



DIAMONDCORP PLC

Media release

029/09-CDR
31 March 2009

DiamondCorp Plc
JSE share code: DMC & AIM share code: DCP
ISIN: GB00B183ZC46
(Incorporated in England and Wales)
(Registration number 05400982)
(SA company registration number 2007/031444/10)
("DiamondCorp" or "the Company")

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

DiamondCorp plc, the South African diamond mine development and exploration company, releases its audited results for the period ended 31 December 2008.

Highlights

- Lace tailings re-treatment recovered 50,521 carats of diamonds in the year from 803,810 tonnes.
- Recoveries averaged 6.28 carats per hundred tonnes (cpht) and approximately 70% of diamonds recovered were gem quality. Recoveries improved to 7.23 cpht in Q4 following re-commissioning of the recrusher circuit.
- 31,906 carats of gem diamonds were sold at tender in Johannesburg for an average price of US\$54 per carat (2007 – US\$59 per carat).
- Diamond prices suffered a significant drop in the second half, with final tender sales in November achieving 50 per cent of the prices received earlier in the year. As a result tailings re-treatment is no longer economic and this activity has ceased.
- Revenue for the year was £916,767 (2007 - £74,795)
- Operating loss for the year was £3,605,109 (2007 - £2,168,743).
- Access to potentially high-grade, high-value coherent kimberlite from the Main pipe was accelerated.
- £3.55 million of equity capital was raised through two share placements during the year, and a project loan of US\$5.0 million was secured, providing all the required debt and equity for the Phase Two.

Post Period Highlights

- A 21-year mining right was executed with the Department of Minerals and Energy for the Phase Two Lace underground development.
- Initial mining of kimberlite from the Satellite pipe has commenced and is being stockpiled while a new primary crushing circuit is commissioned.



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Media release

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Note	2008 £	2007 £
Revenue		916,767	74,795
Cost of sales		(1,494,253)	(189,403)
GROSS LOSS		(577,486)	(114,608)
Administrative expenses		(3,027,623)	(2,054,135)
OPERATING LOSS	3	(3,605,109)	(2,168,743)
Investment revenues		32,043	112,492
Finance costs		(682,286)	-
LOSS BEFORE TAX		(4,255,352)	(2,056,251)
Tax	6	(30,132)	(45,000)
LOSS FOR THE FINANCIAL YEAR	18	(4,285,484)	(2,101,251)
ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		(4,285,484)	(2,101,251)
BASIC AND DILUTED LOSS PER SHARE	7	(11.65p)	(6.27p)
HEADLINE LOSS PER SHARE	7	(11.55p)	(6.26p)

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

CONSOLIDATED BALANCE SHEET

Year ended 31 December 2008

	Note	2008 £	2007 £
NON-CURRENT ASSETS			
Goodwill	8	4,606,026	4,606,026
Other intangible assets	8	2,311,232	1,445,567
Property, plant and equipment	9	5,644,476	4,958,689
Deferred tax asset	15	57,723	-
		12,619,457	11,010,282
CURRENT ASSETS			
Inventories	11	463,822	986,049
Other receivables	12	566,730	136,495
Cash and cash equivalents		3,252,276	1,330,707
		4,282,828	2,453,251
TOTAL ASSETS		16,902,285	13,463,533



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CURRENT LIABILITIES

Obligations under finance leases		(91,269)	-
Other payables	13	(667,375)	(198,609)
Provisions		(9,241)	-
		<u>(767,885)</u>	<u>(198,609)</u>

NON-CURRENT LIABILITIES

Long term loan	14	(3,399,709)	-
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NET ASSETS

	<u>12,734,691</u>	<u>13,264,924</u>
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EQUITY

Share capital	17	1,232,610	1,043,112
Share premium account	18	17,460,220	14,116,306
Warrant reserve	18	710,514	740,949
Share option reserve	18	320,261	282,790
Translation reserve	18	209,339	82,537
Retained losses	18	(7,198,253)	(3,000,770)
TOTAL EQUITY		<u>12,734,691</u>	<u>13,264,924</u>

STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2008

	2008 £	2007 £
GROUP		
Opening balance	13,264,924	9,018,355
Loss for financial year	(4,285,484)	(2,101,251)
New equity share capital subscribed	189,498	301,000
Premium on new equity share capital subscribed	3,343,914	5,582,211
Value attributed to warrants granted	57,566	99,282
Value attributed to share options granted	37,471	282,790
Translation reserve	126,802	82,537
Closing balance	<u>12,734,691</u>	<u>13,264,924</u>



CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2008

	2008 £	2007 £
Operating loss	(3,605,109)	(2,168,743)
Depreciation and amortisation	645,860	297,954
Share based payment charge	37,471	282,790
Other gains and losses	3,998	49,159
Loss on disposal of property plant and equipment	39,642	3,322
Finance costs	(7,913)	-
Decrease (increase) in receivables	(430,235)	123,259
Decrease (increase) in inventories	522,227	(74,283)
Increase (decrease) in payables	569,276	(433,516)
Effect of foreign exchange translation	(85,894)	284,849
NET CASH USED IN OPERATING ACTIVITIES	(2,310,677)	(1,635,209)
INVESTING ACTIVITIES		
Purchase of intangible assets	(883,365)	(461,043)
Purchase of property, plant and equipment	(1,334,611)	(1,740,069)
Interest received	32,043	112,492
NET CASH USED IN INVESTING ACTIVITIES	(2,185,933)	(2,088,620)
FINANCING ACTIVITIES		
New long term loan raised	2,846,246	-
Proceeds on issue of ordinary shares	3,533,412	2,267,335
NET CASH FROM FINANCING ACTIVITIES	6,379,658	2,267,335
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,883,048	(1,456,494)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,330,707	2,822,089
Effect of foreign exchange rate changes	38,521	(34,888)
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,252,276	1,330,707

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

General information

DiamondCorp plc is a Company incorporated in England and Wales under the Companies Act 1985.

These financial statements are presented in pounds sterling because that is the currency of the parent Company of the Group. Foreign operations are included in accordance with the policies set out in this note.

a) Adoption of new and revised International Financial Reporting Standards

Three interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 11 IFRS2: Group and Treasury Share Transactions; IFRIC 12 Service Concession Arrangements; and IFRIC 14 IAS



19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these interpretations has not led to any changes in the Group's accounting policies.

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 which changed its name to Diamondcorp Holdings Limited in 2007 (DHL). DHL 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. The financial statements have been prepared on the historical cost basis. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The principal accounting policies adopted are set out below.

The financial statements are prepared on a going concern basis. The accounting policies are consistent with those of the prior year.

Loss per Share

a) **Basic loss per share**

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares in issue during the year. The weighted average number of shares used is 36,772,136 (2007 - 33,501,444).

b) **Diluted loss per share**

International Accounting Standard 33 requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease the net profit or increase the net loss per share. For a loss making company with outstanding options, net loss per share would only be increased by the exercise of out-of-money options. Since it seems inappropriate to assume that option holders would exercise out-of-money options, no adjustment has been made to diluted loss per share for out-of-money share options.

c) **Headline loss per share**

The Group presents an alternative measure of loss per share after excluding all capital gains and losses from the loss attributable to ordinary shareholders. The impact of this is as follows:

	2008	2007
Basic		
Loss per share	(11.65p)	(6.27p)
Effect of loss on disposal of property, plant and equipment	0.10p	0.01p
Adjusted loss per share	<u>(11.55p)</u>	<u>(6.26p)</u>

The full notes to the annual financial results have been included in the annual report which has been posted to shareholders.



Audit Opinion

The auditors, Deloitte LLP, have audited the annual financial statements for the year ended 31 December 2008. A copy of their unqualified audit report is available for inspection at the company's registered office.

Chairman's Statement

(An abridged version of the Chairman's Statement from the annual report to shareholders)

Dear Shareholders,

You will be acutely aware of the current state of the financial markets. Mining is one of the first sectors to suffer in such a bear market and particularly small miners, when investors question whether they have the finance, or indeed the right projects, to stay afloat. I will not dwell on this in my report, other than to note that our share price has out-performed many in our peer group. This was partially as a result of our shares being tightly-held, introducing a major new shareholder and not having to face hedge fund investor distress or large scale redemptions. However, we also believe that our out-performance is due to the fundamental strength of our primary asset and the significant progress made towards bringing the Lace Diamond Mine into full underground production more than a year ahead of schedule. At peak production, Lace is expected to produce more than 500,000 carats of diamonds per year.

I hope in this report that we provide shareholders with some insight into the delivery by your Company on our objectives during the year, and how DiamondCorp is positioned, not only to weather current markets, but to grow and thrive in the medium to longer term.

Looking back on the 2008 financial year, I am pleased to report that there have been several highlights, including:

- The recovery of some 50,000 carats of diamonds from the tailings re-treatment operation.
- Continued and accelerated development of the Phase 2 Lace Underground Mine, with bulk sampling commencing from the Satellite Pipe by the end of 2008.
- Granting of Mining Rights for Phase 2, providing security of tenure for at least 20 years.
- Construction and early commissioning of the primary crushing circuit by March 2009, ahead of schedule.
- Raising all requisite funding for Phase 2 development, through equity capital and a project loan.
- Production from the tailings retreatment operation continued during the year, yielding 50,521 carats of diamonds, and generating revenues of US\$1,707,000 (£916,767). Pleasingly, around 70% of the diamonds recovered were of gem quality, confirming our expectations of what we will face when we start production from the Main Pipe. While the tailings retreatment operation was suspended at the end of 2008 since the diamond price fall had rendered it uneconomic, its real value has been in developing and testing the operating circuit in advance of full underground production. The value of this cannot be underestimated. This year-long learning curve helped us to identify and overcome teething problems and resulted in the successful re-commissioning of the re-crush circuit in the fourth quarter. Shareholders can also be assured that we will bring to account the stones remaining in the tailings dump, when diamond prices rise.



Given the state of the markets, the decision in 2007 to accelerate the development of Phase 2 of the Lace underground mine in order to access rapidly the higher-grade kimberlite has proven both timely and fortuitous. Good progress has been made with the project, with the recent commencement of underground bulk sampling from the Satellite Pipe. This will be followed by access to the Main Pipe by mid year. Assuming that the diamond grade of Lace kimberlites allows us to be profitable at current prices, mining will then commence and increase to around 3,000 tonnes per day in the second half of 2009, reaching full production of 4,000 tonnes per day when the vertical shaft is refurbished in 2010.

Fully Funded to Production

During 2008, we were very pleased to attract the considered attention of and investment by the European Islamic Investment Bank plc (EIIB) into your company, as a cornerstone shareholder at a time when robust shareholder support can be critical to a company's success. EIIB is now our largest shareholder and we welcome to the board EIIB's Head of Private Equity, Mr Robin Henshall. Our discussions with EIIB have indicated that they are supportive of our immediate progress, plans and longer-term growth ambitions.

Importantly, the Company is fully-funded as a result of two share placements (raising £3.55 million) and the raising of a project loan of US\$5 million (£2.8 million). We are particularly pleased to be able to bring the Lace mine back into production without further recourse to the stricken and costly financial markets.

Seeking New Opportunities

We continue to review diamond projects and in particular, those where our development and operational team can add value. We have talked to many potential sellers and suitors and, while we are focused in Southern Africa, we have looked at opportunities as far afield as West Africa, Australia and even Canada. However, to date we have not been able to match the value and the potential for profitability that shareholders will gain from Lace. Consequently, after extensive reviews and due diligence, we have not been able to consummate any deals. We remain on the look-out as current markets provide impetus for consolidation and favour those with capital, or access to capital, together with the particular skill set such as ours that can transform a project into a mine. I would also remind shareholders that there are other known kimberlites on our licences around Lace, which we will look to explore when free cashflow is available.

The Year Ahead

We remain focused for the year ahead - our primary efforts will be to ensure that we are producing from the underground operation by mid-year, and generating positive cash flows, with costs contained within the lowest industry quartile. We anticipate achieving solid margins, even at current diamond prices and when our operation comes into full production in 2010, we will be able to take full advantage of the expected recovery in diamond prices.

Our vested value remains unarguable: with some 35 million tonnes of kimberlite outlined within the Main Pipe, containing an estimated 13.8 million carats of diamonds at an average grade of 42 carats per hundred tonnes, worth some R10 billion (£715 million) in-ground at current prices. We will maintain our licence to operate, acting as a responsible citizen and fair employer while we continue to look for attractive opportunities for growth.

Euan Worthington
Chairman



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POSTING OF THE ANNUAL REPORT

Shareholders are advised that the Annual Report for the year ended 31 December 2008 will be posted to them on 31 March 2009. An electronic version of the annual report will be available on the company's website on or about 31 March 2009.

31 March 2009
London

Sponsor:
Investec Bank Limited

For further information, please contact:

Paul Loudon
DiamondCorp plc
+44 20 7256 2651

Joe Nally/Liz Bowman
Cenkos Securities plc
+44 20 7397 8900

Robert Smith/Tanis Crosby
Investec Bank Limited
+27 11 286 7662

Charmane Russell
Russell & Associates
+27 11 880 3924

Gareth Tredway
Conduit PR
+44 20 7429 6606/+44 7922 923 306