



DIAMONDCORP PLC

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Registered in England and Wales
Company Number 05400982

ANNUAL ACCOUNTS AND LETTER TO SHAREHOLDER

20 June 2007

Dear Shareholder,

Diamondcorp plc (AIM:DCP), is pleased to mail to you its audited results for the period ended 31 December 2006.

A notice of annual general meeting and an operational update will be mailed to you in August.

Highlights for 2006

- ◇ £6.56 million of private equity and convertible debt raised.
- ◇ Acquisition and decision to proceed with diamond mining operations at the Lace kimberlite project in the Free State province of South Africa.
- ◇ Design of a 1.6 million tonne per annum dense media separation plant and purchase of mobile mining equipment.
- ◇ Granting of prospecting rights covering 6,634 hectares of prospective diamond exploration ground surrounding the Lace mine.

Post Period Highlights

- ◇ Successful admission of the Company's shares to AIM in February 2007, raising an additional £2.5 million before costs, and capitalising the Company at £31 million at the listing price of 90 pence per share.
- ◇ Conversion of all convertible debt to equity.
- ◇ Refurbishment commences of the existing 360m shaft to enable extraction of a bulk sample from 100m below the depth of any previous workings at the Lace mine.
- ◇ Construction of dense media separation plant on schedule and on budget for commissioning to commence this month.

Yours sincerely

Euan Worthington
Chairman



CHAIRMAN'S REVIEW

This report covers the second year of your company's life - a period of growth in which we raised capital for the development of the Lace diamond mine in South Africa and prepared for the public listing of the shares on the AIM Market of the London Stock Exchange.

During the year under review a total of £6.56 million of equity and convertible debt was raised to fund construction of a 1.6 million tonne per annum dense media separation plant to treat the diamondiferous tailings at Lace. Subsequent to the year end, a further £2.5 million was raised at the time of a successful IPO on AIM. This public listing of our ordinary shares triggered the conversion of all convertible debt to equity and, as a result, your company enters the commissioning phase of the Lace diamond mine with a strong balance sheet and no debt.

Phase 1 development at Lace involves the treatment of a measured and indicated 3.6 million tonnes of tailings which have an average grade of 10.3 carats per hundred tonnes (cpht). These tailings will be treated over 27 months and are expected to yield approximately 370,000 carats of diamonds during this period.

Concurrently, the Company will complete feasibility studies on Phase 2 of the Lace project which will involve the mining of the remaining hard rock kimberlite, which is estimated to contain in excess of 13.7 million carats of diamonds in ore with an estimated average grade of 42.2 cpht. The diamonds from the primary pipe have an estimated value of US\$125 (£63) per carat, giving the Lace project an in-situ value in excess of US\$1.7 billion (£850 million) and the potential to support a 20-year mine life.

During the year, your company's 74% owned South African subsidiary Lace Diamond Mines (Pty) Limited, was granted prospecting rights totalling 6,634 hectares over the farms known as Silverbank and Moregroet which adjoin the Lace property. These properties contain several known kimberlite pipes, blows and dykes which have not been tested by modern exploration methods. Exploration of these targets is scheduled to commence once Phase 1 mining at Lace is generating positive cashflow.

Lace Diamond Mine's black economic empowerment partners in South Africa are Shanduka Resources and Sphere Investments, each of which holds a 13% contributing interest in Lace Diamond Mines. Shanduka is chaired by former trade union leader and ANC secretary general Cyril Ramaphosa and has Standard Bank and Investec as minority shareholders. Sphere was formed by a group of experienced black investment banking and private equity professionals and has Nedbank, Sanlam and Rand Merchant Bank as minority shareholders. Diamondcorp is committed to the empowerment objectives of the South African Mineral Development Act, and will continue to work closely with its partners to ensure that the Lace projects are developed in a manner which promotes broad-based ownership, employment equity, procurement, social improvement and product beneficiation wherever possible to the benefit of historically disadvantaged South Africans.

In the year ahead, the directors will investigate other diamond production opportunities in southern Africa, and will seek a dual listing of the company's shares on the AltX market of the Johannesburg Stock Exchange.

With diamond production scheduled to commence in coming weeks, the year ahead promises to be an exciting one for Diamondcorp.

Euan Worthington

Chairman

12 June 2007

CHIEF EXECUTIVE OFFICER'S REPORT

The year under review covered a significant period in the short history of Diamondcorp, as it was the year we acquired and committed to the development of the Lace diamond mine in the Free State province of South Africa.

Following completion of a positive feasibility for Phase 1 tailings re-treatment at Lace, the Company commissioned Consulmet (Pty) Limited of Johannesburg to design and construct a 1.6 million tonne per annum dense media separation plant. The plant has been designed to handle 220 tonnes per hour run of mine ore, and utilises a large double scrubbing front end, 100 tph and 65 tph DMS modules, a re-crush circuit and state of the art hands free grease belt recovery units to maximise diamond recovery.

The Company purchased its own fleet of Bell mobile mining equipment during the year and commenced site preparations. Subsequent to the year end, Consulmet commenced erection of the processing plant, and the site preparation and construction of a new tailings and slimes dam were completed.

I am pleased to report that under the watchful eye of our South African managing director, Mr Alistair Holmes, the plant construction is nearing completion within budget and that commissioning will commence on schedule during June.

Once the plant reaches design capacity, it is scheduled to produce in excess of 12,000 carats of gem diamonds per month for 27 months from re-processing of the 3.6 million tonnes of diamondiferous tailings.

After an additional 100 tph DMS module and a primary crushing circuit is installed, the Lace plant will then have the capacity to process 5,000 tonnes per day of fresh kimberlite during Phase 2 underground mining activities at Lace.

Before the Company proceeds with Phase 2 development, a bulk test of at least 20,000 tonnes of kimberlite will be extracted from the 360m level of the Lace kimberlite, approximately 100m below any previous mining activities. Subsequent to the year end, the Company commenced refurbishment of the existing 360m deep 4.6m x 2.7m shaft which was sunk in the late 1920s, but never used for deeper level mining due to cessation of mining activities when diamond prices collapsed in 1931.

Simultaneous with the tailings re-treatment operation, this shaft will be refurbished to its full depth and allow extraction of the bulk test sample. During commencement of commercial mining activities, it is anticipated that this shaft will be used as a personnel and ventilation shaft, while a new 5,000 tonne per day ore haulage shaft will be raise-bored.

Financial Results

The loss for the year was £799,046, compared with £100,473 in the previous period. £3.36 million was invested during the year in property plant and equipment at the Lace mine (previous period: nil) and the Group had cash reserves at year end of £2.8 million (previous period: £426,188). Subsequent to the year end, the Company raised an additional £2.5 million of working capital (before expenses) in conjunction with the admission of the Company's shares to trading on AIM.

Paul R. Loudon
Managing Director & CEO
12 June 2007



DIAMONDCORP PLC

Company Registration No. 5400982

DIAMONDCORP PLC

**Consolidated Financial Statements
Period from 16 May 2006 to
31 December 2006**

DIAMONDCORP PLC

REPORT AND FINANCIAL STATEMENTS 2006

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DIAMONDCORP PLC

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P R Loudon
R N Allen
E A Worthington
J Willis-Richards

SECRETARY

J C Forrest

REGISTERED OFFICE

First Floor Georgian House
63 Coleman Street
London
EC2R 5BB

BANKERS

Barclays Bank PLC
Town Gate House
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Surrey
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SOLICITORS

Cobbetts
Ship Canal House
King Street
Manchester
M2 4WB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge

DIAMONDCORP PLC

FINANCIAL REPORT

RESULTS

The results for the period were as follows:

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Turnover	-	-
Administration expenses	813,191	102,477
Operating loss	(813,191)	(102,477)
Net interest	14,145	2,004
Loss before taxation	(799,046)	(100,473)
Corporation tax	-	-
Loss for the period	<u>(799,046)</u>	<u>(100,473)</u>

SHARE CAPITAL

During the period 16 May 2006 to 31 December 2006 the following changes in share capital occurred:

- (i) In June 2006 the Company consolidated its share capital 1 for 3 thereby reducing the issued shares from 37,500,200 to 12,500,067;
- (ii) Issued 7,100,006 ordinary shares in September 2006 upon conversion of convertible loan notes with a principal value of £2,130,000 to ordinary shares at a conversion rate of 30 pence; and
- (iii) Completed a placement of 5,137,000 ordinary shares in October and November 2006 at 60 pence per share for gross proceeds of £3,082,200.

BALANCE SHEET, CASHFLOW AND WORKING CAPITAL

During the period 16 May 2006 to 31 December 2006 the Company raised £6,559,692 (22 March 2005 to 15 May 2006 - £2,506,680) from the following financing activities,

- £3,666,000 net from the issue of convertible loan notes; and
- £2,893,692 net from the issuance of 5,137,000 ordinary shares at 60p each.

During the period cash was invested as follows:

- (i) £3,366,073 (22 March 2005 to 15 May 2006 - £nil) was invested in property, plant and equipment at the Lace mine in South Africa ;
- (ii) £327,515 (22 March 2005 to 15 May 2006 - £161,899) was invested in the operations of the Company for the period; and
- (iii) £479,980 (22 March 2005 to 15 May 2006 - £nil) was spent on intangible assets primarily at the Lace mine in South Africa.

At 31 December 2006 the Group had cash of £2,822,089 (15 May 2006 - £426,188) and working capital of £199,282 (15 May 2006 - £1,593,330). The amount of working capital at 31 December 2006 includes convertible loan notes of £3,666,000, which converted to shareholders' equity subsequent to year end (refer note 22) thereby increasing working capital by that amount.

Subsequent to the balance sheet date the Company completed its Initial Public Offering of 2,750,000 shares at 90p (gross proceeds of £ 2,475,000) and was listed for trading on the AIM market on 1 February 2007

DIAMONDCORP PLC

FINANCIAL REPORT

FUTURE PROSPECTS

Production at the Lace mine is scheduled to commence in June 2007 which will allow the Group to start generating revenues.

A handwritten signature in black ink, appearing to be 'JC Forrest', written in a cursive style.

JC Forrest

Chief Financial Officer

12 June 2007

DIAMONDCORP PLC

DIRECTORS' REPORT

The directors present their report on the affairs of the Group, together with the financial statements and auditors report, for the period from 16 May 2006 to 31 December 2006.

PRINCIPAL ACTIVITIES

The company was incorporated on 22 March 2005. On 15 May 2006, the company acquired 100 percent of the ordinary share capital of Crown Diamond Mining Limited, a company registered in the British Virgin Islands. Crown Diamond Mining Limited own 74% of the ordinary share capital of Lace Diamond Mining (Pty) Limited, a company involved in the development of the Lace diamond mine in South Africa. In November 2006 Soapstone Investments (Pty) Limited was incorporated in South Africa. It is wholly-owned by Crown and has been established as an investment company to evaluate other investment opportunities in South Africa.

BUSINESS REVIEW

The Company was formed to capitalise on an opportunity to acquire and develop the Lace Diamond project, a former producing mine, in the Free State of South Africa. The Group has been granted New Order Prospecting Rights over two areas, including the area where the old Lace mine workings are situated. The directors intend to build the Group into a sustainable diamond mining and exploration business. The Company completed its Initial Public Offering and was admitted to the AIM Market of the London Stock Exchange on 1 February 2007. Since incorporation the Company has raised approximately £12,000,000 in the capital markets for Phase One of its strategy - Lace tailings re-treatment, scheduled to commence in June 2007, and pre-feasibility study of underground Lace mine workings and exploration.

The loss for the financial period transferred from reserves was £799,046 (22 March 2005 to 15 May 2006 - £100,473).

Given the current stage of development of the business, there are no official key performance indicators which management uses to assess the performance of the business. The most important factor for the business at present is the development of the mine and tracking the costs incurred to budget to ensure these are materially in line with the overall plan.

For further information on the business review, please see the financial report on pages 2-3.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to fluctuations in the price per carat which could impact revenues positively or negatively. The second key risk to which the business is exposed relates to the underground section of the mine where the volume of Diamonds and the clarity may not be as expected. Again, this could have either a positive or negative impact on revenues and profits depending on the outcome.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including currency risk and liquidity risks.

Currency risks

The group transacts business in three two currencies, Sterling and South African Rand. It has expenditure in all both, sufficient to ensure that its exposure to currency fluctuations is relatively small. Bank accounts in both currencies are used to reduced any risk to exchange rate movements.

Liquidity

The group is currently in the development phase and is therefore loss making. The Board has secured adequate medium-term working capital funding principally through the Group's admission to AIM on 1 February 2007.

SHARE CAPITAL

Details of movements in share capital are set out in note 17 to the financial statements.

On 25 January 2007 the Company granted 2,910,000 options to purchase ordinary shares exercisable at a price of 135 pence per share for a period of 10 years from the date of grant.

DIAMONDCORP PLC

DIRECTORS' REPORT

PAYMENT TO SUPPLIERS

It is the company's and group's policy to pay creditors when they fall due for payment, which results in payment within 30 days. As at the period end and the prior period end, there were no outstanding trade payables.

DIVIDENDS

No dividends were declared during the period covered by this report. The Directors intend to reinvest cash flow from Lace tailings re-treatment in a pre-feasibility study and the development of the Underground Lace mine workings.

POST BALANCE SHEET EVENTS

On 24 January 2007 the Company changed its accounting reference date to 31 December.

On 1 February 2007 the Company was admitted to the AIM market and simultaneously issued 2,750,000 ordinary shares at 90 pence each (net proceeds of £2,032,355). In accordance with the terms of the Convertible Loan Notes, on the date of admission the notes converted to 6,500,000 ordinary shares (see note 15).

Since 31 December 2006, 33,332 warrants have been exercised for proceeds of £10,000 and the same number of ordinary shares has been issued.

In May 2007, Crown Diamond Mining Limited changed its name to Diamondcorp Holdings Limited.

DIAMONDCORP PLC

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors, who served throughout the period, except as noted below, were as follows:

P R Loudon	
R N Allen	
E A Worthington	(appointed 18 May 2006)
J Willis-Richards	(appointed 18 May 2006)

The directors who held office at 31 December 2006 have the following interests in the shares of the company and options to purchase ordinary share of the company:

	Vendor warrants		Options to purchase ordinary share of 1 penny each		Interest in ordinary shares of 1 penny each	
	31 December 2006	15 May 2006	31 December 2006***	15 May 2006	31 December 2006	15 May 2006
PR Loudon *	833,333	833,333	Nil	Nil	1,768,052	1,900,033
RN Allen *	Nil	Nil	Nil	Nil	83,367	83,333
EA Worthington **	Nil	Nil	Nil	Nil	270,000	270,000
J Willis-Richards **	833,333	833,333	Nil	Nil	1,316,666	1,316,666

* Information at 15 May 2006 adjusted for 3:1 consolidation on 30 June 2006

** Comparative information effective 18 May 2006, date of appointment; The Vendor Warrants held by J Willis-Richards include 250,000 Loeb Aron Warrants with whom J Willis-Richards is connected.

*** The following options were granted on 25 January 2007 – PR Loudon 690,000; RN Allen 280,000; EA Worthington 370,000; and J Willis-Richards 280,000

SUBSTANTIAL INTERESTS

At the date of the directors' report the following parties held in excess of 3% of the share capital of the company:

	Number of shares	Percentage held
MLP Investments (Caymans) Limited	5,950,000	17.49%
Aktiva Diversified Holdings Limited	3,375,000	9.92%
JPMF Natural Resources Fund	3,350,000	9.85%
Miramar Group SA Pty Ltd	2,583,333	7.59%
Dromen Securities Limited	2,200,000	6.47%
Netcom Inc	1,833,333	5.39%
Green Dragon Nominees Pty Limited	1,768,052	5.20%
Loeb Aron & Company Ltd	1,166,666	3.43%

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political or charitable contributions during the period from 16 May 2006 to 31 December 2006 (22 March 2005 to 15 May 2006 - £nil).

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's and company'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 recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards 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 IFRSs. However, 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 compliance with the specific requirements in IFRSs are 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
- make an assessment of the group's and company's ability to continue as a going concern.

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

GOING CONCERN

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

DIAMONDCORP PLC

DIRECTORS' REPORT

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 (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information (as defined) 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.

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

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



JC Forrest
Secretary
12 June 2007

DIAMONDCORP PLC

CORPORATE GOVERNANCE

The Group is committed to a high standard of corporate governance and operates to clear principles and procedures of control appropriate to a business of its size. Whilst there is no requirement for AIM companies to comply with the Combined Code the Company intends to comply with the main provisions in so far as they are appropriate to smaller companies. This statement describes how the Group applies the principles of governance.

The Board is responsible for approving Company policy and strategy. It meets regularly throughout the year and there are a number of matters that are reserved for its decision. Management supply the directors with appropriate and timely information and the directors are free to ask for any further information they consider necessary. Copies of all press announcements made by the Company are also circulated to the Board. Directors may take independent professional advice at the Company's expense and each director has access to the Company Secretary. The Company Secretary is charged with ensuring that the Company complies with all relevant regulations.

The Board consists of a Non-Executive Chairman, one Executive (Managing) Director and two Non-Executive Directors.

Supply of information

- an annual budget for each operating subsidiary is approved by the Board;
- actual results are monitored monthly.

To enable the Board to function effectively and allow the Directors to discharge their responsibilities, full and timely access is given to all relevant information. The Board receives reports from the Managing Director at its monthly meetings.

Reappointment

Any Director appointed during the year is required, in accordance with the Company's Articles of Association, to retire and seek appointment by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-appointment at the Annual General Meeting. The Directors required to retire will be those who have been longest in office since their last appointment or re-appointment.

The Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and sets the scale and structure of their remuneration including bonus arrangements. The Remuneration Committee also sets the allocation of share options to Directors and other employees. As a small company it is not possible for the Committee to comply fully with the Combined Code. Accordingly membership of the Committee comprises Nick Allen as Chairman together with Euan Worthington and Jonathan Willis-Richards.

Statement of remuneration policy

The Group's policy provides for a competitive package that reflects the Group's performance and is designed to attract and retain high calibre executives. The package currently consists of a base salary and longer-term rewards in the form of share options. There is no bonus plan currently in place.

Communication with shareholders

The Company has made use of the London Stock Exchange PRN service to communicate with shareholders since Admission to AIM. The Annual General Meeting gives shareholders the opportunity to question the Board.

Accountability

The Board of Directors has overall responsibility for the system of internal financial control which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedure is: -

- the Audit Committee, comprising Jonathan Willis-Richards (Chairman), Euan Worthington and Nick Allen, meets with the external auditors twice per year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAMONDCORP PLC

We have audited the group and parent company financial statements (the "financial statements") of Diamondcorp plc for the period 16 May 2006 to 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Financial Report that is cross referred from the Business Review section of the Directors' Report.

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. This other information comprises the Financial Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAMONDCORP PLC
(continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS's as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the period 16 May 2006 to 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cambridge, United Kingdom
12 June 2007

DIAMONDCORP PLC

CONSOLIDATED INCOME STATEMENT Period 16 May 2006 to 31 December 2006

		16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Administrative expenses		(813,191)	(102,477)
OPERATING LOSS	3	(813,191)	(102,477)
Investment revenues - interest on bank deposits		14,145	2,004
LOSS BEFORE TAX		(799,046)	(100,473)
Tax	6	-	-
LOSS FOR THE FINANCIAL PERIOD	18	(799,046)	(100,473)
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		(799,046)	(100,473)

All of the activities of the Group are classed as continuing.

DIAMONDCORP PLC

STATEMENT OF CHANGES IN EQUITY Period 16 May 2006 to 31 December 2006

GROUP	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Opening balance	6,923,709	-
Loss for the financial period	(799,046)	(100,473)
New equity share capital subscribed	367,110	375,002
Premium on new equity share capital subscribed	4,529,382	4,004,713
Value attributed to warrants granted (Conversion)/issuance of loan notes	- (2,002,800)	641,667 2,002,800
Closing balance	<u>9,018,355</u>	<u>6,923,709</u>
COMPANY	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Opening balance	6,923,709	-
Loss for the financial period	(429,076)	(100,473)
New equity share capital subscribed	367,110	375,002
Premium on new equity share capital subscribed	4,529,382	4,004,713
Value attributed to warrants granted (Conversion)/issuance of loan notes	- (2,002,800)	641,667 2,002,800
Closing balance	<u>9,388,325</u>	<u>6,923,709</u>

DIAMONDCORP PLC

CONSOLIDATED BALANCE SHEET
31 December 2006

	Note	31 December 2006 £	15 May 2006 £
NON-CURRENT ASSETS			
Goodwill	8	4,606,026	4,606,026
Other intangible assets	8	1,110,530	630,550
Property, plant and equipment	9	3,421,081	84,026
Other		-	9,777
		<u>9,137,637</u>	<u>5,330,379</u>
CURRENT ASSETS			
Inventories	12	1,052,000	1,052,000
Other receivables	13	259,754	142,654
Cash and cash equivalents		2,822,089	426,188
		<u>4,133,843</u>	<u>1,620,842</u>
TOTAL ASSETS		<u>13,271,480</u>	<u>6,951,221</u>
CURRENT LIABILITIES			
Convertible Loan Notes	15	(3,666,000)	-
Other payables	14	(587,125)	(27,512)
TOTAL LIABILITIES		<u>(4,253,125)</u>	<u>(27,512)</u>
NET ASSETS		<u>9,018,355</u>	<u>6,923,709</u>
EQUITY			
Share capital	17	742,112	375,002
Share premium account	18	8,534,095	4,004,713
Equity reserve	18	-	2,002,800
Warrant reserve	18	641,667	641,667
Retained losses	18	(899,519)	(100,473)
TOTAL EQUITY		<u>9,018,355</u>	<u>6,923,709</u>

These financial statements were approved by the Board of Directors on 12 June 2007.

Signed on behalf of the Board of Directors



PR Loudon

Director

DIAMONDCORP PLC

COMPANY BALANCE SHEET 31 December 2006

	Note	31 December 2006 £	15 May 2006 £
NON-CURRENT ASSETS			
Investments in subsidiaries	10	4,217,500	4,217,500
Other intangible assets	8	393,653	300,000
Property, plant and equipment	[9]	3,322	-
		<u>4,614,475</u>	<u>4,517,500</u>
CURRENT ASSETS			
Other receivables	13	7,412,307	2,059,526
Cash and cash equivalents		1,093,058	369,387
		<u>8,505,365</u>	<u>2,428,913</u>
TOTAL ASSETS		<u>13,119,840</u>	<u>6,946,413</u>
CURRENT LIABILITIES			
Convertible Loan Notes	15	(3,666,000)	-
Other payables	14	(65,515)	(22,704)
		<u>(3,731,515)</u>	<u>(22,704)</u>
TOTAL LIABILITIES		<u>(3,731,515)</u>	<u>(22,704)</u>
NET ASSETS		<u>9,388,325</u>	<u>6,923,709</u>
EQUITY			
Share capital	17	742,112	375,002
Share premium account	18	8,534,095	4,004,713
Equity reserve	18	-	2,002,800
Warrant reserve	18	641,667	641,667
Retained losses	18	(529,549)	(100,473)
		<u>9,388,325</u>	<u>6,923,709</u>
TOTAL EQUITY		<u>9,388,325</u>	<u>6,923,709</u>

These financial statements were approved by the Board of Directors on 13 June 2007.

Signed on behalf of the Board of Directors



PR Loudon

Director

DIAMONDCORP PLC

CONSOLIDATED CASH FLOW STATEMENT Period 16 May 2006 to 31 December 2006

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Operating loss	(813,191)	(102,477)
Depreciation	29,018	-
Increase in receivables	(117,100)	(85,130)
Increase in payables	559,613	22,704
NET CASH USED IN OPERATING ACTIVITIES	<u>(341,660)</u>	<u>(164,903)</u>
INVESTING ACTIVITIES		
Purchase of other intangible assets and other non-current assets	(470,203)	-
Purchase of property, plant and equipment	(3,366,073)	-
Cash acquired with subsidiary	-	56,801
Interest received	14,145	2,004
Loan to Crown Diamond Mining Limited prior to acquisition	-	(1,974,394)
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,822,131)</u>	<u>(1,915,589)</u>
FINANCING ACTIVITIES		
Proceeds on issue of convertible loan notes	3,666,000	2,449,180
Proceeds on issue of ordinary shares	2,893,692	57,500
NET CASH FROM FINANCING ACTIVITIES	<u>6,559,692</u>	<u>2,506,680</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,395,901	426,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	426,188	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>2,822,089</u></u>	<u><u>426,188</u></u>

DIAMONDCORP PLC

COMPANY CASH FLOW STATEMENT Period 16 May 2006 to 31 December 2006

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Operating loss	(429,076)	(100,473)
Increase in receivables	(5,352,781)	(2,059,526)
Increase in payables	42,811	22,704
NET CASH USED IN OPERATING ACTIVITIES	<u>(5,739,046)</u>	<u>(2,137,295)</u>
INVESTING ACTIVITIES		
Purchase of other intangible assets	(93,653)	-
Purchase of equipment	(3,322)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(96,975)</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds on issue of convertible loan notes	3,666,000	2,449,180
Proceeds on issue of ordinary shares	2,893,692	57,502
NET CASH FROM FINANCING ACTIVITIES	<u>6,559,692</u>	<u>2,506,682</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	723,671	369,387
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>369,387</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>1,093,058</u></u>	<u><u>369,387</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General information

Diamondcorp plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Directors' Report.

These financial statements are presented in pounds sterling because this is the currency of the primary economic environment in which the Group operates.

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

IFRS 7 Financial instruments: disclosures

IFRS 8 Operating segments

IFRIC 7 Applying the restatement approach under IAS 29

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of embedded derivatives

IFRIC 10 Interim financial reporting and impairment

IFRIC 11 IFRS 2: group and treasury share transactions

IFRIC 12 Service concession arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

b) Basis of preparation

Diamondcorp plc was incorporated on 22 March 2005. On 15 May 2006 the company acquired the entire issued share capital of Crown Diamond Mining Limited (CDM) - see note 11. CDM owns 74% of the issued share capital of Lace Diamond Mines (Pty) Limited.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

d) Business combinations

The acquisition of subsidiaries 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 acquiree, 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 "Business Combination" 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 not recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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.

e) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f) Intangible assets - exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to the acquisition of exploration licenses and subsequent exploration expenditures.

Exploration and evaluation expenditure is carried forward as an asset provided that one of the following conditions is met:

- (i) Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale;
- (ii) Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves and active and significant operations in relation to the area are continuing, or planned for the future.

Identifiable exploration and evaluation assets acquired are recognised as assets at their cost of acquisition. An impairment review is performed when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amounts. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined is met. As at the year end, no amortisation has been charged as these assets are not yet ready for use in accordance IAS 38. Once they are deemed ready for use, it is the Group's intention that intangibles will be amortised over a period of 20 years being the period for which the mining rights are granted.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

g) Property, plant and equipment

Property, plant and equipment is stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost, less estimated residual value on assets other than land, over their estimated useful lives, using the reducing balance method once the assets are available for use, on the following bases:

Buildings	4%
Fixtures and equipment	20-30%

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.

h) 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.

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 the 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.

i) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable losses for the period. Taxable loss differs from net loss 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 statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

i) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

j) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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 comprises 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 and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Trade payables

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

k) Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, 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 retranslated at the rates prevailing on 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 translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss 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 retranslation 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 statements, 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 fluctuated significantly during that period, in which case the exchange rates at the dates of the 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 in the income statement in the period in which the foreign 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.

l) Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mining property. Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

m) Inventories

Inventory and work in progress are valued at the lower of cost and net realisable value.

Inventories are valued at £2.84 per carat based on an in situ valuation equivalent to 8% of the market value of US\$63 per carat achieved at a sale of Lace project diamonds in May 2005. The number of carats in inventory (370,285 carats) was based on an expert determination provided to the company by a qualified external valuer.

n) Revenue

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 value.

o) Critical accounting judgements

In the process of applying the Group's accounting policies, which are described above, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial information.

- Valuation of inventory - see accounting policy m) above and note 12.

- Valuation of warrants issued as consideration - see notes 17 and 18.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group has one operating division - diamond mining and exploration in the Republic of South Africa.

3. OPERATING LOSS

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Operating loss is after charging		
Auditors' remuneration		
- as auditors (see below)	45,000	20,000
Foreign exchange losses	22,494	-
Depreciation	29,018	-
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Period 16 May 2006 to 31 December 2006

3. OPERATING LOSS (continued)

The analysis of auditors' remuneration is as follows:

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Fees payable to the company's auditors for the audit of company's accounts	25,000	20,000
The audit of the Company's subsidiary*	20,000	-
Total audit fees	<u>45,000</u>	<u>20,000</u>
Corporate finance services	120,000	-
Total non-audit fees	<u>120,000</u>	<u>-</u>

* Nkonki Inc performed the audit of Lace Diamond Mines (Pty) Limited.

4. STAFF COSTS

During the period from 16 May 2006 to 31 December 2006, the Group incurred staff costs of £107,409 and the Company £65,545. The average number of employees of the Group, excluding directors, was 7 and of the Company, 3. (Neither the Group, nor the Company incurred any staff costs or employed any employees during the period ended 15 May 2006.)

5. DIRECTORS' EMOLUMENTS

Remuneration for the period 16 May 2006 to 31 December 2006

	Salary or fee £	Fees paid to third party £	Total £	Options granted *
E A Worthington	12,500	3,833	16,333	-
J Willis-Richards (1)	-	-	-	-
R N Allen	-	-	-	-
P R Loudon	45,000	30,000	75,000	-
	<u>57,500</u>	<u>33,833</u>	<u>91,333</u>	<u>-</u>

* The following options were granted on 25 January 2007 E A Worthington 370,000; J Willis-Richards 280,000; R N Allen 280,000 and P R Loudon 690,000.

NOTES TO THE FINANCIAL STATEMENTS
Period 16 May 2006 to 31 December 2006

5. DIRECTORS' EMOLUMENTS (continued)

Remuneration for the period 22 March 2005 to 15 May 2006

	Salary or fee £
R N Allen	-
P R Loudon	12,000
	<u>12,000</u>

(1) Includes amounts paid to Loeb Aron & Company Limited where Mr. Willis-Richards is a director
 The directors received no pension contributions or benefits in kind.

6. TAX

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Tax expense for the period	<u>-</u>	<u>-</u>

Until it is probable that sufficient taxable profits will be available to allow all or partial recovery of the deferred tax asset of £269,856 (period ended 15 May 2006 £30,142), the accounting benefit will not be reflected in the accounts.

The charge for the period can be reconciled to the loss per the income statement as follows:

	16 May 2006 to 31 December 2006 £	22 March 2005 to 15 May 2006 £
Loss for the period	(799,046)	(100,473)
	<u>(799,046)</u>	<u>(100,473)</u>
Tax at the UK corporation tax rate of 30%	(239,714)	(30,142)
Tax losses carried forward	239,714	30,142
	<u>-</u>	<u>-</u>
Tax expense for the period	<u>-</u>	<u>-</u>

7. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss for the financial period dealt with in the financial statements of the parent company was £429,076 (22 March 2005 to 15 May 2006 - £100,473). As permitted by s230 of the Companies Act 1985, no separate income statement is presented in respect of the parent company.

NOTES TO THE FINANCIAL STATEMENTS
Period 16 May 2006 to 31 December 2006

8. INTANGIBLE FIXED ASSETS

Group	Goodwill	Mineral development rights	Total
	£	£	£
Cost and carrying amount			
At 16 May 2006	4,606,026	630,550	5,236,576
Additions	-	479,980	479,980
	<hr/>	<hr/>	<hr/>
At 31 December 2006	<u>4,606,026</u>	<u>1,110,530</u>	<u>5,716,556</u>
Company			
Cost and carrying amount			
At 16 May 2006	-	300,000	300,000
Additions	-	93,653	93,653
	<hr/>	<hr/>	<hr/>
At 31 December 2006	<u>-</u>	<u>393,653</u>	<u>393,653</u>

Group	Goodwill	Mineral development rights	Total
	£	£	£
Cost and carrying amount			
At 22 March 2005	-	-	-
Acquisition of subsidiary	4,606,026	330,550	4,936,576
Additions	-	300,000	300,000
	<hr/>	<hr/>	<hr/>
At 31 D15 Mayecember 2006	<u>4,606,026</u>	<u>630,550</u>	<u>5,236,576</u>
Company			
Cost and carrying amount			
At 22 March 2005	-	-	-
Additions	-	300,000	300,000
	<hr/>	<hr/>	<hr/>
At 15 May 2006	<u>-</u>	<u>300,000</u>	<u>300,000</u>

On 15 May 2006, the company acquired 100 percent of the issued share capital of Crown Diamond Mining Limited. This acquisition is detailed in note 11 to the financial statements.

The Group has been granted "New Order Prospecting Rights" in respect of two properties in the Free State of the Republic of South Africa:

- (i) Ruby 691 Farm, which covers an area of 1,180.6 hectares and in which is situated the historical workings of the Lace diamond mine; and
- (ii) Silverbank Farm, which covers an area of 4,407.6 hectares.

In addition, the Group purchased the surface rights to Subdivision 1 of Ruby 691 Farm which is 108.2 hectares in area (note 11).

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

8. INTANGIBLE FIXED ASSETS (continued)

On 15 May 2006, the company issued 1,000,000 ordinary shares of 1 pence each to each of Shanduka Resources (Pty) Limited and Sphere Holdings (Pty) Limited with a fair value of £300,000 to settle a success fee payable on the transfer of a prospecting right to Lace Diamond Mines (Pty) Limited.

The Group tests annually for impairment of goodwill. The recoverable amounts of cash generating units ("CGU") are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates and selling prices are based on information in the competent persons report.

Having prepared impairment testing, no impairment has been identified, and therefore no impairment loss has been recognised in either year.

9. PROPERTY PLANT AND EQUIPMENT

Group	Plant £	Mining equipment £	Vehicles £	Land £	Buildings £	Fixtures and equipment £	Total £
Cost							
At 16 May 2006	-	-	9,284	50,195	21,512	3,035	84,026
Additions during period	2,655,794	672,581	26,767	-	1,777	9,154	3,366,073
At 31 December 2006	2,655,794	672,581	36,051	50,195	23,289	12,189	3,450,099
Accumulated depreciation							
Charge for the period and at 31 December 2006	-	(25,953)	(2,104)	-	(242)	(719)	(29,018)
Carrying amount							
At 31 December 2006	2,655,794	646,628	33,947	50,195	23,047	11,470	3,421,081

	Plant £	Mining equipment £	Vehicles £	Land £	Buildings £	Fixtures and equipment £	Total £
Cost and carrying amount							
At 22 March 2005	-	-	-	-	-	-	-
Additions during period	-	-	9,284	50,195	21,512	3,035	84,026
At 15 May 2006	-	-	9,284	50,195	21,512	3,035	84,026

Company

Shortly before the period end a total of £3,322 of fixtures and equipment was purchased. No depreciation was charged in the period, therefore the net book value as at 31 December 2006 was equal to cost.

DIAMONDCORP PLC

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

10. INVESTMENT IN SUBSIDIARIES

Company	£
Cost and carrying amount	
At 16 May 2006 and 31 December 2006	4,217,500

Company	£
Cost and carrying amount	
At 22 March 2005	-
Additions	4,217,500
At 15 March 2006	4,217,500

The investment represents 100% per cent of the share capital of Crown Diamond Mining Limited (CDM) which was acquired on 15 May 2006. CDM is a company registered in the British Virgin Islands.

For a list of subsidiaries, please refer to note 19.

11. ACQUISITION OF SUBSIDIARIES

On 15 May 2006, the company acquired 100 percent of the issued share capital of Crown Diamond Mining Limited ("CDM"). The consideration included 25,000,000 ordinary shares of 1 penny each in Diamondcorp plc and 12,500,000 warrants to subscribe for ordinary shares of 1 penny each in respect of which certificates were issued on 30 June 2006. CDM and its 74% owned subsidiary, Lace Diamond Mines (Pty) Limited ("Lace"), are involved in diamond exploration and exploitation in South Africa. The transaction has been accounted for by the purchase method of accounting.

Net liabilities acquired were as follows

	Book and provisional fair value 15 May 2006 £
Intangible fixed assets	330,550
Inventories	1,052,000
Property, plant and equipment	84,026
Other assets	9,777
Cash and cash equivalents	56,801
Other receivables	57,522
Amount payable to Diamondcorp Plc	(1,974,394)
Other payables	(4,808)
Net liabilities acquired	(388,526)
Goodwill arising on acquisition	4,606,026
Total consideration	4,217,500
Satisfied by:	
Issue of ordinary shares	3,750,000
Warrants to be issued over ordinary shares	467,500
	4,217,500

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11. ACQUISITION OF SUBSIDIARIES (continued)

The fair value of the warrants over ordinary shares was determined by the directors utilising the Black-Scholes pricing model, with the key assumptions disclosed in note 18. The fair value of the ordinary shares issued was determined by the directors to be 15 pence per ordinary share (45 pence per ordinary share post share consolidation - see note 17). The directors based their estimate of the fair value of the ordinary shares on the enterprise value of the business adjusted for a discount factor of 50% to reflect non-marketability of the shares at the date of issue.

In the period from incorporation on 23 March 2005 to 15 May 2006 CDM recorded revenue of £nil and a loss before and after tax of £224,676. CDM contributed £nil revenue and £nil to the Group's loss before tax for the period between the date of acquisition and 15 May 2006. In the period from incorporation on 15 March 2005 to 15 May 2006 Lace recorded revenue of £nil and a loss before and after tax of £149,392. Lace contributed £nil revenue and £nil to the Group's loss before tax for the period between the date of acquisition and 15 May 2006.

12. INVENTORIES

	31 December 2006 £	15 May 2006 £
Work in progress	1,052,000	1,052,000

Inventories are valued at £2.84 per carat based on an in situ valuation equivalent to 8% of the market value of US\$63 per carat achieved at a sale of Lace project diamonds in May 2005. The number of carats in inventory (370,285 carats) was based on an expert determination provided to the company by a qualified external valuer.

13. OTHER RECEIVABLES

	Group 31		Company 31	
	December 2006 £	15 May 2006 £	December 2006 £	15 May 2006 £
Receivables due from group undertakings	-	-	7,410,469	1,974,394
Prepayments and other receivables	259,754	142,654	1,838	85,132
	<u>259,754</u>	<u>142,654</u>	<u>7,412,307</u>	<u>2,059,526</u>

The directors consider that the carrying amount of these assets approximates their fair value. All other receivables balances are non-interest Bearing.

14. OTHER PAYABLES

	Group 31		Company 31	
	December 2006 £	15 May 2006 £	December 2006 £	15 May 2006 £
Accruals and deferred income	587,125	27,512	65,512	22,704
	<u>587,125</u>	<u>27,512</u>	<u>65,512</u>	<u>22,704</u>

The directors consider that the carrying amount of these liabilities approximates their fair value. All other payables are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

15. CONVERTIBLE LOAN NOTE

At 31 December 2006, a convertible loan note of £3,900,000 is on issue. Commission of 6 % paid in respect of the placement has been netted against the principal balance.

The note converts automatically into ordinary shares of the Company at two-thirds of the placing price upon admission of the Company to the AIM market. After 1 May 2007, the Conversion Price will be reduced by 8% for each calendar month until such time as the Company has been successful with the Admission, subject to a maximum discount of 50% to the IPO Price and mutual agreement with the note holder. The note is secured by a general floating charge over the assets of Diamondcorp plc. The note is interest free until 1 May 2007. Thereafter, the note will bear interest at the rate of 15 per cent per annum, calculated monthly (on the basis of a 360 day year) and payable in cash monthly in arrears, until it is converted or redeemed.

By mutual agreement between the Company and the note holder, the Company may redeem the loan note at any time by the payment in cash of the principal amount plus 50% and any accrued and outstanding interest. Redemption of the note after 1 May 2007, shall incur an additional redemption sum of 6.75% of the principal payable for each calendar month between May and November 2007. The note shall be transferable to an affiliate of the note holder or, with the consent of the Company (such consent not to be unreasonably withheld or delayed), to any other person.

The note contains a condition that, if the Company has not completed an IPO or redeemed the note by 1 November 2007, the Company shall immediately redeem the note by the payment in cash of the principal amount plus 50% and any accrued and outstanding interest, plus an additional redemption sum of 6.75% of the principal payable for each calendar month between 1 May 2007 and 1 November 2007, eg commencing in June 2007.

The Company was admitted to AIM on 1 February 2007 and the note was converted to 6,500,000 ordinary shares of 3 pence each at a conversion price of 60 pence being two-thirds of the 90 pence placing that occurred simultaneously with admission to AIM (refer to Note 22).

16. RELATED PARTY TRANSACTIONS

The directors consider that there is no ultimate controlling party of the Company. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below.

During the period from 16 May 2006 to 31 December 2006:

- (i) Diamondcorp plc incurred legal fees of £64,000 (22 March 2005 to 15 May 2006 - £35,880) from Cobbetts, company secretary of Diamondcorp plc; and
- (ii) Diamondcorp plc incurred corporate advisory fees of £3,000 (22 March 2005 to 15 May 2006 - £27,667) and commissions of £45,972 (22 March 2005 to 15 May 2006 - £156,300) from Loeb Aron & Company Limited ("Loeb Aron"), a company of which both P R Loudon and J Willis-Richards are directors and a company which owns more than 3% of the issued shares. In addition, in reference to fundraisings completed by Loeb Aron, Loeb Aron was granted a warrant to purchase 750,000 shares for a period of two years from the date of admission to the AIM market, exercisable at 35 pence per ordinary share (250,000 warrants to purchase ordinary shares at 105 pence per share following the share consolidation - notes 17 and 18).

In addition, during the period from 22 March 2005 to 15 May 2006:

- (i) Lace incurred legal fees of £13,965 from Werksmans, former company secretary of Lace; and
- (ii) Lace incurred consulting fees of £73,875 from The Mineral Corporation, a company in which G Robbertze, a director of Lace, is a principal.

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NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

The only transactions between the Company and its subsidiaries relate to funds loaned to Crown Diamond Mining Limited and Lace Diamond Mines (Pty) Limited. The debtor balances with these two subsidiaries are as follows:

	31 December 2006 £	15 May 2006 £
Amounts due from Crown Diamond Mining Limited	7,393,342	-
Amounts due from Lace Diamond Mines (Pty) Limited	17,127	-
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
Period 16 May 2006 to 31 December 2006

17. SHARE CAPITAL

	31 December 2006		15 May 2006	
	£		£	
Authorised share capital				
500,000,000 ordinary shares of 1 penny each	<u>5,000,000</u>		<u>5,000,000</u>	
	No.	£	No.	£
Called up, allotted and fully paid				
Ordinary shares of 1 penny each	<u>24,737,073</u>	<u>742,112</u>	<u>37,500,200</u>	<u>375,002</u>

On 30 June 2006 every three ordinary shares of 1 penny each were consolidated into one ordinary share of 3 pence with no other change in the rights attached to the ordinary shares.

On 16 September 2006 the 2,130,000 Convertible Loan Notes were converted to 7,100,006 ordinary shares of 3 pence each at a price of 30 pence per share.

On 16 September 2006 the Company issued 3,815,000 ordinary shares of 3 pence each in respect of a private placement completed at 60 pence per ordinary share.

On 27 October 2006 the Company issued a secured convertible loan note in the total amount of £3,900,000 to Aktiva Diversified Holdings Limited. The secured convertible loan note automatically converts into ordinary shares on admission to AIM at a conversion price equal to the lower of 60 pence or two thirds of the Placing Price per ordinary share.

On 24 November 2006 the Company issued 1,322,000 ordinary shares of 3 pence each in respect of a private placement completed at 60 pence per ordinary share.

18. RESERVES

Group	Warrant reserve £	Equity reserve £	Share premium account £	Retained losses £
At 15 May 2006	641,667	2,002,800	4,004,713	(100,473)
Loss for the period	-	-	-	(799,046)
Premium arising on issue of equity shares	-	-	4,717,890	-
Issue of warrants over ordinary shares	-	(2,002,800)	-	-
Issue costs	-	-	(188,508)	-
At 31 December 2006	<u>641,667</u>	<u>-</u>	<u>8,534,095</u>	<u>(899,519)</u>
 Company				
	Warrant reserve £	Equity reserve £	Share premium account £	Retained losses £
At 15 May 2006	641,667	2,002,800	4,004,713	(100,473)
Loss for the period	-	-	-	(429,076)
Premium arising on issue of equity shares	-	-	4,717,890	-
Issue of warrants over ordinary shares	-	(2,002,800)	-	-
Issue costs	-	-	(188,508)	-
At 31 December 2006	<u>641,667</u>	<u>-</u>	<u>8,534,095</u>	<u>(529,549)</u>

NOTES TO THE FINANCIAL STATEMENTS
Period 16 May 2006 to 31 December 2006

18. RESERVES (continued)

Group and Company	Warrant reserve £	Equity reserve £	Share premium account £	Retained losses £
At 22 March 2005	-	-	-	-
Loss for the period	-	-	-	(100,473)
Premium arising on issue of equity shares	-	-	4,033,333	-
Equity element of convertible loan notes	-	2,130,000	-	-
Issue of warrants over ordinary shares	641,667	-	-	-
Issue costs	-	(127,200)	(28,620)	-
At 15 May 2006	<u>641,667</u>	<u>2,002,800</u>	<u>4,004,713</u>	<u>(100,473)</u>

Warrant reserve**Group and Company**

At 16 May 2006 and 31 December 2006

Warrants in issue Number	Warrant reserve £
18,000,000	<u>641,667</u>

At 22 March 2005
 Issue of loan note warrants
 Vendor warrants to be issued
 Loeb Aron warrants to be issued

Warrants in issue Number	Warrant reserve £
-	-
4,750,000	174,167
12,500,000	463,800
750,000	3,700
18,000,000	<u>641,667</u>

Valuation

Warrants granted during the period from 22 March 2005 to 15 May 2006 were valued by the directors using the Black-Scholes valuation model, based upon the following assumptions:

- Term range of one to three ½ years
- Expected dividend yield of nil
- Risk free interest rate of 5%
- Share price volatility of 55%
- Current share price of 15 pence (45 pence post share consolidation).

The number of warrants, warrant exercise prices and nominal share values referred to below reflect the share structure prior to the share consolidation which occurred on 30 June 2006. Following the share consolidation, all warrant exercise prices and nominal share values increased by a factor of three. The number of warrants reduces by a factor of three.

NOTES TO THE FINANCIAL STATEMENTS

Period 16 May 2006 to 31 December 2006

18. RESERVES (continued)

Loan note warrants

The holders of convertible loan notes which were converted into 4,750,000 ordinary shares of 1 penny each on 21 December 2005, were entitled to be issued, on conversion, with a total of 4,750,000 warrants to subscribe for ordinary shares of 1 penny each at the lower of 60 pence per share or price at which the Company issued ordinary shares of 1 penny each on admission to the AIM market. The exercise price was reduced to 10 pence per ordinary share when admission did not take place prior to 30 April 2006. These warrants expire on 30 April 2008. Certificates in relation to these warrants were issued on 30 June 2006 following and taking into account, the consolidation of the company's share capital on that date.

Vendor warrants

The vendors of Crown Diamond Mining Limited were entitled to be issued on completion of the sale of its ordinary share capital to the Company with a total of 12,500,000 warrants to subscribe for ordinary shares of 1 penny each at a price of the lower of 60 pence or price at which the Company raises equity finance on admission to the AIM market. These warrants expire on that date which is five years from the date of admission to the AIM market. Certificates in relation to these warrants were issued on 30 June 2006 following and taking into account, the consolidation of the company's share capital on that date.

Other warrants

In reference to work performed on fundraisings by Loeb Aron, Loeb Aron are entitled to be issued on admission to the AIM market warrants over 250,000 ordinary shares of 3 pence each for a period of two years from the date of admission to the AIM market, exercisable at 105 pence per share.

Equity reserve - convertible loan notes

At 15 May 2006, £2,130,000 of convertible loan notes were in issue. They were unsecured, non-interest bearing and had no redemption rights. The notes converted automatically into ordinary shares of the Company upon admission of the Company to the AIM market at two thirds of the placing price, if this occurred on or before 16 September 2006. If the company had not been admitted to the AIM market by 16 September 2006 they would have automatically converted to ordinary shares at a rate of 10 pence per ordinary share on that date.

At 15 May 2006, the directors estimated that the fair value of the liability component of the convertible loan notes was nil. This fair value was calculated by discounting the future cash flows at the market rate. The proceeds from the issue of the convertible loan notes were therefore allocated entirely to the equity component, representing the fair value of the embedded option to convert the liability into equity of the Group.

On 16 September 2006 the 2,130,000 Convertible Loan Notes were converted to 7,100,006 ordinary shares of 3 pence each at a price of 30 pence per share. The conversion price of 30 pence per share reflects the one for three share consolidation on 30 June 2006. (see note 17)

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Period 16 May 2006 to 31 December 2006

19. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2006 were as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
Crown Diamond Mining Limited	British Virgin Islands	100	100	Holding company
Lace Diamond Mines (Pty) Limited	Republic of South Africa	74	74	Diamond exploration and exploitation
Soapstone Investments (Pty) Limited	Republic of South Africa	100	100	Investment company

Soapstone Investments (Pty) Limited was incorporated on 30 November 2006 and was set up as an investment company in South Africa.

20. FINANCIAL INSTRUMENTS**Financial assets**

The Group's principal financial assets are bank balances and cash and other receivables.

Credit risk

The Group has no significant concentration of credit risk.

Bank and cash balances

Bank and cash balances comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. A breakdown of bank and cash balances by currency is as follows:

	31 December 2006 £	15 May 2006 £
Sterling	812,195	369,387
South African Rand	2,009,894	56,801
	<u>2,822,089</u>	<u>426,188</u>

21. COMMITMENT

The Group's commitment to construct a plant at Lace mine is approximately £3,506,000 (ZAR 47,336,000). Of this amount, approximately £1,254,170 (ZAR 17,335,000) has not been paid at 31 December 2006

NOTES TO THE FINANCIAL STATEMENTS
Period 16 May 2006 to 31 December 2006

22. POST BALANCE SHEET EVENTS

On 24 January 2007 the Company changed its accounting reference date to 31 December.

On 1 February 2007 the Company was admitted to the AIM market and simultaneously issued 2,750,000 ordinary shares at 90 pence each. In accordance with the terms of the Convertible Loan Notes, on the date of admission the notes converted to 6,500,000 ordinary shares (see Note 15).

Since 31 December 2006, 33,332 warrants have been exercised for proceeds of £10,000 and the same number of ordinary shares has been issued.

In May 2007, Crown Diamond Mining Limited changed its name to Diamondcorp Holdings Limited.