is considered to constitute a favourable environment for the presence of a

mineral deposit or has been proven to contain such a deposit) and are carried forward on the following basis:

- Each area of interest is considered separately when deciding whether and to what extent to carry forward an asset or write-off costs. An asset, as defined, is a resource controlled by the company as a result of past events and from which future economic benefits are expected to flow to the company.
- Rights to prospect in the area of interest are current, provided that such costs are expected to be recouped through successful development and exploitation of the area of interest.

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.

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.

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.

All expenditure incurred on mining areas where commercial production has not commenced are capitalised. When the specific area is mined as part of commercial operations the capital asset is written off over the life of the operations related to that specific area

##### 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 (i.e. the mine).

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 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 2007.

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

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### SHARE-BASED PAYMENTS (CONTINUED)

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.

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.

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 expired. 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 statements, 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 PROPERTIES

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.

#### 4. REVENUE – GROUP

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

	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
Sale of goods (see below)	883,975	–
Other operating income	11,565	24,842
Investment Income	248,626	41,791
	<b>1,144,166</b>	<b>66,633</b>

In 2006, revenue generated from the sale of diamonds amounting to £220,863 was credited to capitalised mining costs.

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

#### 5. OPERATING LOSS – GROUP

Loss from operations has been arrived at after charging:

	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
Net foreign exchange losses	630,202	813,070
Depreciation of property, plant and equipment	276,395	71,827
Amortisation of rehabilitation assets	5,403	2,972
Loss on disposal of fixed assets	–	41,306
Staff costs (see note 5)	1,408,885	611,455
Share based payments	737,385	3,174,539

The analysis of auditors' remuneration is as follow:

	2007 £	2006 £
Fees payable to the company's auditors for the audit of the company's annual accounts	5,000	5,000
Fees payable to the company's auditors and their associates for other services to the group		
The audit of the company's subsidiaries pursuant to legislation		
– Group	45,000	120,000
– Interim	15,500	11,400
– South Africa	69,536	61,800
<b>Total audit fees</b>	<b>135,036</b>	<b>198,200</b>
Corporate services	–	300,655
Other services – South Africa	444	–
Total non-audit fees	444	300,655
Total fees	<b>135,480</b>	<b>498,855</b>

Fees payable to Deloitte and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

#### 6. STAFF COSTS – GROUP

	YEAR ENDED 30 JUNE 2007 NO	YEAR ENDED 30 JUNE 2006 NO
The average monthly number of employees (including executive Directors) was	180	99
Number of Directors	7	7
	<b>187</b>	<b>106</b>
	£	£

Emoluments for qualifying services:

Highest paid Director (note 25)	110,000	109,167
---------------------------------	---------	---------

Staff costs including Directors:

Wages and salaries – UK	231,962	141,226
– South Africa	1,183,588	470,229
	<b>1,415,550</b>	<b>611,455</b>

Total staff costs include amounts paid to Directors of £241,809 (2006: £279,936).

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

#### 7. FINANCE COSTS – GROUP

	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED TO 30 JUNE 2006 £
Interest on loans	47,767	–
Other	4,570	134,237
Total finance costs	<b>52,337</b>	<b>134,237</b>

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 8. CURRENT TAX – GROUP

Analysis of tax (charge)/credit

	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
Current tax		
– UK corporation tax	–	–
– South African tax	(103,940)	(25,545)
Deferred taxation (see note 9)	327,449	1,312,032
Under provision in prior year		
– South Africa (see note 9)	(218,066)	–
Total tax credit	5,443	1,286,487
	YEAR ENDED 30 JUNE 2007 £	YEAR ENDED 30 JUNE 2006 £
Loss before tax	(4,057,049)	(5,594,728)
Tax at the UK Corporation tax rate of 30%*	1,217,114	1,678,469
Tax effect of amounts that are not deductible in determining taxable profit	(924,194)	(1,308,881)
Tax effect of timing differences	1,285,227	–
Tax effect of tax losses not recognised	(223,360)	(304,059)
Effect of different tax rates of subsidiaries operating in other jurisdictions	111,108	(61,347)
Prior year deferred tax adjustment	(218,066)	–
Additional deferred tax (liability)/assets recognised	(1,242,386)	1,012,305
Total tax credit	5,443	1,286,487

The Group is carrying forward estimated tax losses of £1,976,897 (2006: £1,489,986) 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 amount to £10,325,820 (2006: £5,393,103).

Deferred tax assets have been recognised at the South African tax rate of 29% in respect of losses amounting to £2,659,744 to the extent that these losses will be offset against profits in the foreseeable future.

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was enacted in June 2007. With effect from the balance sheet date any deferred tax balances will be stated at 28% of those amounts.

#### 9. DEFERRED TAX

	CAPEX £	TAX LOSSES £	MINING DEVELOPMENT £	TOTAL £
<b>South Africa</b>				
At 1 July 2006	–	1,557,765	(844,687)	713,078
Exchange differences	–	(107,650)	58,378	(49,272)
<b>Mining</b>				
development asset	(837,024)	–	–	(837,024)
Charge to income	(1,242,386)	1,569,835	–	327,449
Exchange differences	20,151	(25,463)	–	(5,312)
<b>Underprovision</b>				
prior year	(218,066)	–	–	(218,066)
At 30 June 2007	(2,277,325)	2,994,487	(786,309)	(69,147)
<b>UK</b>				
At 30 June 2006 and 2007	–	–	(10,009,142)	(10,009,142)
Total at 30 June 2007	(2,277,325)	2,994,487	(10,759,452)	(10,078,288)

#### 10. 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 2007 £	YEAR ENDED 30 JUNE 2006 £
<b>Earnings</b>		
Loss for the purposes of basic and diluted loss per share being share attributable to equity holders of the parent	(7,305,535)	(4,463,396)
<b>Statutory number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	32,997,012	19,247,938
<b>Effect of dilutive potential ordinary shares:</b>		
Share warrants	4,379,150	4,744,150
Weighted average number of ordinary shares for the purpose of diluted earnings per share	37,376,162	23,992,088
Basic and diluted loss per share	22.14p	23.19p

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

**11. (a) PROPERTY, PLANT AND EQUIPMENT**

	LAND AND BUILDINGS £	MINING PROPERTY AND LEASES £	REHABILITATION ASSETS £	PLANT AND MACHINERY £	OTHER ASSETS £	TOTAL £
<b>Cost or valuation</b>						
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 difference	(10,882)	(804,260)	(18,560)	(26,650)	(34,111)	(894,463)
At 1 July 2006	102,647	40,411,681	196,970	363,686	223,488	41,298,472
Additions	83,576	5,226,181	–	648,399	1,400,694	7,358,850
Exchange adjustment	(8,450)	(558,280)	(13,613)	(35,652)	(38,164)	(654,159)
At 30 June 2007	177,773	45,079,582	183,357	976,433	1,586,018	48,003,163
<b>Accumulated depreciation</b>						
At 1 July 2005	–	–	1,907	45,842	579	48,328
Charge for the year	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 1 July 2006	830	–	4,318	82,090	6,601	93,839
Charge for the year	4,000	159,893	5,403	77,682	34,820	281,798
Exchange difference	(122)	(2,593)	(386)	(6,933)	(1,021)	(11,055)
At 30 June 2007	4,708	157,300	9,335	152,839	40,400	364,582
<b>Net book value</b>						
At 30 June 2007	173,065	44,922,282	174,022	823,594	1,545,618	47,638,581
At 30 June 2006	101,817	40,411,681	192,652	281,596	216,887	41,204,633

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 in 2006 as the mine had not reached commercial production.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 11.(b) INVESTMENTS

	£
<b>South Africa</b>	
As at 1 July 2007	
Insurance policy – Sanlam	
– at cost	123,792
– fair value revaluation	5,817
Investments – Sanlam	129,609
Insurance policy cumulative premium – Sanlam	31,735
As at 30 June 2007	161,344

This investment is held as security for the rehabilitation provision disclosed in Note 16.

#### 12. INVENTORY

	30 JUNE 2007 £	30 JUNE 2006 £
Cost of production	1,181,257	392,335
Adjustment to net realisable value	(1,059,861)	(347,055)
Diamond stocks	121,396	45,280
Stock consumables	24,192	–
	145,588	45,280

#### 13. TRADE AND OTHER DEBTORS

	30 JUNE 2007 £	30 JUNE 2006 £
Trade debtors	–	12,746
Guarantees and deposits	88,464	75,795
Other debtors	1,282,411	291,718
Deferred expenses	–	32,714
	1,370,875	412,973

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

A deposit is held by the South African Department of Mineral and Energy on estimated long term environmental obligations and other guarantees for an amount of £88,464 (R1,254,417), (2006: £ 75,795; R1,000,500).

Included within other debtors is a balance of £205,290 (2006: £220,531) of receivables from a related party of the Group, Prema Mining (Proprietary) Limited and a VAT receivable of £1,058,651 (2006: £4,167).

#### 14. 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, are subject to an insignificant risk of changes in value and have an original maturity of three months or less.

#### 15. (a) TRADE AND OTHER PAYABLES

	30 JUNE 2007 £	30 JUNE 2006 £
Trade creditors	1,520,216	2,117,345
Short-term portion of a long term loan	367,066	–
Other taxes and social security	–	52,555
Other creditors	61,305	400,394
Taxation	133,008	–
Accruals and provisions	70,756	125,917
	2,152,351	2,696,211

Other creditors include the current portion of the long term loan payable to IDC of £367,066 (2006: nil).

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 183 (2006: 148) days.

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

#### 15. (b) LONG-TERM LIABILITIES

Loan received by Golden Falls from IDC:

	£
As at 30 June 2006	
Total loan received	1,657,264
Payable within 12 months	(367,066)
As at 30 June 2007	1,290,197

The loan is secured over all the moveable assets of the mine excluding diamond stocks. The loan shall be repaid in 47 equal monthly instalments of £73,413 (R1,041,000) each and a final instalment of £75,670 (R1,073,000) the first of which shall be paid on 1 February 2008 and the remainder thereafter on the first day of each and every succeeding month until the loan has been repaid in full.

The loan bears interest at the South African prime rate (currently 14.5%) less 1%.

**16. PROVISIONS**

	CURRENT LIABILITIES LEAVE PAY £	NON-CURRENT LIABILITIES REHABILITATION £
At 1 July 2005	15,336	215,530
Charge to income statement/(utilised)	41,372	(2,972)
Exchange differences	(6,822)	(15,588)
At 1 July 2006	49,886	196,970
Utilised	(11,989)	–
Capitalised as part of pre-production asset	5,459	–
Exchange differences	(3,253)	(13,613)
<b>At 30 June 2007</b>	<b>40,103</b>	<b>183,357</b>

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.

**17. 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 34).

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

**18. SHARE CAPITAL**

	30 JUNE 2007 £	30 JUNE 2006 £
<b>Authorised</b>		
70 million ordinary shares of £0.10 each	7,000,000	7,000,000
<b>Issued and fully paid</b>		
32,821,053 ordinary shares of £0.10 each (2006: 32,731,053 shares of £0.10 each)	3,282,105	3,273,105
Issued during the year	177,500	–
Issued and unpaid		
90,000 ordinary shares of £0.10 each	–	9,000
<b>Total</b>	<b>3,459,605</b>	<b>3,282,105</b>

**MOVEMENTS IN YEAR**

On 7 August 2006, 25,000 warrants were exercised and ordinary shares of £0.10 were allotted accordingly. On 6 October 2006 a further 150,000 warrants were exercised and ordinary shares of £0.10 were allotted. On 20 June 2007 the Company allotted 1,600,000 ordinary shares of £0.10 at a price of £1 per share.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 18. SHARE CAPITAL (CONTINUED)

##### MOVEMENTS IN YEAR (CONTINUED)

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.

VALUE	NO. OF SHARES NO	NOMINAL £
At 1 July 2005	128,433,656	1,284,336
1 July 2005 to 30 September 2005	17,091,500	170,915
1 October 2005 to 30 November 2005	10,972,803	109,728
1 December 2005 to 31 December 2005	221,571	2,216
	156,719,530	1,567,195
After consolidation on 26 January 2006	15,671,953	1,567,195
24 February 2006	11,000,000	1,100,000
21 April 2006	949,100	94,910
26 May 2006	5,200,000	520,000
<b>At 30 June 2006</b>	<b>32,821,053</b>	<b>3,282,105</b>
7 August 2006	25,000	2,500
6 October 2006	150,000	15,000
20 June 2007	1,600,000	160,000
<b>At 30 June 2007</b>	<b>34,596,053</b>	<b>3,459,605</b>

## 19. STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE APPLICATION FUNDS £	TRANSLATION RESERVE £	ACCUMULATED (LOSS) / PROFIT £	MINORITY INTEREST £	TOTAL £
At 1 July 2005	1,284,336	–	846,500	(181)	(41,646)	327,117	2,416,126
Shares issued	1,997,769	26,629,019	–	–	–	–	28,626,788
Share application funds received	–	–	(846,500)	–	–	–	(846,500)
Gain on acquisition of Minority (note 20)	–	–	–	–	12,157,700	6,965	12,164,665
Net loss for the year	–	–	–	–	(4,463,396)	155,155	(4,308,241)
Deferred taxation	–	–	–	–	–	(489,237)	(489,237)
Share issue expenses	–	(1,539,978)	–	–	–	–	(1,539,978)
Exchange differences on translation of overseas operations	–	–	–	(42,743)	–	–	(42,743)
Share-based payments (note 23)	–	–	–	–	3,174,539	–	3,174,539
<b>At 1 July 2006</b>	<b>3,282,105</b>	<b>25,089,041</b>	<b>–</b>	<b>(42,924)</b>	<b>10,827,197</b>	<b>–</b>	<b>39,155,419</b>
Net loss for the year	–	–	–	–	(7,305,535)	(1,107,644)	(8,413,179)
Shares issued	177,500	1,440,000	–	–	–	–	1,617,500
Share issue expenses	–	(134,500)	–	–	–	–	(134,500)
Share of net assets disposed of to minority	–	–	–	–	–	5,872,898	5,872,898
Exchange differences on translation of overseas operations	–	–	–	(172,982)	–	(77,258)	(250,240)
Share-based payments (note 23)	–	–	–	–	737,385	–	737,385
<b>At 30 June 2007</b>	<b>3,459,605</b>	<b>26,394,541</b>	<b>–</b>	<b>(215,906)</b>	<b>4,259,047</b>	<b>4,687,996</b>	<b>38,585,283</b>

The translation of the Group's foreign operations to the Group's 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 in the income statement on the disposal of the foreign operation.

## 20. ACQUISITIONS AND DISPOSALS

### 20(a) 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 18)	(11,000,000)
Consideration paid in cash	(190,000)
Gain on acquisition of minority interest	12,164,665

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

YEAR ENDED 30 JUNE 2007

**20. ACQUISITIONS AND DISPOSALS (CONTINUED)****20(b) DISPOSAL OF MINORITY INTEREST**

On 8 February 2007, DMI entered into a contract whereby Wheatfields acquired 25.6% of DMI's holdings in Golden Falls for an amount of £0.7 million (R10 million), which was received. 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.

Dividends will be credited to the income statement in the year that they are received.

The results at the date of transaction were:

Cash consideration received	716,828
Share of subsidiary net assets disposed to minority interest	(5,872,898)
Loss on partial disposal of subsidiary to BEE partner	(5,156,070)

**21. NOTES TO THE CASH FLOW STATEMENT**

	30 JUNE 2007 £	30 JUNE 2006 £
Operating loss from continuing operations	(8,614,911)	(5,502,282)
Adjustments for:		
Depreciation of property, plant and equipment	276,395	71,827
Amortisation of rehabilitation assets	5,403	2,972
Loss on disposal of fixed asset	–	41,341
(Decrease)/increase in provisions	(45,721)	15,990
Share-based payments	737,384	3,174,539
Loss on part disposal of subsidiary	5,156,070	–
Other non-cash items	–	41,428
Net foreign exchange losses	630,202	813,070
Operating cash flows before movements in working capital	(1,855,178)	(1,341,115)
Increase in stocks	(105,143)	(52,247)
(Increase)/decrease in receivables	(979,704)	386,527
Decrease in payables	(1,077,377)	(1,633,241)
Net cash outflow from operating activities	(4,017,402)	(2,640,076)

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.

**22. CONTINGENCIES AND COMMITMENTS****LEASES**

At balance sheet date, Golden Falls has outstanding commitments under a non-cancellable operating lease for a total of £nil (2006: £191,138) of which £nil (2006: £39,874) falls due within one year.

Operating lease payments represent rentals payable by the Company for certain equipment which was purchased outright during the year.

Other commitments in Golden Falls include amounts approved by the board and contracted of £2,327,221 (2006: £104,800). Golden Falls has committed £2,327,221 (R33 million) for the DMS plant, which will be financed out of loan capital from the IDC.

**23. SHARE-BASED PAYMENTS****EQUITY-SETTLED SHARE WARRANT SCHEME**

The share-based payment arrangements made with creditors for the year amounts to £nil (2006: £70,300 for 703,000 shares of £0.10).

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 during the year is £737,384 (2006: £3,174,539).

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%

Weighted average share price 87p

Weighted average exercise price 78p

The assumptions above are consistent with the assumptions in the previous year.

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.

The weighted average share price at the date of exercise for share options exercised during the period was £1.10. The options outstanding at 30 June 2007 had a weighted average exercise price of 79p, and a weighted average remaining contractual life of 4.9 years. No options were granted during 2007. In 2006, options were granted on September 2005, October 2005 and April 2006. The aggregate of the estimated fair values of the options granted on those dates is £4.1 million.

Expected volatility was determined by calculations the historical volatility of the Group's share price over the previous 1 year. The expected life used in the model had been adjusted, based on management's best estimate for the effects of non-transferability exercise restrictions and behavioural considerations.

The Group recognised total expenses of £737,385 and £3,174,539 related to equity settled share based payment transactions in 2007 and 2006 respectively.

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 - after consultation	3,144,150	2,041,650
Granted during year	1,600,000	1,600,000
<b>At 30 June 2006</b>	<b>4,744,150</b>	<b>3,641,650</b>
Exercised during the year	(175,000)	(17,500)
Warrants lapsed	(190,000)	(190,000)
<b>Outstanding and exercisable at 30 June 2007</b>	<b>4,379,150</b>	<b>3,434,150</b>

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 23. SHARE-BASED PAYMENTS

##### EQUITY-SETTLED SHARE WARRANT SCHEME

NAME	EXERCISE PRICE	EXERCISE PERIOD	30 JUNE 2006 OR DATE OF RESIGNATION NUMBER	LAPSED NUMBER	EXERCISED NUMBER	RECLASSIFICATION NUMBER	30 JUNE 2007 OR DATE OF RESIGNATION NUMBER
Masoud Alikhani	10p	Note A	400,000				400,000
Masoud Alikhani	100p	Note F	200,000				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	(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				60,000
Other staff and consultants	10p	Note A	315,000		(25,000)		290,000
John Vergopoulos	100p	Note C	150,000				150,000
John Vergopoulos	100p	Note E	100,000	(100,000)			–
Staff and consultants	100p	Note C	48,118				48,118
Andrew Coxon	100p	Note F	100,000				100,000
Hermanus Manuel Silver	100p	Note E	150,000				150,000
Merika J Madungandaba	100p	Note E	–			75,000	75,000
Dr Anna Mokgokong	100p	Note E	–			75,000	75,000
Oren Lubow	100p	Note C and G	–			113,267	113,267
Others	100p	Note E	525,000			(150,000)	375,000
Others	100p	Note F	375,000				375,000
Other shareholders	100p	Note C	1,721,032			(113,267)	1,607,765
			4,744,150	(190,000)	(175,000)	–	4,379,150

#### 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
- Note G – Oren Lubow warrants are held by Fitel Nominees Ltd

#### 24. EVENTS AFTER THE BALANCE SHEET DATE

a) In December 2007, Golden Falls received an additional financing facility of £2.1 million (R30 million) from the Industrial Development Corporation of South Africa Ltd IDC to finance the DMS plant.

b) In December 2007 £2.9 million (net of expenses) has been raised via the placing of 10 million new ordinary shares of 10 pence each at a subscription price of 30 pence per share from Forreton Limited, a subsidiary of Golden Hope Limited, which now holds 11,690,000 ordinary shares of the Company being 26.2% of the enlarged share capital of the Company.

c) On 27 July 2007, 3.6 million warrants were agreed to be issued to directors and staff for which contracts have not been issued.

d) Mr Masoud Alikhani has agreed to retire from the Board and will not seek re-election at the Annual General Meeting on 22nd February 2008.

#### 25. RELATED PARTY TRANSACTIONS

RELATED PARTY	NATURE OF RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION 30 JUNE 2007	AMOUNT RECEIVABLE 30 JUNE 2007	AMOUNT OF TRANSACTION 30 JUNE 2006	AMOUNT RECEIVABLE/ (PAYABLE) 30 JUNE 2006
Prema Mining (Proprietary) Limited	Shareholder	Sale of assets	–	–	45,494	–
Prema Mining (Proprietary) Limited	Shareholder	Outstanding amount	–	286,743	–	75,102
Prema Mining (Proprietary) Limited	Shareholder	Repayment of creditor	96,992	–	153,837	–
Ibis Business Information (Proprietary) Ltd	Company controlled by a Director	Repayment of creditor (professional services)	–	–	(9,978)	–
Interactive Trading 365 (Proprietary) Ltd	Company controlled by a Director	Repayment of creditor	–	–	(10,849)	–
Feinsteins Attorneys	Director of subsidiary company is partner at Feinsteins	Legal expenses	22,225	–	–	–

#### Transaction with Directors and key management personnel:

RELATED PARTY	NATURE OF RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT OF TRANSACTION 30 JUNE 2007 £	AMOUNT RECEIVABLE/ (PAYABLE) 30 JUNE 2007 £	AMOUNT OF TRANSACTION 30 JUNE 2006 £	AMOUNT RECEIVABLE/ (PAYABLE) 30 JUNE 2006 £
H M Silver	Director	Sale of vehicle	–	–	18,373	–

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 25. RELATED PARTY TRANSACTIONS (CONTINUED)

##### DIRECTORS' TRANSACTIONS

Shanley Holdings owns 2,811,420 shares of £0.10 each. M A Alikhani is the beneficial owner of Shanley Holdings Ltd. During the year M A Alikhani purchased 70,000 shares of £0.10 each. Since 30 June 2007 M A Alikhani has purchased 200,000 shares of £0.10 each.

M A Alikhani is also a creditor with a balance outstanding at 30 June 2007 of £nil (30 June 2006: £61,780 for business expenses incurred).

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, a director of Golden Falls, 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 2007

##### Directors

NAME	CONSULTANCY FEE £	DIRECTORS' FEES £	SALARY £	SHARE-BASED PAYMENTS £	OTHERS £	TOTAL £
M A Alikhani	–	10,000	100,000	–	–	110,000
H M Silver	–	10,000	85,669	127,870	–	223,539
M J Madungandaba	–	548	3,014	63,935	–	67,497
A T M Mokgokong	–	548	1,644	63,935	–	66,127
S Sasson	–	438	2,630	–	–	3,068
O J Lubow	–	548	3,288	–	–	3,836
R L Stubbs	23,748	2,500	–	76,722	–	102,970
J D Vergopoulos	7,500	5,000	–	85,247	–	97,747
<b>Total</b>	<b>31,248</b>	<b>29,582</b>	<b>196,245</b>	<b>417,709</b>	<b>–</b>	<b>674,784</b>

#### YEAR ENDED 30 JUNE 2006

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

##### Key management

	30 JUNE 07 £	30 JUNE 06 £
Salary	293,473	327,136
Share based payments	319,675	157,712
Others	28,076	9,445
<b>Total</b>	<b>641,224</b>	<b>494,293</b>

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

**26. STAFF COSTS – COMPANY**

	YEAR ENDED 30 JUNE 2007 NO.	YEAR ENDED 30 JUNE 2006 NO.
The average monthly number of employees (including executive Directors) was	3	1
Number of Directors	6	5
	£	£
Emoluments for qualifying services:		
Highest paid Director (payable by subsidiary)	110,000	100,000
Staff costs including Directors:		
Wages and salaries	131,962	141,226
Share-based payments	417,709	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.

**27. LOSS FROM OPERATIONS – COMPANY**

Loss from operations has been arrived at after charging:

	30 JUNE 2007 £	30 JUNE 2006 £
Net foreign exchange losses	630,202	813,070

Auditor's remuneration for the Company and the Group is disclosed in Note 4.

**28. INVESTMENT INCOME – COMPANY**

	30 JUNE 2007 £	30 JUNE 2006 £
Interest receivable from subsidiary	–	151,492
Interest on bank deposits	135,882	26,406
	135,882	177,898
Notional interest receivable from subsidiary	842,286	–
Total investment income	978,168	177,898

**29. 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.

**30. PENSIONS**

There are no pension schemes in place in the Group.

## NOTES TO THE FINANCIAL STATEMENTS CONT'D

### YEAR ENDED 30 JUNE 2007

#### 31. INVESTMENT IN SUBSIDIARIES

	SHARES £	LOANS £	TOTAL £
At 1 July 2006	11,624,783	4,355,098	15,979,881
Increase in loans during the year	–	7,582,731	7,582,731
Revaluation		(1,632,172)	(1,632,172)
Exchange difference	–	(614,964)	(614,964)
<b>30 June 2007</b>	<b>11,624,783</b>	<b>9,690,693</b>	<b>21,315,476</b>

Investment in subsidiaries comprises the purchase of the entire share capital of DMI which holds 25.4% interest in Golden Falls which in turn owns 100% of the ordinary share capital of 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 20).

On 8 February 2007, the Group disposed of 25.6% of the ordinary share capital of Golden Falls to Wheatfields (see note 20).

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 2007, investments in the following subsidiaries were held:

	ACTIVITY	COUNTRY OF INCORPORATION AND OPERATION	ORDINARY SHARES HELD COMPANY	ORDINARY SHARES HELD GROUP
Dominion Mining Investments (Proprietary) Ltd	Mining	South Africa	100%	100%
Golden Falls Mining (Proprietary) Limited	Mining	South Africa	49%	74.4%
Elandslaagte Diamonds (Proprietary) Ltd	Mining	South Africa	–	74.4%

#### 32. TRADE AND OTHER RECEIVABLES – COMPANY

The carrying amount of these assets approximates their fair value.

	30 JUNE 2007 £	30 JUNE 2006 £
Other debtors	337,163	291,718
	337,163	291,718

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

### 33. 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 147 (2006: 193) days.

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

	30 JUNE 2007 £	30 JUNE 2006 £
Trade creditors	877,564	984,520
Other creditors	72,436	200,728
	<b>950,000</b>	<b>1,185,248</b>

### 34. STATEMENT OF CHANGES IN EQUITY – COMPANY

	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)
Shares issued	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)
<b>Balance at 30 June 2006</b>	<b>3,282,105</b>	<b>25,089,041</b>	<b>–</b>	<b>(4,673,035)</b>	<b>23,698,111</b>
Net loss for the year	–	–	–	(1,139,809)	(1,139,809)
Share issues	177,500	1,440,000	–	–	1,617,500
Share issue expenses	–	(134,500)	–	–	(134,500)
Share-based payment	–	–	–	737,383	737,383
Revaluation of subsidiary loan	–	–	–	(1,632,171)	(1,632,171)
<b>Balance at 30 June 2007</b>	<b>3,459,605</b>	<b>26,394,541</b>	<b>–</b>	<b>(6,707,632)</b>	<b>23,146,514</b>

### 35. NOTES TO THE CASH FLOW STATEMENT – COMPANY

	30 JUNE 2007 £	30 JUNE 2006 £
Operating loss from continuing operations	(2,117,977)	(4,547,724)
Share based payments	737,384	3,174,715
Foreign exchange losses	630,202	–
Operating cash flows before movements in working capital	(750,391)	(1,373,009)
(Increase)/decrease in receivables	(45,445)	433,380
(Decrease)/increase in payables	(384,987)	1,159,409
Net cash (outflow)/inflow from operating activities	(1,180,823)	219,780

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.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 2.00 p.m. on 22 February 2008 at Manhattan Suite, Millennium Mayfair Hotel, 44 Grosvenor Square, London W1K 2HP for the purpose of considering and if thought fit, passing the following resolutions, of which Resolutions Numbered 1 to 3 will be proposed as Ordinary Resolutions and Resolution Numbered 4 will be proposed as a Special Resolution:

1. To receive the Company's annual accounts for the financial year ended 30 June 2007 together with the last directors' report and auditors' report on these accounts.
2. To re-appoint Deloitte & Touche LLP as Auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the Directors to agree their remuneration.
3. 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):
  - 3.1 up to an aggregate nominal amount of £1.7 million representing approximately 66.92 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.
4. THAT subject to the passing of the previous resolution, the Directors of the Company be hereby empowered pursuant to section 95 of the Act (within the meaning of Section 94(2) of the Act) wholly for cash 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:
  - 4.1 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;
  - 4.2 the allotment (otherwise than pursuant to subparagraph 4.1 above) of equity securities pursuant to warrants granted by the Company prior to the date hereof;
  - 4.3 the allotment (otherwise than pursuant to subparagraphs 4.1 and 4.2 above) of equity securities up to an aggregate nominal amount of £1.7 million representing approximately 66.92 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  
21 December 2007

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### ENTITLEMENT TO ATTEND AND VOTE

- Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
  - 6 p.m. on 19 December 2007; or,
  - if this Meeting is adjourned, at 6 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

### APPOINTMENT OF PROXIES

- If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy please contact the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3BR.

### APPOINTMENT OF PROXY USING HARD COPY PROXY FORM

- The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Neville Registrars Limited at Neville House, 18 Laurel Lane, Halesowen, west Midlands, B63 3BR ; and
- received by Neville Registrars no later than 12.00pm on 20th January 2008.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### APPOINTMENT OF PROXY BY JOINT MEMBERS

- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

### CHANGING PROXY INSTRUCTIONS

- To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3BR.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### TERMINATION OF PROXY APPOINTMENTS

- In order to revoke a proxy instruction you will need to inform the Company using the following method:
  - By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars, at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3BR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Neville Registrars, at Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3BR no later than 12.00pm on 20 February 2008.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

### ISSUED SHARES AND TOTAL VOTING RIGHTS

- As at 12 noon on 19 December 2007, the Company's issued share capital comprised 34,596,053 ordinary shares of 10 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12 noon on 19 December 2007 is 34,596,053.

### DOCUMENTS ON DISPLAY

- Copies of the service contracts and letters of appointment of the directors of the Company will be available:
  - for at least 15 minutes prior to the Meeting; and
  - during the Meeting.



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