

Company Registration No. 5084775

**Cape Diamonds Plc
(formerly Dominion Mining plc)**

Report and Financial Statements

**For the period from incorporation on
25 March 2004 to 30 June 2005**

Cape Diamonds Plc
(formerly Dominion Mining plc)

Report and financial statements 2005

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Consolidated profit and loss account	7
Consolidated statement of total recognised gains and losses	8
Consolidated balance sheet	9
Consolidated cash flow statement	10
Reconciliation of net cash flow to movement in net debt	10
Company balance sheet	11
Notes to the financial statements	12

Cape Diamonds Plc
(formerly Dominion Mining plc)

Report and financial statements 2005

Officers and professional advisers

Directors

Masoud Amir Alikhani	Executive Chairman
Hermanus Manual Silver	Chief Executive Officer
John David Vergopoulos	Non-Executive Director
Robert Lawrence Stubbs	Non-Executive Director
Andrew Michael Coxon	Non-Executive Director

Company secretary

Kishorkumar Ratilal Sodha

Registered Office

2nd Floor
19/20 Grosvenor Street
London W1K 4QH

Solicitors

Beachcroft LLP
100 Fetter Lane
London EC4A 1BN

Competent persons

VSA Geoconsultants Group (Pty) Limited
2 Greville Street
Highveld Technopark
PO Box 9025
Centurian, 0046
RSA

Stockbrokers

WH Ireland Limited
24 Bennetts Hill
Birmingham B2 5QP

Registrars

Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Cape Diamonds Plc **(formerly Dominion Mining plc)**

Directors' report

The directors present their first annual report and the audited financial statements for the period from incorporation on 25 March 2004 to 30 June 2005.

Activities and future prospects

Cape Diamonds PLC (the "Company") (formerly Dominion Mining was established in March 2004 to capitalise upon the opportunity to acquire diamond assets in the Republic of South Africa (RSA). Since November 2004 to date, the Company has raised approximately £4 million and acquired 51% of the Elandslaagte mining project. The Company on 24 February 2006 acquired a further 49% of Elandslaagte by way of issue of 11 million new shares and a payment of £190,000.

The Board carried out a lengthy exercise to find a Black Economic Empowerment ("BEE") partner. The Board completed this transaction on 16 March 2006. The terms of the transaction are that for an equity of 25.6% in the mine, the BEE Group will pay R99 million (£9.1 million) as described in note 19(ii) to the financial statements.

Over the period to date, the Company has invested in developing the mining infrastructure and has utilised funds for providing working capital. Limited production has commenced.

Black Economic Empowerment

The Government of the RSA has promoted the re-distribution of wealth and opportunities to previously disadvantaged communities through a policy of black economic empowerment.

The Board is fully committed to the principles of BEE. It has plans for the promotion of black employees into management positions, investment into skills training and the procurement, where possible, of supplies and materials required for our RSA business from companies which have committed themselves to the principles of BEE.

Admission to AIM and Fund Raising

The Company will float on AIM on or before 25 May 2006 and the Company has received agreed commitment letters to raise £13 million gross before fund raising costs. A further £3 million commitment letters have been also received for subscriptions to purchase the company's shares from the existing shareholders.

A Competent Persons Report (CPR), has been compiled and will be produced upon admission to AIM.

Proposed development

Post admission to AIM, the Company will embark on a full development plan which will require the further £10 million. This plan calls for the introduction of 3 Dense Medium Separator plants during 2006 and 2007. This is expected to increase monthly production to 400,000 tons ROM at an average 7.0cph in 2008.

Results

The results to 30 June 2005 reflect the development costs of the mine, and fund raising and other head office costs.

Cape Diamonds Plc (formerly Dominion Mining plc)

Directors' report

Results and dividends

The results for the period are set out in the group profit and loss account on page 7. The directors do not recommend the payment of a dividend on the ordinary shares.

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 was that of a holding company. Limited production commenced in November 2004.

Change of name

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

Directors and their interests

The names of the directors who served throughout the period, except where shown otherwise, are as follows:

M A Alikhani	Executive Chairman (Appointed 25 March 2004)
H M Silver	Chief Executive Officer (Appointed 1 April 2006)
J D Vergopoulos	Non-Executive Director (Appointed 1 September 2005)
R L Stubbs	Non-Executive Director (Appointed 28 July 2004)
A M Coxon	Non-Executive Director (Appointed 19 April 2006)
K Sodha	Executive (Appointed 25 March 2004) (Resigned 19 April 2006)
P Mattsson	Non-Executive (Appointed 28 July 2004) (Resigned 1 August 2005)

All of the directors have a service contract with the Company.

The interests (as defined in the Companies Act 1985) of the directors holding office at 30 June 2005 or at date of appointment in the share capital are shown below:

	Ordinary shares of 1p each 30 June 2005
In Cape Diamonds PLC:	
M A Alikhani	12,501,000
R Stubbs	75,000
P Mattsson	500,000

The directors did not hold any shares on appointment.

Details of share warrants granted to directors are provided in Note 18.

Other than as set out above, none of the directors at 30 June 2005 held any interest in shares of the Company or its subsidiary undertakings during the period. All of the interests reported are beneficial.

Transactions with directors and related parties

Details of transactions with directors and related parties are set out in Note 22 to the accounts.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Directors' report

Issue of shares and warrants

During the period 128,433,656 ordinary shares were issued at 1 pence each to provide working capital of £1,284,336.

The Company has issued share warrants to directors, key employees and consultants which are listed in Note 18.

Creditors

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days.

Environmental matters

The group undertakes a review of environmental matters prior to deciding to proceed with an investment in a new operation. Once the investment is made the environmental implications are monitored on a regular basis and where necessary improvements are proposed.

Auditors

Deloitte & Touche LLP were appointed in the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



Masoud Alikhani

Director

22 May 2006

Cape Diamonds Plc
(formerly Dominion Mining plc)

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Cape Diamonds Plc (formerly Dominion Mining plc)

We have audited the financial statements of Cape Diamonds Plc (formerly Dominion Mining plc) for the period ended 30 June 2005 which comprise the consolidated profit and loss, the statement of recognised gains and losses, the consolidated balance sheet, the consolidated cash flow statement, recognition of net cash flow to movement in net debt, the Company balance sheet and the related notes 1 to 26. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2005 and of the Group's loss for the period from 25 March 2004 to 30 June 2005 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
22 May 2006

Cape Diamonds Plc
(formerly Dominion Mining plc)

Consolidated profit and loss account
For the period ended 30 June 2005

	Note	Period from 25 March 2004 to 30 June 2005 £
Revenue	3	
Other operating income	3	8,853
Administrative expenses		(300,386)
Other operating expenses		(616,127)
Operating loss	4	(907,660)
Interest payable and similar charges	6	(13,421)
Loss on ordinary activities before taxation		(921,081)
Taxation	7	-
Loss on ordinary activities after taxation		(921,081)
Equity minority interest	14	573,061
Loss for the period	14	(348,020)
Loss per share		
Basic and diluted	8	0.47p

The above results relate to continuing operations. For the period ended 30 June 2005, aside from certain management and administrative functions, all operations were acquired in the period.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Consolidated statement of total recognised gains and losses
For the period ended 30 June 2005

	Note	Period from 25 March 2004 to 30 June 2005 £
Loss for the period		(348,020)
Exchange differences on translation of foreign operations	14	(181)
		<u>(348,201)</u>

Cape Diamonds Plc
(formerly Dominion Mining plc)

Consolidated balance sheet
As at 30 June 2005

	Note	2005 £
Fixed assets		
Negative goodwill	15	(600,733)
Tangible fixed assets	9	<u>5,560,253</u>
Current assets		
Debtors	10	600,957
Cash at bank and in hand		<u>3,509</u>
		<u>604,466</u>
Creditors: amounts falling due within one year		
Short term borrowings	11a	(425,672)
Trade and other payables	11b	(3,092,055)
Provisions	12	<u>(15,336)</u>
		<u>(3,533,063)</u>
Net current liabilities		<u>(2,928,597)</u>
Total assets less current liabilities		2,030,923
Provisions	12	<u>(215,530)</u>
Net assets		<u>1,815,393</u>
Equity		
Share capital	13	1,284,336
Share premium	14	-
Share application funds	14	846,500
Translation reserve	14	(181)
Accumulated loss	14	<u>(348,020)</u>
Equity shareholders funds	14	1,782,635
Minority interest	14	<u>32,758</u>
Total equity		<u>1,815,393</u>

These financial statements were approved by the Board of Directors on 22 May 2006.

Signed on behalf of the Board of Directors



Masoud Alikhani
 Director

Cape Diamonds Plc
(formerly Dominion Mining plc)

Consolidated cash flow statement
For the period ended 30 June 2005

	Note	Period from 25 March 2004 to 30 June 2005 £
Net cash outflow from operating activities	16a	(121,206)
Returns on investments and servicing of finance		
Interest paid		(13,421)
		<u>(13,421)</u>
Capital expenditure and financial investment		
Pre-production development costs		(2,000,588)
Purchase of tangible fixed assets		(237,658)
		<u>(2,238,246)</u>
Acquisitions		
Acquisition of subsidiary	15	(43)
		<u>(43)</u>
Cash flow before financing		<u>(2,372,916)</u>
Financing		
Proceeds on issue of shares (net of share issue costs)		1,112,605
Share application funds		846,500
Increase in short term borrowings		425,672
		<u>2,384,777</u>
Net cash inflow from financing		<u>2,384,777</u>
Increase in cash in the period	16b	<u>11,861</u>
Reconciliation of net cash flow to movement in net debt		
For the period ended 30 June 2005		
Increase in cash in the period		11,861
Increase in short term borrowings		(425,672)
		<u>(413,811)</u>
Increase in cash resulting from cash flows		(413,811)
Foreign exchange differences		(8,352)
		<u>(422,163)</u>
Net debt at the beginning of the period	16b	-
Net debt at the end of the period	16b	<u>(422,163)</u>

Cape Diamonds Plc
(formerly Dominion Mining plc)

Company balance sheet
As at 30 June 2005

	Note	2005 £
Fixed assets		
Investment in subsidiaries	23	<u>1,139,942</u>
Current assets		
Debtors	24	725,099
Cash at bank and in hand		856
		<u>725,955</u>
Creditors: amounts falling due within one year		
Trade and other payables	25	<u>(96,139)</u>
Net current assets		629,816
Total assets less current liabilities		<u>1,769,758</u>
Net assets		<u>1,769,758</u>
Equity		
Share capital	26	1,284,336
Share premium	26	-
Share application funds	26	846,500
Accumulated loss	26	<u>(361,078)</u>
Equity shareholders funds		<u>1,769,758</u>

These financial statements were approved by the Board of Directors on 22 May 2006.

Signed on behalf of the Board of Directors



Masoud Alikhani
 Director

Cape Diamonds Plc **(formerly Dominion Mining plc)**

Notes to the financial information **For the period ended 30 June 2005**

1. General information

Cape Diamonds Plc is a company incorporated in the United Kingdom under the Companies Act 1985. It was incorporated on 25 March 2004 under the name of Dominion Mining plc and changed its name to Cape Diamonds Plc on 26 January 2006.

This financial information is presented in pounds sterling. The currency of the primary economic environment in which the group operates is South African Rand. Foreign operations are included in accordance with the policies set out in note 2.

As the Group was considered to be dormant for the period from incorporation (25 March 2004) to 30 June 2004, no financial statements were prepared at that date. As a result, the figures cover the period from 25 March 2004 to 30 June 2005.

2. Significant accounting policies

Basis of preparation

The financial information has been prepared under the historical cost convention in accordance with United Kingdom Accounting Standards ("UK GAAP") and law.

Basis of consolidation

The group financial statements consolidate the financial statements of the Company and its operating subsidiary undertakings. No profit and loss is presented for the Company as permitted by Section 230 of the Companies Act 2985.

The South African consolidated accounts are prepared by combining the financial statements of all the entities that comprise the Group, being the Dominion Mining Investments (proprietary) Limited and its controlled entities, Golden Falls Trading 179 (Proprietary) Limited and Elandslaagte Diamonds (Proprietary) Limited. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

The consolidated accounts include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. In preparing the consolidated accounts, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full. Premiums arising on the acquisition of subsidiaries, being the difference between the fair value of the consideration given and the fair value of the identifiable assets and liabilities acquired is capitalised in the balance sheet. To the extent that such premium relates to mining properties and leases, that amount is capitalised within tangible mining assets.

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 and the minority 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 interest 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.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

2. Significant accounting policies (continued)

Goodwill and negative 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 tangible fixed assets as mining properties and leases.

Other goodwill and negative goodwill are allocated to fixed assets and amortised over a minimum period of 20 years.

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

2. Significant accounting policies (continued)

Foreign currencies

The individual financial information of each group company are 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 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 the profit and loss account for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the re-translation of non-monetary items in respect of which 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.

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

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

2. Significant accounting policies (continued)

Tax

The tax expense represents the sum of current tax payable and deferred tax. Current tax payable is based on the 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.

Tangible fixed assets

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 their historical cost less any subsequent accumulated depreciation (at a rate of 2%) and subsequent accumulated impairment losses.

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

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 of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

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

Mining properties and leases are amortised over the total estimated remaining life of the mine, once commercial production commences.

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.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

2. Significant accounting policies (continued)

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.

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 profit or loss account 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.

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.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment to their carrying values.

On the disposal of any investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Rehabilitation assets and liabilities

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

A corresponding liability is recognised.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

2. Significant accounting policies (continued)

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 in note 2, management has made no critical judgements that have a significant effect on the amounts recognised in the financial information, apart from those involving estimations, which are dealt with below.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

The fair value of the mining development 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 change in the carrying value of the asset.

3. Revenue and segmental information

	Period from 25 March 2004 to 30 June 2005 £
An analysis of the Group's revenue is as follows:	
Sale of goods (see below)	-
	<hr/>
Other operating income	8,853
	<hr/>
	<u>8,853</u>

The revenue generated from the sale of diamonds amounting to £181,617 was netted off capitalised mining costs. This will continue until commercial production is reached.

All sales of goods were made in South Africa for the South African market.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

4. Operating loss

	Period from 25 March 2004 to 30 June 2005 £
Loss from operations has been arrived at after charging:	
Net foreign exchange losses	61,593
Depreciation of property, plant and equipment	48,133
Amortisation of rehabilitation assets	1,977
Staff costs (see note 5)	280,083
 Auditors' remuneration for audit services	
UK	10,000
South Africa	21,488
	<hr/>
Total statutory audit fees	31,488
	<hr/> <hr/>

5. Staff costs

	Period from 25 March 2004 to 30 June 2005 No.
The average monthly number of employees (including four directors) was:	106
	<hr/> <hr/>
	£
Emoluments for qualifying services:	
Highest paid director (payable by subsidiary)	100,000
	<hr/> <hr/>
Staff costs including directors:	
Wages and salaries - UK	34,738
- South Africa	245,345
	<hr/>
	280,083
	<hr/> <hr/>

No amounts payable in respect of retirement benefits to either directors or employees under any pension schemes in the period.

Total directors fees for the period amounted to £19,740.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

6. Interest payable and similar charges

	Period from 25 March 2004 to 30 June 2005 £
Interest on loans	11,006
Interest on overdraft	1,719
Other	696
	<u>13,421</u>

7. Tax

No provision has been made for current taxation as the Group had no taxable income for the period.

The charge for the period can be reconciled to the loss per the profit and loss account as follows:

	Period from 25 March 2004 to 30 June 2005 £
Loss before tax	(921,081)
Tax at the UK corporation tax rate of 30%	(276,324)
Tax effect of amounts that are not taxable in determining taxable profit	96,222
Tax effect of timing differences	67,280
Tax effect of tax losses not recognised	141,994
Tax effect of utilisation of tax losses not previously recognised	(28,742)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(430)
Tax expense and effective tax rate for the period	<u>-</u>

The estimated assessed losses in South Africa of £ 1.9 million split between assessed loss £0.1 million and capital reserve £1.8 million in South Africa.

The Group is carrying forward estimated tax losses of £470,172 in the United Kingdom.

No deferred tax provision has been made in respect of these carried forward tax losses due to the uncertainty over the availability of taxable profit against which these losses may be offset in the foreseeable future.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

8. Loss per share

From continuing operations:

	Period from 25 March 2004 to 30 June 2005 £
The calculation of the basic and diluted loss per share is based on the following data:	
Loss for the purposes of basic and diluted loss per share attributable to equity holders of the parent	<u>(348,020)</u>
Statutory number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share	73,503,008
Effect of dilutive potential ordinary shares:	
Share warrants	<u>31,441,500</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>104,944,508</u>
Basic and diluted loss per share	<u>0.47p</u>

Basic and diluted loss per share are the same because the outstanding share warrants are anti-dilutive as the Group has made a loss during the current period.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

9. Tangible fixed assets

	Land and buildings £	Mining properties and leases £	Re- habilitation assets £	Plant and machinery £	Other assets £	Total £
Cost						
At 25 March 2004	-	-	-	-	-	-
Acquisition of subsidiary	92,334	3,210,992	220,854	10,958	-	3,535,138
Additions	-	2,000,588	-	233,446	4,212	2,238,246
Exchange adjustment	(2,226)	(148,538)	(5,324)	(8,565)	(150)	(164,803)
At 30 June 2005	90,108	5,063,042	215,530	235,839	4,062	5,608,581
Accumulated depreciation						
At 25 March 2004	-	-	-	-	-	-
Charge for the period	-	-	1,977	47,532	601	50,110
Exchange adjustment	-	-	(70)	(1,690)	(22)	(1,782)
At 30 June 2005	-	-	1,907	45,842	579	48,328
Net book value						
At 30 June 2005	90,108	5,063,042	213,623	189,997	3,483	5,560,253
At 25 March 2004	-	-	-	-	-	-

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.

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

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

10. Debtors

	30 June 2005 £
Trade debtors	97,327
Guarantees and deposits	149,213
Other debtors	354,417
	600,957

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

10. Debtors (continued)

Included in guarantees and deposits is an amount of R900,000 (£82,419) held by Standard Bank as a guarantee for the deferred consideration to be paid (see note 11b).

Other debtors includes deferred share issue expenses £112,840. Fees to the auditors for other services, included in these amounts are £25,786. Also included within other debtors is a balance of £221,992 of receivables from a related party of the Group, Prema Mining (Proprietary) Limited.

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 counter parties are banks with high credit ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk.

11a. Short term borrowings

	30 June 2005 £
Short-term borrowings	425,672
Short term borrowings include:	
	30 June 2005 £
Obligations under finance lease	12,352
The lease was secured by plant and equipment with a book value of £39,172 (R472,541). Interest was charged at 8% per annum.	
C Elphick	131,971
This loan bore interest at the South African prime overdraft rate and was repayable once funds were available. The shares in Golden Falls Mining (Proprietary) Limited ("Golden Falls") held by Prema Mining (Proprietary) Limited were pledged to Mr. Elphick as security for this loan.	
Total secured loans	144,323
	30 June 2005 £
Unsecured	
Prema Mining (Proprietary) Limited	261,786
The loan bore no interest and had no fixed terms of repayment	
Cape Finance Corporation Limited	19,563
Total unsecured	281,349
Balance at end of period	425,672

All short-term borrowings repaid in the six months ended 31 December 2005. The directors consider that the carrying amount of short term borrowings approximates to their fair value.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

11b. Trade and other payables

	30 June 2005
	£
Trade creditors	504,192
Other taxes and social security	158,580
Other creditors	281,154
Deferred consideration	2,060,547
Accruals	87,582
	<u>3,092,055</u>

Deferred consideration

The deferred consideration relating to the acquisition of Elandsplaagte by Golden Falls prior to the Group's acquisition of Golden Falls, bears no interest and is payable in instalments of £16,579 over a period of 20 months commencing from 31 August 2004 up to and including 31 March 2006 with a final payment falling due by 30 April 2006. The deferred consideration is secured by guarantees from Golden Falls supported by cash deposits at a financial institution – see note 10. The deferred consideration is payable in cash and is discounted at a rate of 8.5 per cent.

If the consideration remains unpaid on 30 April 2006, the sellers can issue a default notice which, if not settled within 14 days, will return ownership of Elandsplaagte to the seller.

In April 2006, the seller agreed to defer payment of the consideration to 31 May 2006 on the condition that £0.1 million is paid on or before 30 April 2006. The consideration may be further deferred until 31 July 2006 but the Group will be required to pay interest on the outstanding balance of 1% above the South African prime banking rate.

Renewal of the mining licence is dependent on a black empowerment partner being in place. This transaction was entered into, as described in note 20(ii), on 16 March 2006. Final approval from the Department of Minerals and Energy was received in 19 May 2006.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

12. Provisions

	Current liabilities	Non-current liabilities
	Leave pay	Rehabilitation
	£	£
At 25 March 2004	-	-
Acquisitions of subsidiary	-	220,854
Charge to income statement	15,901	-
Exchange differences	(565)	(5,324)
	<u>15,336</u>	<u>215,530</u>
At 30 June 2005	<u>15,336</u>	<u>215,530</u>

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

13. Share capital

	30 June 2005 £
Authorised	
700 million ordinary shares of 1p each	<u>7,000,000</u>
Issued and fully paid	
128,433,656 ordinary shares of 1p each	<u>1,284,336</u>

The Company was incorporated on 25 March 2004 with an authorised capital of £3,000,000. On 9 July 2004, the authorised capital was increased to £7,000,000 by the creation of 400,000,000 shares ordinary shares of 1 pence each.

Two shares were issued on incorporation for 1 pence each.

On 16 July 2004, a further 4,999,998 shares were issued. During the period 18 November 2004 to 10 December 2004, a further 123,433,656 shares were issued. These shares were issued at 1 pence each.

	No of shares No.	Nominal value £	Consideration £
At incorporation	-	-	-
Shares issued	<u>128,433,656</u>	<u>1,284,336</u>	<u>1,284,336</u>
At 30 June 2005	<u>128,433,656</u>	<u>1,284,336</u>	<u>1,284,336</u>

In the period ended 30 June 2005, 171,731 shares were issued to settle liabilities of £171,731.

Subsequent events relating to shares are disclosed in note 19(iii).

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

14. Statement of changes in equity

	Share capital £	Share premium £	Share application funds £	Translation reserve £	Accumulated loss £	Minority interest £	Total £
At incorporation	-	-	-	-	-	-	-
Shares issued	1,284,336	-	-	-	-	-	1,284,336
Share application funds received	-	-	846,500	-	-	-	846,500
Acquisition of subsidiary	-	-	-	-	-	605,819	605,819
Net loss for the period	-	-	-	-	(348,020)	(573,061)	(921,081)
Exchange differences and translation of overseas operations	-	-	-	(181)	-	-	(181)
At 30 June 2005	<u>1,284,336</u>	<u>-</u>	<u>846,500</u>	<u>(181)</u>	<u>(348,020)</u>	<u>32,758</u>	<u>1,815,393</u>

The loss of the Company for the period ended 30 June 2005 was £361,078.

15. Acquisition of subsidiary

On 8 September 2004, the Group acquired a 51 per cent. holding in Golden Falls which wholly owned Elandslaagte. The remaining 49 per cent. is held by the minority shareholder, Prema Mining (Proprietary) Limited.

	Book value £	Fair value adjustments £	Fair value £
Net assets/(liabilities) acquired			
Property, plant and equipment	349,457	3,185,681	3,535,138
Trade and other debtors	45,788	-	45,788
Trade and other payables	(2,153,477)	-	(2,153,477)
Rehabilitation provision	(220,854)	-	(220,854)
Minority interest	955,165	(1,560,984)	(605,819)
	<u>(1,023,921)</u>	<u>1,624,697</u>	<u>600,776</u>
Negative goodwill			<u>(600,733)</u>
Total consideration			<u>43</u>
Satisfied by:			
Consideration paid in cash and net cash outflow arising on acquisition			<u>43</u>

The fair value adjustments to property, plant and equipment relate to accounting for the fair value of mining properties and leases (£3.5 million) and a write down of property value by £330,867.

The purchased entities were dormant prior to the acquisition by the Group.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

16. Notes to the cash flow statement

16a. Net cash outflow from operation activities

	Period from 25 March 2004 to 30 June 2005 £
Operating loss from continuing operations	(907,660)
Adjustments for:	
Depreciation of property, plant and equipment	48,133
Amortisation of rehabilitation assets	1,977
Increase in provisions	15,901
Net foreign exchange losses	61,593
	<hr/>
Operating cash flows before movements in working capital	(780,056)
Increase in receivables	(576,537)
Increase in payables	1,235,387
	<hr/>
Net cash outflow from operating activities	<u>(121,206)</u>

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.

16b. Analysis of net debt

	At 25 March 2004 £	Cashflow £	Foreign exchange differences £	At 30 June 2005 £
Cash at bank and in hand	-	11,861	(8,352)	3,509
Short term borrowing	-	(425,672)	-	(425,672)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	(413,811)	(8,352)	(422,163)
	<hr/>	<hr/>	<hr/>	<hr/>

17. Contingent liabilities

A dispute with creditors and suppliers has resulted in a claim against Dominion Mining Investments (Proprietary) Limited ("DMI"), a wholly owned subsidiary of the Company, which has not yet been finalised. The total amount of the contingent liability is £87,041.

No provision has been made in these accounts in respect of this dispute as the management do not consider that there is any probable loss.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

18. Share based payments

Equity-settled share warrant scheme

The company has issued share warrants to various parties including employees of the Group. 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 options remain unexercised after a designated period from the date of grant, the options expire.

The directors consider that the fair value of the warrants on the date of issue was equivalent to the exercise price.

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

	Number of share options	Weighted average exercise price £
At incorporation	-	-
Granted during the period	31,441,500	2,041,650
	<hr/>	<hr/>
At 30 June 2005	31,441,500	2,041,650
	<hr/> <hr/>	<hr/> <hr/>

Share warrants at 30 June 2005

Name	Exercise price	Exercise period	Number
Masoud Alikhani	1p	Note A	4,000,000
Peter Mattsson	1p	Note A	1,500,000
Robert Stubbs	1p	Note A	1,500,000
BR Corporate Finance Ltd	1p	Note B and D	400,000
BR Corporate Finance Ltd	10p	Note C and D	200,000
Other staff and consultants	1p	Note A	4,650,000
John Vergopoulos	10p	Note C	1,500,000
Other shareholders	10p	Note C	17,210,320
Staff	10p	Note C	481,180
			<hr/>
			31,441,500
			<hr/> <hr/>

Notes:

- 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

After the year end, a further 1,600,000 share warrants of 100p have been issued.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

18. Share based payments (continued)

The share-based payment arrangements made with creditors for the period amounts to £171,731 being 171,731 shares of 1 pence per share. The nature of the arrangement is consideration 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 period.

19. Events after the balance sheet date

- (i) On 24 February 2006, the Company acquired 490 ordinary shares in Golden Falls from Shanley Holdings Limited for a consideration of £190,000 plus the issue of 11 million ordinary shares in the Company. Post the transaction, the Group owned 100 per cent. of Golden Falls.
- (ii) On 16 March 2006, the Group entered into an agreement with Wheatfields Investments No.223 (Pty) Limited ("Wheatfields"), a company which is a Black Economic Empowerment ("BEE") company owned by Namane. In terms of the agreement, Wheatfields will acquire 256 shares or 25.6 per cent. of the share capital of Golden Falls for consideration of up to R99,000,000 (£9,130,314). Following this transaction the Group will own an effective 74.4 per cent. of Golden Falls and Elandslaagte.

The consideration is payable to the Group as follows:

- A R1,000,000 (£92,225) deposit in cash on the date of signing the BEE agreement paid to the attorney's and released to the Group on confirmation that the DME has approved the transfer of the Elandslaagte shares to Golden Falls;
- R9,000,000 (£830,029) in cash after the listing of the Company and the payment of the deferred consideration referred to in note 12 to the Sonnenberg's; and
- The remaining R89,000,000 (£8,208,060) will be discharged by applying 50 per cent. of all dividends received by Wheatfields from Golden Falls.

(iii) Share transactions

Between 1 July 2005 and 30 September 2005, the Company allotted 17,091,500 ordinary shares of 1 pence each at a price of 10 pence per share through a Private Placement memorandum.

Between 1 October 2005 and 30 November 2005, a further 10,972,803 ordinary shares of 1 pence each at a price of 10 pence per share through a Private Placement Memorandum.

Between 1 December and 31 December 2005 a further 221,571 ordinary shares of 1 pence each were allotted at a price of 10 pence per share.

At an Extraordinary General Meeting held on 26 January 2006, a special resolution was passed whereby the issued and un-issued ordinary shares of 1 pence each were consolidated so that 10 shares of 1 pence each became one Ordinary Share of 10 pence each.

On 24 February 2006, the Company issued and allotted 11 million Ordinary Shares of 10 pence per share to Shanley Holdings Limited in consideration for the transfer to the Company of Shanley Holdings Limited's Holding of 490 ordinary shares in Golden Falls.

On 21 April 2006, the Company issued and allotted 849,100 Ordinary Shares of 10 pence each at £2 per share.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

19. Events after the balance sheet date (continued)

On 21 April 2006, the Company issued and allotted Warrants over 1,600,000 Ordinary Shares at 100p each.

- (iv) As discussed in Note 12 to these financial statements on 24 April 2006 the Company reached agreement with the seller to defer payment of the deferred consideration relating to the acquisition of Elandslaagte to 29 May 2006 on the condition the £0.1 million was paid on or before 28 April 2006.

The Company paid £0.1 million to the seller on 16 March 2006.

20. Financial instruments

In reporting financial instruments, the group has taken advantage of the exemption available under FRS13 not to provide numerical disclosures in relation to short-term debtors and creditors.

The group's principal financial instruments comprise borrowings and cash. The main purpose of those financial instruments is to provide financing for the group's operations. The group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

It is, and has been throughout the period under review, the group's policy that no dealing in financial instruments shall be undertaken, except for the purpose of hedging the group's financial risks.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board considers each of these risks on a regular basis and the group's policy stance towards each of these risks has remained unchanged during the period.

Interest rate risk

The group finances its operations through a mixture of equity capital, cash, bank overdrafts and bank borrowings and loans from finance and other companies. The group has financed its acquisitions primarily through the issue of shares and loans from finance and other companies. The group borrows in the desired currencies mainly at floating rates of interest, to manage the group's exposure to interest rate fluctuations.

Credit risk

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

Liquidity risk

Liquidity risk is considered to be minimal.

Foreign currency risks

Although the group is based in the UK, it has a significant investment in South Africa. As a result, movements in the South African Rand exchange rate can affect the group's sterling balance sheet. The movements in the period have not been material.

Other risks

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

21. Pensions

There are no pension schemes in place in the Group.

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

22. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Related party	Nature of relationship	Type of transaction	Amount of transactions 2005 £	Amount receivable/(payable) 31 December 2005 £
Prema Mining (Proprietary) Limited	Shareholder	Sale of assets	64,658	-
Prema Mining (Proprietary) Limited	Shareholder	Management fee	99,972	-
Prema Mining (Proprietary) Limited	Shareholder	Mining contract	174,081	-
Prema Mining (Proprietary) Limited	Shareholder	Loan	-	244,964
Prema Mining (Proprietary) Limited	Shareholder	Loan	-	(309,163)
Business Information Systems (Proprietary) Ltd (IBIS)	Company controlled by Mike Kühn	Professional services	9,450	(9,450)
Interactive Trading (Proprietary) Limited	Company controlled by Hermanus Manuel Silver	Loan to the Company	10,279	(3,846)
Hermanus Manuel Silver	Director	Sale of assets	19,231	(19,231)
Masoud Amir Alikhani	Director	Loan	28,442	(28,442)
BR Corporate Finance	Company controlled by director	Professional services	19,975	

Sales of goods to related parties were made at normal market prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Directors' transactions

M A Alikhani has purchased 12,501,000 shares of 1p each. M A Alikhani is also a creditor with a balance outstanding at 30 June 2005 of £22,845.

BR Corporate Finance, a company related to Robert Stubbs, was issued 400,000 warrants of 1p each and 200,000 warrants of 10p each during the period (see note 18).

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

23. Investment in subsidiaries - Company

	Shares £	Loans £	Total £
At incorporation	-	-	-
Acquisition	434,783	-	434,783
Loan advanced	-	705,159	705,159
	<hr/>	<hr/>	<hr/>
At 30 June 2005	434,783	705,159	1,139,942
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investment in subsidiaries represents the purchase of the entire share capital of Dominion Mining Investments (Pty) Ltd.

Loans to subsidiary comprise a revolving loan facility to DMI, repayable from surpluses on South African operation. The loan bears interest rate at 4.5% below the South African Reserve Bank rate.

		Country of incorporation	Ordinary shares portions held	Country of operation
Dominion Mining Investments (Proprietary) Ltd	Mining	South Africa	100%	South Africa
Golden Falls Mining (Proprietary) Limited	Mining	South Africa	51%	South Africa
Elandslaagte Diamonds (Proprietary) Limited	Mining	South Africa	100%	South Africa

The Golden Falls Trading 179 (proprietary) Ltd changed its name to Golden Falls Mining (Proprietary) Limited on 27 January 2006.

24. Debtors – Company

At the balance sheet date debtors comprise accounts receivable from fellow group companies of £299,384.

	30 June 2005 £
Amounts due from subsidiary undertaking	299,384
Other debtors	425,715
	<hr/>
	725,099
	<hr/> <hr/>

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

Cape Diamonds Plc
(formerly Dominion Mining plc)

Notes to the financial information
For the period ended 30 June 2005

25. Trade and other payables - Company

	30 June 2005 £
Trade creditors	8,557
Other creditors	-
	<u>87,582</u>
	<u>96,139</u>

26. Statement of changes in equity - Company

	Share capital £	Share premium £	Share application £	Accumu- lated loss £	Total £
At incorporation	-	-	-	-	-
Shares issued	1,284,336	-	-	-	1,284,336
Net loss for the period	-	-	-	(361,078)	(361,078)
Share application funds received	-	-	846,500	-	846,500
At 30 June 2005	<u>1,284,336</u>	<u>-</u>	<u>846,500</u>	<u>(361,078)</u>	<u>1,769,758</u>