

# **KimCor Diamonds plc**

**(Registration number 05399993)**

Report and Financial Statements  
Period Ended 30 June 2008

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**Company Information**

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**Directors**

Melissa Sturgess, Non-Executive Chairman  
Martyn John Churchouse, Chief Executive Officer  
Cedric Bredenkamp, Managing Director South Africa  
Roger Anthony Harris, Non-Executive Director

**Registered office**

84 Theobald's Road  
London WC1X 8RW

**Registration number**

05399993

**Company Secretary**

Sarah Rossi – resigned on 25 February 2008  
Paul McKay – appointed on 25 February 2008

**Nominated Adviser and Broker**

Strand Partners Limited  
26 Mount Row  
London W1K 3SQ

**Registered Auditors**

BDO Stoy Hayward LLP  
55 Baker Street  
London W1U 7EU

**Legal advisers to the Company as to English law**

Nabarro Nathanson  
Lacon House  
84 Theobald's Road  
London WC1X 8RW

**Legal advisers to the Company as to South African law**

Werksmans Inc	Webber Wentzel Bowens10
155 5th Street	10 Fricker Road
Sandown	Illovo Boulevard
Sandton	Johannesburg
2196 Johannesburg	2196
South Africa	South Africa

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**Bankers**

HSBC plc  
70 Pall Mall  
London  
SW1Y 5EZ

**Financial PR**

Bishopsgate Communications Ltd  
4-5 North Mews  
London WC1N 2JP

**Registrars**

Computershare Investor Services PLC  
PO Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH

## **Chairman's Statement**

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I am pleased to report to our shareholders on the progress made by KimCor Diamonds plc ("KimCor" or "the Company") during the past financial period. As I write this note we are witnessing unprecedented volatility on stock markets worldwide and there is clear evidence that a global recession is underway. Your Board is of the opinion that the measures taken and the improvements made to mines in the Company's portfolio during the past financial period provides both the scope and flexibility to adapt to market conditions in these uncertain times.

### **New Acquisitions**

The Company completed the acquisition in September 2007 of the diamond assets of Dwyka Resources Limited, a company listed on AIM (DWY) and the ASX, through the purchase of Dwyka Holdings Limited ("DDH") to form an "Enlarged Group" that provided the foundation to transform KimCor from a small-scale producer into a multi-mine operation that has the scope to become a mid-tier producer of diamonds.

The past twelve months has seen KimCor pursuing a strategy for the development and re-organisation of the DDH assets specifically aimed at increasing diamond production through both the expansion of existing processing plants and improving their efficiency.

The most significant acquisition for the Group was made in March 2008 where KimCor, through its subsidiary Superkolong (Pty) Limited ("Superkolong") acquired a 26.4% interest in Nungu Trading 740 (Pty) Limited ("Nungu"). Nungu at the same time acquired 58.50 million tonnes of diamondiferous tailing mineral dumps in Kimberley, South Africa, from De Beers Consolidated Mines Limited ("De Beers"). Superkolong's 26.4% interest totals 15.45 million tonnes of measured resource to be processed through its upgraded SMI4 tailings processing plant. Diamond recovery at SMI4 has consistently exceeded expectations with grades that are more than 50% higher than budget. This exceptional recovery rate equates to an additional projected 450,000 carats over the life of mine. Once production levels reach the target rate of 150,000 tonnes per month, the estimated 160,000 carats produced per annum from this one project will underpin future production.

### **Mining and Production**

During the period, processing rates and consequently diamond production have improved significantly at SMI4, Nooitgedacht and Newlands whilst extensive development work continued at Blaauwbosch mine. Based on the results achieved during the period under review, the Company expects to focus on certain of the projects in the portfolio with the aim of increasing production rates, whilst keeping operating costs to a minimum. In this regard, emphasis will be placed on further production rate increases at SMI4 where there is scope to benefit from the economies of scale naturally associated with a large dump processing project. The Company is also considering a move away from a static plant to a series of mobile production units at the Nooitgedacht alluvial mine, where an estimated 16 million tonnes of gravel indicated resource remain to be mined and processed.

In view of the current state of the global economy, the Board will consider the merits of each individual mine in terms of the size, quality and value of diamonds each of these producing units recovers. Should the downturn continue it is likely that demand for smaller lower value diamonds will decrease but the Company anticipates that demand will remain strong for the high value stones recovered. As a result, emphasis is likely to be placed on alluvial operations where generally larger stones are recovered and on the SMI4 project where the Board remains confident that further cost cutting can be achieved without compromising recovery rates and the overall total number of diamonds produced annually.

**Future outlook**

Initiatives have been taken to ensure that the Company can continue to produce diamonds during potentially turbulent times ahead and it is fortuitous that much of the upgrade and expansion work has already been completed and that these improvements will be reflected in better efficiency and in parallel reduced operating costs. The directors are confident that the Company has the scope and ability to adapt to any changes in demand that may arise in the near future.

Finally, I would like to thank all the staff of the Company for their commitment to the implementation of the new corporate structure and for the successful completion of the first step in our acquisition strategy.

Melissa Sturgess  
Chairman

## **Review of Operations**

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KimCor has made considerable progress during the year, completing a reverse takeover of the diamond assets of Dwyka Diamonds Holdings Limited (“Dwyka”), raising finance and progressing with the upgrade and expansion of a number of new and existing diamond mines.

The Company set itself a target of producing, annualised, in excess of 150,000 carats from its mines for the year. Whilst this target was not achieved, the Company has been able to make considerable advance on the development of its mining operations and in particular, the purchase of approximately 15.5 million tonnes of diamondiferous tailings dumps from De Beers Consolidated Mines Limited (“De Beers”) in February 2008.

### **SMI4 Superkolong Tailings Project**

The conclusion of a sale and purchase agreement with De Beers for 15.5 million tonnes of diamondiferous tailings dumps located in Kimberley, South Africa, saw the Company move away from the previous mining contract agreement with De Beers to one of direct ownership of the dumps. The purchase enabled the Company to commit funds to the expansion and upgrade of the SMI4 Superkolong Tailings Project (“SMI4”) with a view to processing in excess of 150,000 tpm through the plant.

The plant was modified and the facility initially run at a reduced throughput rate in order to test the new design criteria and provide valuable information required to effect the second stage of expansion. The impact of the new design was immediately noticeable with an average recoverable grade of 12.0 carats cpht being achieved during May and June 2008 from the first 64,912 tonnes mined and processed.

The Company’s financial modelling of SMI4 assumes an average recoverable grade of 6cpht and the actual achieved grades to date at double this estimate bode well for the future of the project. Based on available information, the Company is confident that over a ten year life of mine, an average recoverable grade of 9cpht can be achieved.

### **Blaauwbosch Underground Mine**

The Blaauwbosch Underground Mine (“Blaauwbosch”) required a considerable amount of underground development work to enable the Company to firstly access the kimberlite orebody safely and secondly, to create a series of new access points to the ore body to allow preliminary mining to begin and thereby an assessment of the deposit.

Based on historical data and an independent assessment of the measured and indicated resource, the mine is reported to contain approximately 1.08 million tonnes of kimberlite at an average grade of 30cpht.

During the period April to December 2007, the Company mined and processed a total of 21,710 tonnes of heavily diluted kimberlite ore generated during development work and recovered 2,100 carats at an average recoverable grade of 9.7cpht. As expected, the recoverable grade was under budget owing to the high level of dilution, but the mine continued to process kimberlite that was being hoisted from underground as part of the development programme. During the period between January and June 2008, no further kimberlite mining was possible as the bulk of the mine’s work program was focussed on completion of the development programme. A total of approximately 500 metres of horizontal development including approximately 25 cross cuts, together with 35 raises and 2 ore passes were completed during the period under review.

Whilst kimberlite mining and processing was suspended, the mine continued to treat tailings from the estimated 900,000 tonnes of stockpiled material located at surface. A total of 45,343 tonnes of tailings were processed generating 2,694.29 carats at an average recoverable grade of 6cpht. The dump processing operation provided

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some income to the mine and allowed mine management to review plant design and recommend a capital programme for the expansion and upgrade of the plant once underground kimberlite mining recommenced.

Diamond sales from kimberlite ore for the period totalled 4,777.52 carats (including production generated prior to April 2007 but only sold later in the year) returned an average sales value of US\$119 per carat against a budget estimate of US\$95 per carat. Diamond sales for tailings operations returned an average sales value of US\$40 per carat, against an estimated sales value of US\$75 per carat.

**Newlands Underground Mine**

When first acquired, the Newlands Underground Mine (“Newlands”) represented a highly prospective resource with 5 known kimberlite blows linked by fissures with only Blow No 2 being accessible via a vertical shaft system (shaft No 2).

The Company focussed on the urgent underground development work required to provide access to evaluate the potential of Blows 1, 3, 4 and 5 and thereby determine a sequence of priorities in terms of new capital projects to provide both underground horizontal development as well as new shaft infrastructure to access the 5 ore bodies.

To this end, substantial development was completed during the period under review that included a new shaft (No 3 Shaft) sunk 30 metres to access Blow 3, completion of ring drives around Blows 2, 3 and 5 together with more than 250 metres of horizontal drives connecting Blows 2, 3, 4 and 5 and the commencement of a 200 metre long drive to connect between Shaft No 2 and Blow 1 on the 120 metre level.

Exploration work was undertaken simultaneously with underground development within the confines of the licence area which resulted in the discovery of two new blows, No’s 6 and 7 located approximately 150 to 200 metres west of Blow 4. During the process of excavating a fissure drive to connect up Blows 3 and 5, a further blow was intersected bringing the total number of kimberlite structures to 8.

The discovery of three new kimberlite structures will require the Company to rethink its original development plans. In the interim, development and mining will continue on Blows 2 and 3 whilst a new long-term plan is devised.

During the period under review, a total of 53,569 tonnes of kimberlite was mined and processed returning a total of 6,576.59 carats at an average recoverable grade of 12.3cpht. In addition, a total of 16,281 tonnes of tailings derived from the prior processing (secondary processing) of the underground kimberlite ore was processed returning a total of 1,458.09 carats at an average recoverable grade of 9.0cpht. The current plant design at Newlands does not allow for the crushing of kimberlite ores down to what is considered an optimum size fraction of -8mm. As a result, kimberlite is initially only crushed down to -16mm (primary processing) size which will result in some diamonds remaining locked up in coarse kimberlite fragments. The budgeted average recoverable grade for Newlands for kimberlite ore is 18 to 21cpht. Combining the recovered grade from primary ore processing of 12.3cpht with the recovered grade from secondary ore processing of 9.0cpht the kimberlite ore returns an average grade of 19.3cpht, in line with budget.

Sales values for rough diamonds recovered from kimberlite processing averaged US\$77 per carat, against a budget of US\$85 per carat. Tailings diamond production returned an average sales value of US\$66.5 per carat. To these values should be added the cash generated from the cutting and polishing of rough diamonds from Newlands. A total of 58.32 carats were processed and sold for US\$51,941 or US\$890.62 per carat. Added back into rough diamond sales, the total average sales price for stones derived from kimberlite mining and processing rises to US\$84.84, in line with the budget estimate of US\$85 per carat.

Results from the processing of mixed kimberlite and waste rock during the initial stages of excavation of the No 3 shaft to access Blow 3 returned an average recoverable grade of 6.45cpht from a total of 1,684 tonnes mined and processed during the period under review. The tonnage sampled cannot be considered a representative

sample nor is the sample large enough to be meaningful. Nevertheless, the surficial material at surface above Blow 3 is clearly diamondiferous and the Company is eager to see the results of future mining of Blow 3 once the shaft has been sunk further to allow access to uncontaminated kimberlite.

A considerable amount of work is required during the next 6 months to determine the preferred development programme needed to achieve the maximum production rate at Newlands and the scale of the capital programme needed to achieve a sustainable production rate. One factor working in the mine's favour is the fact that with the exception of Blow 2 which has been mined down to the 120 metre level and Blow 1, a blow that does not outcrop at surface, the remaining 6 blows all outcrop or occur near to surface implying that potentially a number of years of production can be achieved without recourse to costly and time consuming deep shaft development and all subsequent deepening of shafts and new horizontal development can be undertaken ahead of the current production level.

### **Nooitgedacht Alluvial mine**

The Nooitgedacht alluvial mine ("Nooitgedacht") has in recent times been operated as a small scale enterprise in tandem with the Company's aggregate production business used to supply raw materials to Supermix Mining (Pty) Limited for aggregate sales, Superkolong Cement (Pty) Limited for concrete production and Superkolong Bricks (Pty) Limited for the production of bricks and paving.

The Nooitgedacht project covers a large licence area totalling approximately 4,761 hectares containing an estimated 16 million tonnes of alluvial material occurring as gravel layers of variable thickness located at or near the surface.

During the period under review, a total of 88,738 tonnes of alluvial gravel has been mined and processed recovering 672.54 carats at an average recoverable grade of 0.85cph. Rough diamond production has achieved an average sales value of US\$504 per carat, against a budget estimate of US\$500 per carat.

The proportion of larger high value stones recovered was disappointing, but this reflects the fact that the mining operation remains small-scale at present and therefore the probability of recovering larger stones is greatly reduced.

The Board of KimCor remains of the opinion that the long-term potential for Nooitgedacht will require a capital commitment to mobile diamond recovery pans capable of easy relocation across the licence area rather than reliance on a static plant such as that being used at present.

A sub-contractor has been engaged using mobile plant and equipment and the exercise is providing useful information relating to operating costs and plant efficiencies which will provide the basis for any future capital programme to be implemented.

### **Bellsbank Dump Processing Project**

The Bellsbank Dump Processing Project ("Bellsbank") was temporarily shut down owing to a shortage of water that prevented the mine from operating on a full-time basis and to plant capacity. Negotiations are under way to secure a new water supply and the Company is confident that the mine will be reopened before the end of 2008.

### **Tanzania Joint Venture**

The Tanzanian Joint Venture ("Tanzania JV") comprises two known kimberlite pipes provisionally delineated by the De Beers Group. The two pipes Itanana and Mahene have surface areas of 2.3 and 7 hectares respectively and in the opinion of KimCor represent the medium – term growth for the Company.

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Historical exploration work has proven both pipes to be diamondiferous and microdiamond analysis indicates grades possibly as high as 25cpht.

In order to assess the potential of both pipes, the Company initiated a programme of shaft sinking on both structures to provide access to kimberlite and for the development of a series of horizontal drives through the ore bodies on various levels in order to collect sufficient kimberlite samples to undertake a bulk sampling programme.

During the period under review, a total of four shafts have been sunk on both pipes to depths ranging from 5.0 to 15.0 metres. At Itanana, kimberlite was first intersected at approximately 3.0 metres depth and at Mahene kimberlite is expected to be intersected at approximately 20 to 25 metres depth.

As on 30 June 2008, in excess of 5,000 tonnes of kimberlite had been hoisted and stockpiled from Itanana.

The two bulk samples will be processed separately through a bulk sampling plant to test for grade. The bulk sample plant has been constructed on site and is ready to begin processing as soon as sufficient sample has been stockpiled to permit a continuous programme of processing. The Company intends engaging the services of an independent group specialising in the audit of bulk sampling programmes to oversee the exercise.

**Exploration**

A limited amount of exploration has taken place on the Bosele licence, located close to Bellsbank the emphasis has been on production. Further work is scheduled to take place during the early part of 2009. Similarly, sufficient work has been undertaken on the Koffiefontein licence to maintain title in good standing and no further work is anticipated in the short-term.

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**Financial Review**

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**Fundraising activities**

The Company has raised over £4 million during the year to finance its mining and exploration operations in Kimberley, South Africa and Tanzania.

During 2007 the Company issued 67.1 million shares, raising £5m as part of the Reverse Takeover (“RTO”) by Dwyka Diamonds Holdings. Costs totalling £0.7 million were incurred in connection with the listing.

The funds raised during the year were primarily used to fund the Groups’ capital expenditure program and working capital activities.

**Results from operations**

The Group made a loss for the year of £9.4 million compared to a loss of £9.7 million in the previous year. The loss per share for 2008 was 3.93 pence compared with a loss per share of 7.25 pence for 2007.

The Group recognised revenue from operations of £3.4 million (2007: £3.4 million) during the year which comprised £2.6 million from the Industrial division (2007: £2.3 million), and £0.8m (2007: £1.1 million) from the sale of 11,430 carats of diamonds (2007: 13,224 carats) across all revenue generating projects. This was an average of US\$95 per carat for the year ended 2008.

Administrative expenses have decreased from £10.2 million in 2007 to £9.2 million in 2008 due to a decrease in impairment losses, see note 8.1.

**Financial Position**

The Group’s balance sheet at 30 June 2008 and comparatives at 30 June 2007 are summarised below:

	<b>2008</b>	2007
	<b>£’000</b>	£’000
Non-current assets	3,660	2,601
Current assets	1,431	685
Total assets	<b>5,091</b>	3,286
Current liabilities	(1,728)	(1,084)
Non-current liabilities	(1,625)	(12,110)
Total liabilities	<b>(3,353)</b>	(13,194)
Net assets	<b>1,738</b>	(9,908)

Non current assets increased from £2.6 million in 2007 to £3.7 million in 2008, relating mainly to an increase in property, plant and equipment of £0.9 million.

**Inventories**

Diamond stocks as at 30 June 2008 were 9,788 carats (2007: 522 carats) and have subsequently been sold.

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**Cash Flows**

The net cash outflow from operating activities for 2008 was £3.4 million (2007: £6.6 million), reflecting the lower than anticipated production across the projects.

Net cash used in investing activities was £0.5 million (2007: £5.2 million).

The resulting year end cash and cash equivalents held totalled £0.7 million (2007: £0.2 million).

**Paul McKay**

Head of Finance

## **Directors' Responsibilities**

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The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the 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. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **Directors' Report**

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The directors present their annual report and the audited group financial statements for the period ended 30 June 2008.

### **Principal activities**

The principal activity of the Group is diamond mining and exploration and the principal activity of the Company is a holding company.

### **Business review and future developments**

The purpose of this review is to show how the Group assesses and manages risk and uncertainty and adopts appropriate policies and targets. Further details of the Group's business and expected future developments are also set out in the Chairman's Statement on page 3 and in the Review of Operations on pages 5 to 8.

### **Principal risks and uncertainties**

The Group operates in an uncertain environment that may result in increased risk, costs pressures and schedule delays. The following are some of the key risks that face the Group:

#### ***Exploration and development risk***

There is no assurance that the Group's exploration activities will be successful and statistically few properties that are explored are ultimately developed into producing mines. Accordingly, the Group is seeking to balance this risk by building a portfolio of projects and prospects that carry a range of differing technical and commercial risks, and keeping under careful review the amount invested in any one project.

The Group's operations may also be curtailed, delayed or cancelled as a result of economic, environmental and political conditions in the area of operation.

#### ***Competition***

There is strong competition within the mining industry for the identification and acquisition of suitable properties. The Group competes with other exploration and production companies, some of which have greater financial resources than the Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure transactions without having to overpay.

#### ***Financing***

The development of the Group's properties will depend upon the Group's ability to obtain financing primarily through the raising of new equity capital, but also by means of joint venture of projects, debt financing, farm downs or other means. There is no assurance that the Group will be successful in obtaining the required financing. If the Company is unable to obtain additional financing as needed some interests may be relinquished and/or the scope of the operations reduced.

#### ***Environmental and other regulatory requirements***

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. Before exploration and production can commence on any properties, the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's operations.

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**Key performance indicators**

The key performance indicators of the Group are as follows:

	<b>2008</b>	2007
Production of Tonnes	424,354	246,937
Diamonds Produced (carats)	21,218	13,746
Sales of Diamonds (carats)	11,430	13,224
Revenue per rough Carat (USD)	\$95.90	\$89.80
Loss per share	(3.93)p	(7.25)p
Share price at 30 June	4.375p	-
Cash at bank at 30 June	£657,368	£181,145

**Results and dividends**

The directors do not recommend payment of a dividend for the year (2007: nil). The loss will be transferred to reserves.

**Directors and Directors' interests**

The directors at the date of these financial statements, and their interests in the ordinary shares in the Company are as follows:

	<b>Ordinary shares of 0.5p held at 31 October 2008</b>	Ordinary shares of 0.5p held at 30 June 2008	Ordinary shares of 0.5p held at 1 April 2007
Melissa Strurgess (appointed 21/09/07)	<b>150,000</b>	150,000	150,000
Martyn Churchouse*	<b>9,100,000</b>	9,100,000	9,100,000
Cedric Bredenkamp (appointed 21/09/07)	-	-	-
Gordon Riddler (resigned 21/09/07)	<b>150,000</b>	150,000	150,000
Manish Kotecha (resigned 15/01/07)	<b>400,000</b>	400,000	400,000
Roger Harris	-	-	-

\* The interests of Martyn Churchouse include beneficial ownership of shares held by International Mining Finance Group Limited and the shareholding of Heather Churchouse.

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The directors' interests in share options were as follows:

	<b>Options at 1.04.07 and at 30.06.08</b>	Exercise Price	First date of exercise	Final date of exercise
Melissa Sturgess (appointed 21/09/07)	400,000	7.75p	10.10.07	01.10.16
Martyn Churchouse	850,000	15p	05.03.07	05.03.16
Martyn Churchouse	850,000	7.75p	01.10.07	01.10.16
Cedric Bredenkamp (appointed 21/09/07)	850,000	7.75p	01.10.07	01.10.16
Gordon Riddler (resigned 21/09/07)	400,000	15p	05.03.07	05.03.16
Manish Kotecha (resigned 15/01/07)	850,000	15p	05.03.07	05.03.16
Roger Harris	250,000	15p	05.03.07	05.03.16
Roger Harris	850,000	7.75p	01.10.07	01.10.16

These options have been granted under the KimCor Diamonds plc Share Option Plan.

The right granted to subscribe for Ordinary Shares is exercisable up to 10 years from the date of grant with the right being exercisable in respect of one third of the Ordinary Shares to which it relates following the first, second and third anniversary from the date of grant.

Ordinary Shares resulting from the exercise of any such rights will rank *pari passu* in all respects with the Ordinary Shares in issue at the time of such exercise.

Further information is provided in the Report of the Remuneration Committee on page 19.

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### **Significant Shareholders**

As at 29 October 2008 as far as the Directors are aware, the only persons (other than the Directors) who are directly or indirectly interested in 3 per cent. or more of the nominal value of the Company's share capital are as follows:

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
Pershing Keen Nominees Limited	145,591,737	54.27
HSBC Global Custody Nominee (UK) Limited	22,975,730	8.56
Coffee House Group Limited	11,878,526	4.43
Oakwood Nominees Limited	11,575,000	4.31

### **Payments to suppliers**

The Company has no formal code or standard, which deals specifically with the payment of suppliers. However, the Company's policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded. Trade creditors as at 30 June 2008 represent 30 days (2007: 30 days) as a proportion of the total amount invoiced by suppliers during the period ended on that date.

## **Financial Instruments**

Details of the use of financial instruments by the company and its subsidiary undertakings are contained in note 16 of the financial statements.

### *Financial risk management*

#### Financial risk factors

The Group's multi-national operations expose it to a variety of financial risks: market risk (foreign currency exchange rates, price risk and interest rates), liquidity risk, and credit risk.

#### *(i) Market risk*

The most significant financial risk occurs on the translation of foreign operations' results into sterling on consolidation. Almost 100% of each foreign operation's revenues and the bulk of each foreign operation's operating costs are incurred in local currency. Group companies therefore do not engage in foreign exchange risk hedges.

Consistent with the majority of other international companies, the results of the Group's foreign operations are translated into sterling at the average exchange rates for the period concerned. The balance sheets of foreign operations are translated into sterling at the closing exchange rates. It is the Board's policy not to hedge currency translation through foreign exchange contracts or currency swaps.

#### *(ii) Liquidity risk*

Prudent liquidity risk management in the context of the Group implies maintaining sufficient cash or marketable securities in the necessary currencies to be able to pay creditors as and when they fall due.

The bulk of the Group's cash balances are held in sterling, denominated floating rate deposits as needed to fund its short-term requirements.

#### *(iii) Credit risk*

Cash balances are deposited with banks with a high credit rating.

## **Donations**

The company made no charitable or political donations in the current period (2007: nil).

## **Going Concern**

The financial statements have been prepared on a going concern basis. The group's cash and cash equivalents stood at £0.7 million (2007: £0.2 million). Please refer to note 3 concerning the ability of the Group to continue as a going concern.

## **Disclosure of information to auditors**

So far as each Director at the date of approval of this report is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

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**Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

**Paul McKay**  
Company Secretary  
05 November 2008

## **Corporate Governance**

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The company, being listed on AIM, is not required to comply with the Combined Code. However the company has given consideration to the code provisions set out in Section 1 of the Combined Code (“the Code”) on Corporate Governance annexed to the Financial Services Authority Listing Rules. The directors support the objectives of the Code and intend to comply with those aspects which they consider relevant to the Group’s size and circumstances. Details of these are set out below. A statement of the directors’ responsibilities in respect of the financial statements is set out on page 11. Below is a brief description of the role of the board and its committees, including a statement regarding the group’s system of internal financial control.

### **THE WORKINGS OF THE BOARD AND ITS COMMITTEES**

#### **The Board of Directors**

The board currently comprises two executive and two non-executive directors. The non-executive directors are considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The board meets on average every two months and is responsible, inter alia, for setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

#### **The Audit Committee**

The Audit Committee comprised the following directors during the period:

Melissa Sturgess  
Roger Harris

The committee provides a forum for reporting by the Group’s external auditors. Meetings are held on average once a year. The present Committee Chairman is Melissa Sturgess.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year, financial statements and accompanying reports before their submission to the board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

#### **The Remuneration Committee**

The Remuneration Committee, comprised the following directors during the period:

Melissa Sturgess  
Roger Harris

The present committee chairman is Roger Harris.

The Committee is responsible for recommending to the board the terms and conditions of employment of the executive directors. A report from the Remuneration Committee appears on page 19.

### **Internal Financial Control**

The board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The directors are conscious of the need to keep effective internal financial control, particularly in view of the limited cash resources of the group. Due to the relatively small size of the Group's operations, the directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group.

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

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**Report of the Remuneration Committee**

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The Remuneration Committee (the “Committee”) was chaired by Roger Harris and comprised, during the period ended 30 June 2008, Roger Harris and Melissa Sturgess. The current composition of the Committee remains unchanged.

Remuneration packages are determined with reference to market remuneration levels, individual performance and the financial position of the Group. Key management personnel consist of the directors only.

The Board determines the remuneration of non-executive Directors within the limits set by the Company’s Articles of Association. All the directors hold service contracts which are terminable within one year or less.

None of the directors have service contracts which are terminable on greater than one year’s notice.

On 13 January 2006 the Company adopted ‘The KimCor Diamonds Share Option Plan’ in which the directors participate. For further information please refer to page 14 of the directors’ report. The total directors’ remuneration for the period is set out below:

	Share based payments £	Salary £	Other £	Total 2008 £	Total 2007 £
Melissa Sturgess (appointed 21/09/07)	9,604	15,000	-	24,604	-
Martyn Churchouse	29,482	125,000	-	154,482	162,923
Cedric Bredenkamp (appointed 21/09/07)	9,604	50,000	17,153	76,757	-
Roger Harris	15,450	25,000	-	40,450	31,154
Manish Kotecha (resigned 15/01/07)	19,879	-	8,333	28,212	67,694
Gordon Riddler (resigned 21/09/07)	9,355	-	-	9,355	37,846
	<u>93,374</u>	<u>215,000</u>	<u>25,486</u>	<u>333,860</u>	<u>299,617</u>

Share-based payments charge relates to the IFRS 2 charge for the year with respect to options granted to the directors. See further details in note 24.

The current terms of appointment of the Directors are as follows:

	Salaries or Fees p.a. £	Date of contract £	Notice period £
<b>Executive Directors</b>			
Martyn Churchouse	125,000	27 February 2006	12 months
Cedric Bredenkamp	50,000	21 September 2007	6 months
<b>Non-executive Directors</b>			
Melissa Sturgess	20,000	21 September 2007	1 month
Roger Harris	20,000	27 February 2006	1 month

On behalf of the Remuneration Committee

Roger Harris

**Committee Chairman**

05 November 2008

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

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**Report of the Independent Auditors**

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**To the shareholders of KimCor Diamonds plc**

We have audited the group financial statements of KimCor Diamonds plc for the year ended 30 June 2008 and the parent company financial statements for the fifteen month period ended 30 June 2008 (the "financial statements") which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Shareholders Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**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 (IFRSs) 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Review of Operations, Directors' Report, Corporate Governance, Directors' Responsibilities, Financial Review and Report of the Remuneration Committee. 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 other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**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.

## **Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008; and
- 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.

## **Emphasis of matter – going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 3 to the financial statements concerning the Group's ability to continue in operational existence for the foreseeable future. The financial statements are prepared on a going concern basis which is dependent upon the Group increasing production levels at several of its current projects. Should the production level not be met, the Directors would need to secure additional sources of funding. The Directors are confident such funding is available however there is no certainty that this would be forthcoming. These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern, and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

*BDO Stoy Hayward LLP*

*Chartered Accountants and Registered Auditors*

*55 Baker Street London W1U 7EU*

*05 November 2008*

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

**Consolidated income statement for the year ended 30 June 2008**

	Note	Year ended 30 June 2008	Year ended 30 June 2007
		£	£
Revenue		3,385,574	3,380,370
Cost of sales		(4,198,514)	(3,592,226)
<b>Gross loss</b>		<b>(812,940)</b>	<b>(211,856)</b>
Impairment of assets		(4,915,096)	(7,512,522)
Other administrative expenses		(4,293,621)	(2,681,866)
Administrative expenses		(9,208,717)	(10,194,388)
Other operating income		89,429	825,308
<b>Loss from operations</b>	8	<b>(9,932,228)</b>	<b>(9,580,936)</b>
Finance expense	9	(201,923)	(172,624)
Finance income	9	80,825	14,422
<b>Loss for the year before taxation</b>		<b>(10,053,326)</b>	<b>(9,739,138)</b>
Tax	10, 11	684,351	-
<b>Loss for the year after taxation attributable to equity holders of the parent</b>		<b>(9,368,975)</b>	<b>(9,739,138)</b>
<b>Basic and diluted loss per share</b>	12	<b>(3.93)p</b>	<b>(7.25)p</b>

All amounts relate to continuing activities.

The notes on pages 31 to 65 form part of these financial statements.

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

**Consolidated Balance sheet as at 30 June 2008**

	Note	As at 30 June 2008 £	As at 30 June 2007 £
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	13	3,402,861	2,456,018
Other non-current receivables	18	256,779	145,327
		<u>3,659,640</u>	<u>2,601,345</u>
<b>Current assets</b>			
Inventories	15	453,559	193,573
Trade and other receivables	18	320,288	310,588
Cash and cash equivalents	17	657,368	181,145
		<u>1,431,215</u>	<u>685,306</u>
<b>Total assets</b>		<u>5,090,855</u>	<u>3,286,651</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	776,575	738,459
Borrowings	21	530,623	40,602
Accruals		88,227	-
Provisions	20	333,318	304,516
		<u>1,728,743</u>	<u>1,083,577</u>
<b>Non-Current liabilities</b>			
Borrowings	21	1,601,772	12,110,824
Deferred tax liability	11	22,872	-
		<u>1,624,644</u>	<u>12,110,824</u>
<b>Total liabilities</b>		3,353,387	13,194,401
<b>Total net assets</b>		<u>1,737,468</u>	<u>(9,907,750)</u>

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

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**Consolidated Balance sheet as at 30 June 2008 (continued)**

<b>Equity attributable to equity holders of the parent</b>	<b>Note</b>	<b>As at 30 June 2008 £</b>	<b>As at 30 June 2007 £</b>
Share capital	22	1,341,328	1
Share premium reserve	23	7,584,795	-
Merger reserve	23	8,063,023	-
Foreign exchange reserve	23	495,945	(168,613)
Warrant reserve	23	53,653	-
Reverse takeover reserve	23	(8,646,921)	-
Other reserve	23	11,822,473	-
Retained earnings	23	(18,976,828)	(9,739,138)
<b>Total equity</b>		<b><u>1,737,468</u></b>	<b><u>(9,907,750)</u></b>

The financial statements were approved by the Board of directors and authorised for issue on 05 November 2008.

Martyn Churchouse  
**Director**

The notes on pages 31 to 65 form part of these financial statements.

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

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**Company Balance sheet as at 30 June 2008**

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		As at 30 June 2008	As at 30 June 2007
	Note	£	£
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	13	1,867	1,868
Investments	14	1,727,208	1,020,007
		<hr/>	<hr/>
		1,729,075	1,021,875
<b>Current assets</b>			
Trade and other receivables	18	38,150	1,993,187
Cash and cash equivalents	17	102,390	490,804
		<hr/>	<hr/>
		140,540	2,483,991
<b>Total assets</b>		<hr/> <b>1,869,615</b>	<hr/> <b>3,505,866</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	43,918	53,177
Accruals		88,229	60,755
		<hr/>	<hr/>
		132,147	113,932
Total liabilities		132,147	113,932
<b>Total net assets</b>		<b>1,737,468</b>	<b>3,391,934</b>

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

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**Company Balance sheet as at 30 June 2008** *(continued)*

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		<b>As at 30 June 2008</b>	<b>As at 31 March 2007</b>
<b>Equity attributable to equity holders of the parent</b>	<b>Note</b>	<b>£</b>	<b>£</b>
Share capital issued	22	1,341,328	321,567
Share premium reserve	23	7,584,797	3,571,832
Warrant reserve	23	53,653	103,267
Merger reserve	23	8,998,023	935,000
Retained earnings	23	(16,240,333)	(1,539,732)
<b>Total equity</b>		<b><u>1,737,468</u></b>	<b><u>3,391,934</u></b>

The financial statements were approved by the Board of directors and authorised for issue on 05 November 2008.

Martyn Churchouse  
**Director**

The notes on pages 31 to 65 form part of these financial statements.

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

**Consolidated Statement of Changes in Equity for the year ended 30 June 2008**

	Share capital	Share premium	Warrant reserve	Merger reserve	Foreign exchange reserve	Reverse takeover reserve	Other reserve	Retained earnings	Total equity attributable to shareholders of the parent
	£	£	£	£	£	£	£	£	£
<b>Balance on incorporation</b>	-	-	-	-	-	-	-	-	-
Foreign exchange on translation of foreign operations	-	-	-	-	(168,613)	-	-	-	(168,613)
<b>Net loss recognised directly in equity</b>	-	-	-	-	<b>(168,613)</b>	-	-	-	<b>(168,613)</b>
Loss for the year	-	-	-	-	-	-	-	(9,739,138)	(9,739,138)
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>(168,613)</b>	-	-	<b>(9,739,138)</b>	<b>(9,907,751)</b>
Issue of share capital	1	-	-	-	-	-	-	-	1
<b>Balance as of 1 July 2007</b>	<b>1</b>	-	-	-	<b>(168,613)</b>	-	-	<b>(9,739,138)</b>	<b>(9,907,750)</b>
Foreign exchange on translation of foreign operations	-	-	-	-	664,558	-	-	-	664,558
<b>Net gain recognised directly in equity</b>	-	-	-	-	<b>664,558</b>	-	-	-	<b>664,558</b>
Loss for the year	-	-	-	-	-	-	-	(9,368,975)	(9,368,975)
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>664,558</b>	-	-	<b>(9,368,975)</b>	<b>(8,704,417)</b>
Issue of share capital	333,450	4,001,400	-	-	-	-	-	-	4,334,850
Issue costs	-	(224,044)	-	-	-	-	-	-	(224,044)
Issue of warrants	-	-	53,653	-	-	-	-	-	53,653
Equity settled share-based payments	-	-	-	-	-	-	-	131,285	131,285
Capital contribution	-	-	-	-	-	-	11,822,473	-	11,822,473
Reverse acquisition	1,007,877	3,807,439	-	8,063,023	-	(8,646,921)	-	-	4,231,418
<b>Balance as of 30 June 2008</b>	<b>1,341,328</b>	<b>7,584,795</b>	<b>53,653</b>	<b>8,063,023</b>	<b>495,945</b>	<b>(8,646,921)</b>	<b>11,822,473</b>	<b>(18,976,828)</b>	<b>1,737,468</b>

The notes on pages 31 to 65 form part of these financial statements

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

**Company Statement of Changes in Equity for the fifteen months ended 30 June 2008**

	Share capital	Share premium	Warrant reserve	Merger reserve	Retained earnings	Total
	£	£	£	£	£	£
<b>Balance as of 1 April 2006</b>	<b>317,400</b>	<b>3,411,416</b>	<b>111,600</b>	<b>935,000</b>	<b>(810,557)</b>	<b>3,964,859</b>
Loss for the year	-	-	-	-	(879,575)	(879,575)
<b>Total recognised income and expense for the year</b>	-	-	-	-	<b>(879,575)</b>	<b>(879,575)</b>
Issue of share capital	4,167	152,083	-	-	-	156,250
Exercise of warrants	-	8,333	(8,333)	-	-	-
Equity settled share-based payments	-	-	-	-	150,400	150,400
<b>Balance as of 1 April 2007</b>	<b>321,567</b>	<b>3,571,832</b>	<b>103,267</b>	<b>935,000</b>	<b>(1,539,732)</b>	<b>3,391,934</b>
Loss for the period	-	-	-	-	(14,935,153)	(14,935,153)
<b>Total recognised income and expense for the period</b>	-	-	-	-	<b>(14,935,153)</b>	<b>(14,935,153)</b>
Issue of share capital	1,019,761	4,237,009	-	8,063,023	-	13,319,793
Issue costs	-	(224,044)	-	-	-	(224,044)
Issue of warrants	-	-	53,653	-	-	53,653
Warrants lapsed	-	-	(103,267)	-	103,267	-
Equity settled share-based payments	-	-	-	-	131,285	131,285
<b>Balance as of 30 June 2008</b>	<b>1,341,328</b>	<b>7,584,797</b>	<b>53,653</b>	<b>8,998,023</b>	<b>(16,240,333)</b>	<b>1,737,468</b>

The notes on pages 31 to 65 form part of these financial statements

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

**Consolidated Cash flow statement for the year ended 30 June 2008**

	Notes	Year ended 30 June 2008 £	Year ended 30 June 2007 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before tax		(10,053,326)	(9,739,138)
Adjustments for:			
Finance expense	9	201,923	172,624
Finance income	9	(80,825)	(14,422)
Depreciation	13	478,853	513,574
Impairment losses	8	4,915,096	2,274,028
Equity settled share-based payment expense	24	131,285	-
Foreign exchange difference		536,046	(174,816)
<b>Net cash from operating activities before changes in working capital</b>		<b>(3,870,948)</b>	<b>(6,968,150)</b>
Increase in trade and other payables	19	126,344	738,459
Increase in trade and other receivables	18	(121,152)	(455,915)
Increase in inventories	15	(259,986)	(193,573)
Increase in provisions	20	28,803	304,515
Taxation	10	684,351	-
<b>Net cash flow from operating activities</b>		<b>(3,412,588)</b>	<b>(6,574,664)</b>
<b>INVESTING ACTIVITIES</b>			
Interest received	9	80,825	14,422
Purchase of property, plant and equipment	13	(675,322)	(5,243,620)
Cash held in subsidiary at the date of acquisition	25	84,991	-
<b>Net cash flow from investing activities</b>		<b>(509,506)</b>	<b>(5,229,198)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		4,334,850	1
Issue costs		(224,044)	-
Proceeds from loans raised		530,623	12,151,426
Re-payment of loan		(40,602)	-
Interest paid	9	(185,878)	(166,420)
<b>Net cash from financing activities</b>		<b>4,414,949</b>	<b>11,985,007</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>492,855</b>	<b>181,145</b>
Cash and cash equivalents at the beginning of the year	17	181,145	-
Exchange losses on cash and cash equivalents		(16,632)	-
<b>Cash and cash equivalents at the end of the year</b>	<b>17</b>	<b>657,368</b>	<b>181,145</b>

Major non-cash transactions are detailed in note 17.

The notes on pages 31 to 65 form part of these financial statements.

**KimCor Diamonds plc**  
**Annual Report and financial statements for the period ended 30 June 2008**

**Company Cash flow statement for the fifteen months ended 30 June 2008**

	Notes	Period ended 30 June 2008 £	Year ended 30 June 2007 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before tax:		(14,935,153)	(879,575)
Adjustments for:			
Finance expense		3,506	2,911
Finance income		(209,106)	(120,780)
Depreciation	13	1,669	822
Impairment losses	8	14,059,836	-
Equity settled share-based payment expense	24	131,285	150,400
Foreign exchange difference		209,356	(8)
<b>Net cash from operating activities before changes in working capital</b>		<b>(738,607)</b>	<b>(846,230)</b>
Increase/(decrease) in trade and other payables	19	18,214	(186,004)
(Increase)/decrease in trade and other receivables	18	(10,105)	65,269
Increase in intra group receivables other than loans issued		-	(67,529)
<b>Net cash flow from operating activities</b>		<b>(730,498)</b>	<b>(1,034,494)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13	(1,668)	(1,954)
Loans issued		(3,362,027)	(1,148,758)
Directly attributable acquisition costs of DDH		(704,926)	-
Interest received		53,403	50,532
<b>Net cash flow from investing activities</b>		<b>(4,015,218)</b>	<b>(1,100,180)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		4,584,852	156,250
Issue costs		(224,044)	-
Interest paid		(3,506)	(2,911)
<b>Net cash from financing activities</b>		<b>4,357,302</b>	<b>153,339</b>
<b>Net decrease in cash and cash equivalents</b>	<b>17</b>	<b>(388,414)</b>	<b>(1,981,335)</b>
Cash and cash equivalents at the beginning of the period/year		490,804	2,472,139
<b>Cash and cash equivalents at the end of the period/year</b>	<b>17</b>	<b>102,390</b>	<b>490,804</b>

Major non-cash transactions are detailed in note 17.

The notes on pages 31 to 65 form part of these financial statements

## **1 CORPORATE INFORMATION**

The Group financial statements for the year ended 30 June 2008 and the Company financial statements of KimCor Diamonds plc (the “Company”) for the fifteen months ended 30 June 2008 (“the Period”) were authorised for issue in accordance with a resolution of the directors on 05 November 2008.

KimCor Diamonds plc is a diamond mining and exploration company incorporated in England and Wales on 21 March 2005 for the purpose of developing diamond mining assets and projects primarily in South Africa.

## **2 CHANGE OF THE YEAR END**

The Company changed its year end date from 31 March to 30 June to align the accounting reference dates of KimCor and the South African subsidiary companies acquired from Dwyka Resources Limited in September 2007. Therefore the Company financial statements are prepared for a longer accounting period of the fifteen months ended 30 June 2008.

Comparative information for the balance sheet, statement of changes in equity, cash flow statement and related notes is prepared for a year and therefore is not entirely comparable.

## **3 BASIS OF PREPARATION**

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as ‘the Group’). The parent company financial statements present information about the Company as a separate entity and not about its group. These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively IFRSs) as adopted by the European Union and also in accordance with the Companies Act 1985.

These financial statements reflect the acquisition of 100% of issued share capital of Dwyka Diamonds Holdings Limited (“DDH”). As a result of this transaction, described as a reverse takeover, shareholders of DDH acquired control of the Company. Accordingly, this transaction has been accounted for as an acquisition of the Company by DDH (See note 25). The consolidated financial statements for the year ended 30 June 2008 therefore represent a continuation of the financial statements of DDH, the legal subsidiary acquired. These consolidated financial statements reflect the results of the operations and cash flows of DDH for all periods presented and include those of the Company subsequent to the date of the reverse takeover on 21 September 2007. The consolidated balance sheet at 30 June 2007, the consolidated income statement, the consolidated of changes in equity and the consolidated cash flow statement for the year ended 30 June 2007 are that of DDH.

The comparative period consolidated financial statements are not audited.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

The group and company financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

The IFRS financial information has been drawn up on the basis of accounting policies set out below which are consistent with those of DDH applied as set out in Part 4 of the Admission Document (dated 21 August 2007) and those applied for the financial statements of KimCor Diamonds plc for the year ended 31 March 2007.

The accounting policies set out in note 5 have, unless otherwise stated, been applied consistently in these financial statements. Judgments made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 4.

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**Standards, interpretations and amendments which are effective for reporting periods beginning after the date of these financial statements:**

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IAS 1*	- Amendment - Presentation of financial statements: a revised presentation	1 January 2009
IAS 23*	- Amendment - Borrowing costs	1 January 2009
IFRS 2*	- Amendment - Share based payment: vesting conditions and cancellations	1 January 2009
IFRS 8	- Operating segments	1 January 2009
IAS 27*	- Amendment - Consolidated and separate financial statements	1 July 2009
IFRS 3*	- Revised - Business combinations	1 July 2009
IAS 39 & IFRS 7	- Amendment - Reclassification of financial instruments	1 July 2008
IAS 32 & IAS 1	- Amendment - Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRS 1 & IAS 27*	- Amendment - Cost of an investment in a subsidiary, jointly-controlled entity or associate	1 January 2009
IAS 39	- Amendment - Financial instruments: Recognition and measurement: Eligible hedged items	1 July 2009
Improvements to IFRSs		1 January 2009
 <i>International Financial Reporting Interpretations (IFRIC)</i>		 <i>Effective date</i>
IFRIC 14*	- IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IFRIC 13*	- Customer loyalty programmes	1 July 2008
IFRIC 15*	- Agreements for the construction of real estate	1 January 2009
IFRIC 16*	- Hedges of a net investment in a foreign operation	1 October 2008

\* These have not been endorsed by the EU. The group is evaluating the impact of the above pronouncements but they are not expected to be material to the Group's earnings or to shareholders' funds.

**Going concern**

As at 30 June 2008 the Group had net current liabilities of £297,528. The Group's current projections include increasing throughput at the SMI4 plant to 150,000 tpcm from the current level of 35,000 – 37,000 tpcm. Without the additional revenues arising from the increased throughput at SMI4, there is an uncertainty over the Group's ability to continue as a going concern. The Directors are confident of achieving the increased level of throughput at SMI4 based on modifications to the plant already made and agreements with the project operator, however as with any planned major increase in volume there is an inherent uncertainty that this level can be maintained. Should the production levels not be met, the Directors would need to raise alternative funds. The Directors are currently considering a number of options and are confident that these funds can be raised if required. However, in the current economic climate there can be no guarantees that any transaction will complete.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern, and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

#### **4 SIGNIFICANT ACCOUNTING ESTIMATES**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### ***(i) Reverse Takeover (“RTO”)***

The Group has estimated the fair values of the KimCor Diamonds plc assets and liabilities at acquisition date. Refer to note 25 for further details.

##### ***(ii) Income taxes***

The Group is subject to income taxes in various jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

##### ***(iii) Exploration, evaluation and mining properties***

The Group’s main activity is exploration and evaluation for, and mining of diamonds. The nature of mining and exploration activities are such that it requires interpretation of complex and difficult geological models in order to make an assessment of the size, shape, depth and quality of resources and their anticipated recoveries. The economic, geological and technical factors used to estimate mining viability may change from period to period. In addition exploration activities by their nature are inherently uncertain. Changes in all these factors can impact exploration and mining asset carrying values, provisions for rehabilitation and the recognition of deferred tax assets.

##### ***(iv) Rehabilitation obligations***

The Group estimates the future removal costs of mine operations disturbances at the time of installation of the assets and commencement of operations. In most instances, removal of assets occurs some years into the future. This requires judgmental assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and asset specific discount rates to determine the present value of these cash flows.

##### ***(v) Impairment of assets***

The Group reviews the carrying value of its property, plant and equipment, mining properties and prospecting rights to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit (“CGU”). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.

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Management necessarily applies its judgment in allocating assets to CGUs, in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. Subsequent changes to CGU allocation or estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

***(vi) Mining properties amortisation***

In order to calculate amortisation on a unit of production basis, the Group estimates the tonnage of ore available for mining and the tonnage of ore processed during the period. The tonnage of ore available for mining is assessed annually and the tonnage of ore processed is assessed monthly.

***(vii) Useful lives of property, plant and equipment***

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details including carrying values are included in note 13.

***(viii) Valuation of net realisable value of inventory***

The carrying value of inventory is reviewed at the end of the each reporting period by considering the current diamond market conditions, estimated quality and size of the diamonds on hand.

***(ix) Share-based compensation***

In order to calculate the charge for share-based compensation as required by IFRS 2, the Group makes estimates principally relating to the assumptions used in its option-pricing model as set out in note 24.

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue recognition**

Revenue and associated costs from the sale of diamonds are recognised when a tender bid is accepted and effective control together with the risks and rewards of ownership are transferred to the customer, and the amount of revenue and costs can be reliably measured, as long as it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from the sales of brick and cement is measured at the fair value of the consideration received or receivable and is recognised when risks and rewards of the goods has passed to the buyer, which occurs on delivery.

### **Basis of consolidation**

#### **Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the

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voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Refer to the basis of preparation for the accounting treatment adopted for the reverse takeover.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

#### **Business combinations**

Business combinations are 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 are recognised at their fair value at the acquisition date.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

#### **The Company's investments in subsidiaries**

In its separate financial statements the Company recognises its investments in subsidiaries at cost, less any impairment for permanent diminution in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

#### **Joint ventures**

Jointly controlled entities are included in the financial statements using proportionate consolidation. The share of each of the jointly controlled entity's assets, liabilities, income and expenses are combined on a line-by-line basis with those of the Group.

Profits and losses arising on transactions between the Group and jointly controlled entities are recognised only to the extent of unrelated investors' interests in the entity. The investor's share in the jointly controlled entity's profits and losses resulting from these transactions is eliminated against the asset or liability of the JCE arising on the transaction.

The Group includes the assets it controls, its share of any income and the liabilities and expenses of jointly controlled operations and jointly controlled assets in accordance with the terms of the underlying contractual arrangement. There were no significant transactions or balances in the Group or Company relating to joint ventures in either the current or prior periods.

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#### **Foreign currency**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency for the company is Pound Sterling. The consolidated and company financial statements are presented in Pound Sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. 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. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign exchange reserve. Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss.

#### **Property, plant and equipment**

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions. Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Land is shown at cost and is not depreciated. Depreciation is provided on all other assets to write down the cost, less residual value, by equal instalments over their estimated useful lives as follows:

- Buildings 10-20 years
- Plant and Equipment 5-12 years
- Motor Vehicles 3-5 years
- Office and computer equipment 3-8 years

The depreciation charge for each period is recognised in the income statement, unless it is included in the carrying amount of another asset. Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Repairs and maintenance which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income. The gain or loss arising from the de-recognition of an item of property, plant

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and equipment is included in the income statement when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Mining properties***

Mining properties are stated at cost of acquisition and/or accumulation of exploration, evaluation and development costs in respect of Cash Generating Units (“CGU”) in which mining has commenced less accumulated amortisation and any impairment loss. When further development expenditure is incurred in respect of a mining property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production. Amortisation is provided on a unit-of-production basis so as to write off the cost in proportion to the depletion of the proved and probable mineral reserves.

#### **Evaluation and exploration costs**

Exploration and evaluation costs include expenditure incurred in connection with the exploration for and the evaluation of economically recoverable diamond resources. These costs include costs of license acquisition, exploration and appraisal costs and technical overheads directly associated with those projects. There were no significant evaluation and exploration costs in either the current or prior periods.

The group’s policy with respect to exploration and evaluation expenditure is to use the CGU method. Under this method, exploration and evaluation costs are carried forward on the following basis:

(i) Each CGU is considered separately when deciding whether and to what extent to carry forward or write off exploration and evaluation costs;

(ii) Exploration and evaluation costs related to a CGU may be carried forward provided that rights to tenure of the CGU are current and provided further that one of the following conditions are met:

- such costs are expected to be recouped through successful development and exploitation of the CGU or alternatively, by its sale; or
- exploration and/or evaluation activities in the CGU have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

(iii) The carrying values of exploration and evaluation costs are reviewed by directors where results of exploration and/or evaluation of a CGU are sufficiently advanced to permit a reasonable estimate of the costs expected to be recouped through successful development and exploitation of the CGU or by its sale. Expenditure in excess of this estimate is written off to the income statement in the year in which the review occurs; and

(iv) When development of a CGU is complete and production commences, all exploration, evaluation and development costs carried forward as an asset (including the cost of extractive rights acquired) are transferred to mining properties. Development costs related to a CGU are carried forward as an asset to the extent that they are expected to be recovered either through sale or successful exploitation.

#### **Impairment**

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group

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makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group assesses at each reporting date whether there is objective evidence that a financial asset maybe impaired. If any such indication exists an impairment loss is recognised in the income statement for the difference between the assets carrying amount and the present value of expect future cashflows discounted at the assets original effective interest rate.

#### **Inventories**

Inventories, which include rough and polished diamonds, finished goods and raw materials, are stated at the lower of cost and estimated net realisable value. Cost is determined on a first-in, first-out basis and comprises direct labour and direct materials. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

#### **Financial assets**

The group classifies its financial assets into the one category discussed below. The Group has not classified any of its financial assets as held to maturity, fair value through profit or loss, or available for sale. The company does not use derivative financial instruments.

#### **Loans and receivables**

##### *Trade and other receivables*

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts and subsequently are carried at amortised cost.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

#### **Financial liabilities**

The group classifies its financial liabilities into the one category discussed below. The Group has not classified any of its financial liabilities as fair value through profit or loss.

## **Financial liabilities held at amortised cost**

### ***Trade and other payables***

Trade and other payables are not interest-bearing and are initially recognised at fair value and subsequently stated at amortised cost.

### ***Finance leases***

Leases of property plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at fair value of the leased property or, if lower, the net present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

### ***Borrowings***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs not related to qualifying assets are expensed.

### **Financial income**

Interest income is recognised on a proportional basis taking into account the effective interest rates applicable to the financial assets.

### **Income taxes**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### **Share-based payments**

The Group utilises share options and warrants. The exercise price is determined by the directors and is fixed at the date of grant. Where share options are awarded to employees (including Directors), the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Where share options are granted to persons other than employees, the income statement is charged with the fair value of goods and services received. Where the fair value of goods and services cannot be identified, the fair value of the share options is used. The fair value of share options is calculated by using the binomial model.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

#### **Provisions for legal claims**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation based on legal advice.

#### **Rehabilitation and restoration costs**

The Group has obligations for site restoration related to its mining properties. The Group establishes restoration provisions for future mine closure costs when a legal or constructive obligation exists based on the present value of the future cash flows required to satisfy the obligations. Provisions expected to be utilised in the coming 12 months on areas with lives of less than one year are accounted for in the income statement of the Group. Provisions not expected to be utilized in the coming 12 months are added to the capital cost of the related mining assets in mine properties and amortised on a unit-of-production basis. The provision is accreted to its future value over the resource life through a charge to finance expenses.

Changes in the estimated cost of rehabilitation are applied on a prospective basis with an adjustment to capital cost.

#### **Share capital**

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Groups ordinary shares are classified as equity instruments.

The Group considers its capital to be total equity as disclosed in note 22.

The Group is not subject to any externally imposed capital requirements.

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**6 FOREIGN CURRENCY RATES**

The GB Pound rates of exchange applicable to the respective periods are as follows:

	2008		2007	
	Closing	Average	Closing	Average
South African Rand: GB Pound	<b>15.57920</b>	<b>14.5559</b>	14.14880	13.91078

**7 SEGMENT INFORMATION**

During the year the Group operated in three divisions organised by business distinction – mining, industrial and corporate. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- Mining - incorporates both hard rock and alluvial diamond mining and exploration for diamond resources;
- Industrial - incorporates the production and sale of bricks and cement using waste material from mining operations as a source material.
- Corporate – the head office activities of the Group.

Segment information about these businesses is presented below.

	Mining	Industrial	Corporate	Eliminations	Group
	£	£	£	£	£
<b>2008</b>					
<b>Revenue</b>	829,662	2,726,173	-	(170,261)	3,385,574
Loss from operations	(2,719,808)	(2,020,530)	(5,021,629)	(170,261)	(9,932,228)
Finance income	14,974	19,080	53,403	(6,632)	80,825
Finance expense	(196,460)	(199,972)	(8,330)	202,839	(201,923)
	(2,901,294)	(2,201,422)	(4,976,556)	25,946	(10,053,326)
Tax	-	-	684,351	-	684,351
Loss after tax	(2,901,294)	(2,201,422)	(4,292,205)	25,946	(9,368,975)

	Mining	Industrial	Corporate	Eliminations	Group
	£	£	£	£	£
<b>2007</b>					
<b>Revenue</b>	1,104,507	2,275,863	-	-	3,380,370
Loss from operations	(6,550,723)	(2,190,653)	(839,560)	-	(9,580,936)
Finance income	11,665	2,757	-	-	14,422
Finance expense	(126,986)	(45,638)	-	-	(172,624)
Loss before tax	(6,666,044)	(2,233,534)	(839,560)	-	(9,739,138)
Tax	-	-	-	-	-
Loss after tax	(6,666,043)	(2,233,534)	(839,560)	-	(9,739,138)

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	<b>Mining</b>	<b>Industrial</b>	<b>Corporate</b>	<b>Group</b>
	£	£	£	£
<b>2008</b>				
Capital Additions				
Acquisition of assets	603,467	71,855	-	675,322
Acquisition of subsidiary - assets acquired	5,886,464	-	4,536	5,891,000
Depreciation and amortization	(434,055)	(43,129)	(1,669)	(478,853)
Impairment losses	(4,915,096)	-	-	(4,915,096)

**Balance Sheet**

**Assets**

Segment Assets	3,633,664	593,991	140,540	4,368,195
Unallocated assets	-	-	722,660	722,660
Consolidated total assets	3,633,664	593,991	863,200	5,090,855

**Liabilities**

Segment Liabilities	(2,502,357)	(411,582)	(132,146)	(3,046,085)
Deferred tax	-	-	(22,872)	(22,872)
Unallocated liabilities	-	-	(284,430)	(284,430)
Consolidated total liabilities	(2,502,357)	(411,582)	(439,448)	(3,353,387)

**Net Segment Assets**

	<b>1,131,307</b>	<b>182,409</b>	<b>423,752</b>	<b>1,737,468</b>
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	<b>Mining</b>	<b>Industrial</b>	<b>Corporate</b>	<b>Group</b>
	£	£	£	£
<b>2007</b>				
Capital Additions				
Acquisition of assets	4,896,542	347,078	-	5,243,620
Acquisition of subsidiary - assets acquired	-	-	-	-
Depreciation and amortization	(437,950)	(75,624)	-	(513,574)
Impairment losses	(4,971,199)	(2,541,323)	-	(7,512,522)

**Balance Sheet**

**Assets**

Segment Assets	2,298,751	646,071	-	2,944,822
Unallocated assets	-	-	341,829	341,829
Consolidated total assets	2,298,751	646,071	341,829	3,286,651

**Liabilities**

Segment Liabilities	(12,379,351)	(351,380)	-	(12,730,731)
Unallocated liabilities	-	-	(463,670)	(463,670)
Consolidated total liabilities	(12,379,351)	(351,380)	(463,670)	(13,194,401)

**Net Segment Assets**

	<b>(10,080,600)</b>	<b>294,691</b>	<b>(121,841)</b>	<b>(9,907,750)</b>
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**Secondary segments**

Geographical segments are the Groups' secondary reportable segments. The Groups' operations are located in South Africa, Tanzania and the United Kingdom. The Group's mining and industrial divisions are located in South Africa and Tanzania. The Group's corporate activities are carried out in South Africa and the United Kingdom.

All sales revenues for the current and previous year were earned in South Africa.

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

<b>2008</b>	<b>South Africa and Tanzania</b>	<b>United Kingdom</b>	<b>Unallocated corporate assets</b>	<b>Total</b>
	£	£	£	£
Carrying amount of segment assets	3,400,994	1,867	-	3,402,861
Additions	6,084,884	-	-	6,084,884
Impairment losses	(4,915,096)	-	-	(4,915,096)
Loss after tax	<u>(5,102,716)</u>	<u>(12,657,249)</u>	<u>8,390,990</u>	<u>(9,368,975)</u>

  

<b>2007</b>	<b>South Africa and Tanzania</b>	<b>United Kingdom</b>	<b>Unallocated corporate assets</b>	<b>Total</b>
	£	£	£	£
Carrying amount of segment assets	2,456,018	-	-	2,456,018
Additions	5,243,620	-	-	5,243,620
Impairment losses	(7,512,522)	-	-	(7,512,522)
Loss after tax	<u>(9,739,138)</u>	<u>-</u>	<u>-</u>	<u>(9,739,138)</u>

**8 LOSS FROM OPERATIONS**

Loss from operations includes the following:

	Group		Company	
	Year end 30 June 2008 £	Year end 30 June 2007 £	Period end 30 June 2008 £	Year end 31 March 2007 £
<b>8.1 Administrative expense include:</b>				
Depreciation of property, plant and equipment	<b>478,853</b>	513,574	<b>1,669</b>	822
Impairment of assets (note 13)	<b>4,915,096</b>	2,274,028	-	-
Impairment of goodwill	-	5,238,494	-	-
Impairment of investments (note 14)	-	-	<b>8,732,667</b>	-
Impairment of amounts owed by subsidiaries (note 18)	-	-	<b>5,327,169</b>	-

Impairment of goodwill relates to the full impairment of goodwill arising on the acquisition of subsidiaries in the year ended 30 June 2007. There were no goodwill balances as at 30 June 2008 or 30 June 2007 in the Group or Company.

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**8.2 Employee Costs**

Wages and salaries (including directors)	<b>1,240,082</b>	809,865	<b>345,593</b>	248,639
Equity settled share based payment expense	<b>131,285</b>	-	<b>131,285</b>	150,400
Social Security costs	<b>16,204</b>	-	<b>34,657</b>	42,221
	<b>1,387,571</b>	809,865	<b>511,535</b>	441,260

The average monthly number of employees (including executive directors) during the period is:

	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Operational	376	388	-	-
Administration	19	16	5	5
	<b>395</b>	<b>404</b>	<b>5</b>	<b>5</b>

**8.3 Directors' emoluments**

The directors emoluments are disclosed in the Report of Remuneration Committee on page 19. The directors are not in receipt of any non-cash benefits other than share options and private health insurance. No retirement benefits are accruing to directors under pension schemes. The Directors receive reimbursement for reasonable expenses. Key management personnel consists of only the Directors.

The highest paid director had emoluments totalling £125,000 (2007: £125,000).

**8.4 Auditors remuneration**

	Group		Company	
	<b>Year end 30 June 2008</b>	Year end 30 June 2007	<b>Period end 30 June 2008</b>	Year end 31 March 2007
	£	£	£	£
Audit of the annual accounts	<b>32,500</b>	33,937	<b>32,500</b>	28,500
Audit of associates of the Company	<b>36,522</b>	35,335	-	-
Other services:				
Other taxation services	<b>4,800</b>	1,250	<b>3,300</b>	2,500
Reporting accountants services	<b>19,021</b>	14,570	<b>23,808</b>	-
	<b>92,843</b>	85,092	<b>59,608</b>	31,000

**8.5 Other operating income**

<b>Group</b>	<b>Year end 30 June 2008</b>	Year end 30 June 2007
	£	£
Sales of materials	<b>62,588</b>	83,099
Sale of investment	-	682,203
Rental income	<b>16,782</b>	41,477
Other	<b>10,059</b>	18,530
	<b>89,429</b>	825,309

## 8.6 Company result

The Company's loss for the period was £14,935,153 (2007: loss of £879,575)

## 9 FINANCE INCOME AND EXPENSE

<b>9.1 Finance expense</b>	<b>Year ended 30 June 2008</b>	<b>Year ended 30 June 2007</b>
	<b>£</b>	<b>£</b>
Interest expense on borrowings	<b>185,878</b>	166,420
Unwinding of discount on rehabilitation	<b>16,045</b>	6,204
<b>Total interest expense</b>	<b>201,923</b>	172,624
<b>9.2 Finance income</b>	<b>£</b>	<b>£</b>
Interest receivable on bank deposits and similar income	<b>80,825</b>	14,422
<b>Total interest income</b>	<b>80,825</b>	14,422

## 10 CURRENT TAX

### 10.1 Tax charged in the income statement

	<b>Year ended 30 June 2008</b>	Year ended 30 June 2007
	<b>£</b>	<b>£</b>
<b>Deferred Tax</b>		
UK deferred Tax	<b>684,351</b>	-
<b>Total Tax Charge</b>	<b>684,351</b>	-

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**10.2 Reconciliation of the total tax charge**

The tax assessed on the loss on ordinary activities for the period is different from the standard rate of corporation tax in the UK. The charge for the period can be reconciled to the loss per the income statement as follows:

	Year ended 30 June 2008	Year ended 30 June 2007
	£	£
Loss on ordinary activities before tax	(10,053,326)	(9,739,138)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.5% (2007: 30%)	(2,965,731)	(2,921,741)
Non tax deductible expenses	1,658,574	2,407,829
Tax losses carried forward	1,942,626	513,912
Effect of different tax rates of subsidiaries operating in other jurisdictions	48,882	-
Total tax credit for the period	684,351	-

The rate of UK Corporation tax changed from 30% to 28% with effect from 1 April 2008. The average applicable rate for the period is therefore 29.5% (2007: 30%).

**11 DEFERRED TAX**

The Group has potential deferred tax assets of approximately £2,456,538 (2007: £513,912) in respect of tax losses, and other temporary differences arising that are available for offset against future taxable profits. No deferred tax asset has been recognised as it not sufficiently certain that suitable taxable profits will arise.

The deferred tax liability included in the balance sheet is as follows:

	Group		Company	
	Year end 30 June 2008 £	Year end 30 June 2007 £	Period end 30 June 2008 £	Year end 31 March 2007 £
<i>Deferred tax liability – Non-current</i>				
Acquisition fair value adjustments	22,872	-	-	-
Deferred tax liability	22,872	-	-	-

During the year £684,351 (2007: £nil) was credited to the income statement.

## 12 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the period, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The loss per share for the year ended 30 June 2007 is calculated using the number of shares issued to the shareholders of DDH during the RTO, in line with the guidance in IFRS 3 Business combinations (paragraph B14).

In line with IFRS 3, following the RTO the equity structure of the Group reflects the equity of the legal parent, including the shares issued by it to effect the business combination. In the year ended 30 June 2008, the weighted average number of shares has been calculated as follows:

- Number of ordinary shares from beginning of period to date of RTO is the number of shares issued by the Company to the owners to DDH; and
- From acquisition date to end of period the number of shares is the actual number of shares of the Company outstanding during the period.

The following reflects the loss and share data used in the basic and diluted earnings per share computations:

	<b>Year ended 30 June 2008</b>	<b>Year ended 30 June 2007</b>
	<b>£</b>	<b>£</b>
Net loss attributable to equity holders of the parent	<u>(9,368,975)</u>	<u>(9,739,138)</u>

No diluted loss per share has been calculated as the Group has incurred a loss for the period.

	<b>Number</b>	<b>Number</b>
Basic weighted average number of shares (excluding treasury shares)	<u>238,188,009</u>	<u>134,383,718</u>

There are options and warrants outstanding at the end of the year that could potentially dilute basic earnings per share in the future. These are detailed in notes 22 and 24 below. The effect of the factors above is anti-dilutive for both the current and prior year.

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**13 PROPERTY, PLANT AND EQUIPMENT**

**Group**

	Mining Properties £	Land and Buildings £	Motor Vehicles £	Plant and Equipment £	Office and computer equipment £	Total £
Cost on 1 July 2006	-	-	-	-	-	-
Additions	969,061	50,804	493,254	3,707,637	22,864	5,243,620
<b>Cost at 30 June 2007</b>	<b>969,061</b>	<b>50,804</b>	<b>493,254</b>	<b>3,707,637</b>	<b>22,864</b>	<b>5,243,620</b>
Foreign exchange difference	(88,974)	(4,665)	(45,288)	(340,412)	(2,099)	(481,438)
Additions	14,572	-	170,665	486,382	3,703	675,322
Disposals	-	-	-	-	-	-
Business Combinations	5,364,000	-	-	-	527,000	5,891,000
<b>Cost at 30 June 2008</b>	<b>6,258,659</b>	<b>46,139</b>	<b>618,631</b>	<b>3,853,607</b>	<b>551,468</b>	<b>11,328,504</b>
Accumulated Depreciation at 1 July 2006	-	-	-	-	-	-
Depreciation	(19,330)	(5,698)	(93,287)	(388,337)	(6,922)	(513,574)
Impairment	(938,423)	-	976	(1,337,023)	442	(2,274,028)
<b>Accumulated Depreciation at 1 July 2007</b>	<b>(957,753)</b>	<b>(5,698)</b>	<b>(92,311)</b>	<b>(1,725,360)</b>	<b>(6,480)</b>	<b>(2,787,602)</b>
Foreign exchange difference	87,936	523	8,475	158,379	595	255,908
Depreciation	24,726	-	(116,543)	(229,254)	(157,782)	(478,853)
Impairment	(4,915,221)	-	188	(63)	-	(4,915,096)
<b>Accumulated Depreciation at 1 July 2008</b>	<b>(5,760,312)</b>	<b>(5,175)</b>	<b>(200,191)</b>	<b>(1,796,298)</b>	<b>(163,667)</b>	<b>(7,925,643)</b>
Net carrying value as at 30 June 2006	-	-	-	-	-	-
Net carrying value as at 30 June 2007	<b>11,308</b>	<b>45,106</b>	<b>400,943</b>	<b>1,982,277</b>	<b>16,384</b>	<b>2,456,018</b>
Net carrying value as at 30 June 2008	<b>498,347</b>	<b>40,964</b>	<b>418,440</b>	<b>2,057,309</b>	<b>387,801</b>	<b>3,402,861</b>

The Group incurred impairment losses on the following projects in the current and prior period due to lower than expected production levels: Blaauwbosch underground mine of £5,905 (2007: £618,184), Newlands underground mine £nil (2007: £320,217), SMI4 tailings project £nil, (2007: £1,370,235), Bellsbank tailings project £4,908,321(2007: £nil) and Supermix Industrial £870 (2007: £34,608 impairment recovered).

**Company**

	Office and computer equipment £	Total £
<b>Cost at 1 April 2006</b>	<b>914</b>	<b>914</b>
Additions	1,954	1,954
Disposals	-	-
<b>Cost at 31 March 2007</b>	<b>2,868</b>	<b>2,868</b>
Additions	1,668	1,668
Disposals	-	-
<b>Cost at 30 June 2008</b>	<b>4,536</b>	<b>4,536</b>
<b>Accumulated depreciation at 1 April 2006</b>	<b>178</b>	<b>178</b>
Charge for the year	822	822
<b>Accumulated depreciation at 31 March 2007</b>	<b>1,000</b>	<b>1,000</b>
Charge for the period	1,669	1,669

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<b>Accumulated depreciation at 30 June 2008</b>	<b>2,669</b>	<b>2,669</b>
Net carrying value at 31 March 2006	736	736
Net carrying value at 31 March 2007	1,868	1,868
Net carrying value at 30 June 2008	1,867	1,867

**14 INVESTMENTS**

	<b>Company as at 30 June 2008</b>	Company as at 31 March 2007
	£	£
At the beginning of the period	<b>1,020,007</b>	1,020,000
Additions	<b>9,439,868</b>	7
Impairment provision	<b>(8,732,667)</b>	-
<b>At the end of the period</b>	<b><u>1,727,208</u></b>	<b><u>1,020,007</u></b>

The Company's investment in subsidiaries has been impaired during the period due to a reduction in the carrying values of the projects held by those subsidiaries. The Company's investment in KimCor Mauritius Limited was impaired by £8,570,020 (2007: £nil) and the investment in Free State Diamonds Mine (Pty) Limited was impaired by £162,647 (2007: £nil).

The principal subsidiaries of KimCor Diamonds plc, all of which has been included in these consolidated financial statements, are as follows:

<b>Name of Entity</b>	<b>Country of incorporation</b>	<b>Activity</b>	<b>Equity Holding %</b>
Free State Diamonds Mine (Pty) Limited	South Africa	Mining and exploration	100
Koffiefontain Diamonds (Pty) Limited	South Africa	Exploration	69
Anmic Diamonds (Pty) Limited	South Africa	Diamond cutting & polishing	50
Supermix Mining (Pty) Limited	South Africa	Mining and exploration	70
Biz Africa 546 (Pty)	South Africa	Dormant	100
Basfour 254 (Pty) Limited	South Africa	Exploration	70
Kophia Diamonds (Pty) Limited	South Africa	Mining and exploration	70
Bellsbank Mining No 1 (Pty) Limited	South Africa	Mining and exploration	70
Huntingdale Investments Limited	Mauritius	Holding company	100
Troon Investments Limited	Mauritius	Holding company	100
Tralee Investments Limited	Mauritius	Holding company	100
KimCor Mauritius Limited	Mauritius	Holding company	100
KimCor Almasi Limited	Tanzania	Holding company	100
KimCor Tanzania Limited	Tanzania	Exploration	95
Superkolong Holdings (Pty) Limited	South Africa	Holding company	70
Superkolong (Pty) Limited	South Africa	Mining	70
Superkolong Industrial (Pty) Limited	South Africa	Holding company	70
Superkolong Cement	South Africa	Cement production	70
Superkolong Bricks	South Africa	Brick production	70
KimCor Diamonds South Africa	South Africa	Holding company	70

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The interest in Anmic Diamonds (Pty) Limited which is held by Free State Diamond Mines (Pty) Limited. The 50% holding in Anmic includes the casting vote.

**15 INVENTORIES**

	Group as at 30 June 2008	Group as at 30 June 2007
	£	£
Consumables	1,830	3,703
Work in progress	254,715	-
Raw Materials	86,361	121,550
Diamonds	110,653	68,320
	<u>453,559</u>	<u>193,573</u>

Work in progress was encumbered to the value of approximately £130,000 as security for a liability as set out in note 21.

Diamonds are carried at the lower of cost and net realisable value, which is calculated at fair value less costs to sell. The Company has no inventories.

**16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Risk and sensitivity analysis**

In common with all other businesses, the Group and Company (the 'Group') is exposed through its operations to the following financial risks: foreign currency risk, liquidity risk, market price risk, interest rate risk and credit risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Risk management is carried out by the Board of Directors of the Group.

The significant accounting policies regarding financial instruments are disclosed in note 5.

***Principal financial instruments***

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	<b>30 June 2008</b>	30 June 2007
	£	£
<b>Group</b>		
<b>Loans and receivables at amortised cost</b>		
Cash and cash equivalents	<b>657,368</b>	181,145
Trade and other receivables	<b>320,288</b>	310,588
Other non-current receivables	<b>256,779</b>	145,327
<b>Financial liabilities held at amortised cost</b>		
Trade and other payables	<b>776,575</b>	738,459
Borrowings	<b>1,831,412</b>	11,773,210
Finance leases	<b>300,983</b>	378,216

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	<b>30 June 2008</b>	31 March 2007
Company	£	£
<b>Loans and receivables at amortised cost</b>		
Cash and cash equivalents	<b>102,390</b>	490,804
Trade and other receivables	<b>38,150</b>	1,993,187
<b>Financial liabilities held at amortised cost</b>		
Trade and other payables	<b>43,918</b>	53,177

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board reviews on a regular basis the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

*Credit risk*

Credit risk arises principally from the Group's trade receivables and investments in bank deposits. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument.

- *Cash and cash equivalents*

Cash balances are deposited with banks with a high credit rating. The Group holds 18 bank accounts with 3 different banking institutions.

- *Trade receivables*

The Group minimises concentrations of credit risk in relation to trade receivables by evaluating the credit worthiness of customers prior to undertaking transactions. On average trade receivables are settled within 30 days from the date the invoice is issued.

The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

The Board receives monthly reports summarising the trade receivable balance of the Group's operating activities in South Africa.

The following table illustrates the concentrations of credit risk within the Group as at the balance sheet date.

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Trade receivables aging

	Total £	Current £	30 days past due £	60 days past due £
<b>2008</b>				
Gross trade receivables (note 18)	300,422	190,213	32,131	78,078
<b>2007</b>				
Gross trade receivables (note 18)	373,627	255,606	35,757	82,264

Of the gross trade receivables balance at year end, £63,259 was past due and provided against (2007:£102,186). There were no past due but not impaired balances at year end. Refer to note 18.

There are no revenue or trade receivables in the Company.

**Liquidity risk**

Liquidity risk arises from the Group's management of its cash funds, working capital and the finance charges and principal repayments on its borrowings. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on its long-term borrowings, this is further discussed in the interest rate section below.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Group holds investments in money market deposits as a liquid resource to fund the projects of the Group.

The Company has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations and are disclosed in Notes 18 and 19 respectively.

**Maturity analysis**

Trade and other payables

	Total £	On Demand £	In 1 Month £	Between 1 and 6 months £	Between 6 and 12 months £	Between 1 and 3 years £	3 years and later £
<b>Group</b>							
<b>2008</b>							
Trade and other payables	776,575		181,085	531,303	64,187	-	-
Borrowings	1,831,412	-	-	-	449,317	1,382,095	-
Leases	300,983	-	6,775	33,878	40,653	219,677	-
<b>2007</b>							
Trade and other payables	738,459	-	116,580	621,879	-	-	-
Borrowings	11,773,210	-	-	-	-	-	11,773,210
Leases	378,216	-	3,384	16,917	20,301	337,614	-
<b>Company</b>							
<b>2008</b>							
Trade and other payables	43,918	-	43,918	-	-	-	-
<b>2007</b>							

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Trade and other payables	53,177	-	53,177	-	-	-	-
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**Market risk**

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The Group is exposed to market price risk through the changes in market price for diamonds. The Group manages this risk centrally with reference to annual budgets and periodic forecasts including sensitivity analyses of projected production rates and diamond prices.

A US1 dollar decrease in the per carat sale price of diamonds will decrease revenues and pre-tax profits by £22,901 (2007: £25,565)

**Interest rate risk**

The Group is exposed to fluctuations in interest rates. Interest rate risk is managed by maintaining a mix of floating rate deposits and through the use of fixed rate instruments for its borrowings. A 0.5% increase in the interest rates will increase interest income and pre-tax profits by £3,300 (2007: £900). Borrowings at fixed rates will not be affected by movements in interest rates.

The table below provides an analysis of the Group's fixed and floating financial liabilities.

**Group**

	Fixed	Average interest rate	Floating	Average interest rate	Total
<b>2008</b>					
Borrowings	1,831,412	6.6%	-	-	1,831,412
Leases	-	-	300,983	12.4%	300,983

Of the fixed borrowings total, the amount of £717,217 was non-interest bearing.

	Fixed	Average interest rate	Floating	Average interest rate	Total
<b>2007</b>					
Borrowings	11,773,210	5.5%	-	-	11,773,210
Leases	-	-	378,216	9.8%	378,216

The Company does not hold any financial liabilities subject to fixed or floating interest rates.

**Foreign currency risk**

The Group is exposed to foreign currency risk as its main operations are located in South Africa whose functional currency is the South African Rand (ZAR). The most significant risk occurs on the translation of foreign operations' results into sterling on consolidation. Almost 100% of each foreign operation's revenues and the bulk of each foreign operation's operating costs are incurred in local currency. Group companies therefore do not engage in foreign exchange risk hedges. The Group, however, reviews its currency exposures on a regular basis.

Consistent with the majority of other international companies, the results of the Group's foreign operations are translated into sterling at the average exchange rates for the period concerned. The balance sheets of foreign

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operations are translated into sterling at the closing exchange rates. It is the Board's policy not to hedge currency translation through foreign exchange contracts or currency swaps.

In addition the currency in which diamonds prices are denominated worldwide is US Dollar. The Group has not hedged against this risk due to the insignificant international revenues during the year ended 30 June 2008, but it is monitoring the exchange rate between the US Dollar and South African Rand on a regular basis to determine whether there is a need to hedge against this risk.

A US1 cent increase in the value of the Sterling against the US dollar will decrease revenues and pre-tax profits by £16,897 (2007: £17,485).

The Group also manages its currency exposure by retaining the majority of its cash balances in Sterling, being a strong stable currency:

	Group		Company	
	At 30 June 2008	At 30 June 2007	At 30 June 2008	At 31 March 2007
	£	£	£	£
<b>UK Sterling</b>				
<b>Loans and receivables at amortised cost</b>				
Cash and cash equivalents	102,390	-	102,390	490,804
Trade and other receivables	38,150	-	38,150	1,993,187
<b>Financial liabilities held at amortised cost</b>				
Trade and other payables	43,918	-	43,918	53,177
Borrowings	-	-	-	-
Leases	-	-	-	-
<b>South African Rand</b>				
<b>Loans and receivables at amortised cost</b>				
Cash and cash equivalents	554,978	181,145	-	-
Trade and other receivables	282,138	310,588	-	-
<b>Financial liabilities held at amortised cost</b>				
Trade and other payables	732,657	738,459	-	-
Borrowings	1,831,412	11,773,210	-	-
Leases	300,983	378,216	-	-

There are no other significant assets or liabilities held by the Group in currencies other than the functional currency of that Group company.

*Fair value*

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values. In the case of bank loans and other loans due in more than one year the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

**17 CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 June 2008</b>	<b>As at 30 June 2007</b>	<b>As at 30 June 2008</b>	<b>As at 31 March 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>572,188</b>	181,145	<b>17,210</b>	53,283
Investments in Money Market Instruments	<b>85,180</b>	-	<b>85,180</b>	437,521
	<b>657,368</b>	181,145	<b>102,390</b>	490,804

The fair value of cash and cash equivalents is calculated using appropriate exchange rates and is the same as its carrying value. Cash is held in 18 different bank accounts with three banking institutions. Investments in money market instruments have a maturity term of less than 30 days.

Cash at bank and investments in money market earn interest at floating rates based on daily bank deposit rates. The Group's cash and cash equivalents balances may be analysed as floating rates by currency as follows:

	<b>2008</b>	2007
	<b>£</b>	<b>£</b>
<b>Floating rate cash and cash equivalents</b>		
Sterling	<b>102,390</b>	-
South African Rand	<b>554,978</b>	181,145
	<b>657,368</b>	181,145

The interest rate in respect of floating rate assets is based on bank base rates such as LIBOR. The average interest rate for the year was 4.19% (2007: 4.15%). Cash is deposited with reputable financial institutions with a high credit rating. The Company holds cash balances in pound sterling only.

**Major non-cash transactions**

The major non-cash transactions during the period are:

- The reverse takeover of the Company as detailed in note 25
- The capital contribution as set out below
- The issue of warrants as set out in note 22

On 21 September 2007, the Company purchased from Dwyka Resources Limited (the former parent company of DDH) related party debt with a face value £11,822,474 for nominal consideration of £1. The difference between the face value and the consideration has been treated as a capital contribution from the major shareholder and taken directly to reserves.

**KimCor Diamonds plc**  
**Notes to the financial statements**

**18 TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 June 2008</b>	<b>As at 30 June 2007</b>	<b>As at 30 June 2008</b>	<b>As at 31 March 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Other non-current receivables</b>				
Other non-current receivables	142,173	33,562	-	-
Deposit to DME	114,606	111,765	-	-
	<b>256,779</b>	<b>145,327</b>	<b>-</b>	<b>-</b>

The deposit to the Department of Mineral Energy is pledged for the rehabilitation costs of the mining activities of the Group.

**Trade and other receivables**

Gross trade accounts receivables	300,422	373,627	-	-
Less: provision for doubtful receivables	(63,259)	(102,186)	-	-
<b>Net trade accounts receivable</b>	<b>237,163</b>	<b>271,441</b>	<b>-</b>	<b>-</b>
VAT receivable	58,082	36,859	15,087	6,566
Amounts owed by subsidiaries	-	-	5,327,169	1,965,143
Less: impairment on amounts owed by subsidiaries	-	-	(5,327,169)	-
Prepayments	23,063	-	23,063	-
Other receivables	1,980	2,288	-	21,478
	<b>320,288</b>	<b>310,588</b>	<b>38,150</b>	<b>1,993,187</b>

During the period, amounts owed by subsidiaries were impaired due to a reduction in the carrying values of the projects held by those subsidiaries.

**Provision for doubtful receivables**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 June 2008</b>	<b>As at 30 June 2007</b>	<b>As at 30 June 2008</b>	<b>As at 31 March 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Provision for doubtful receivables at the beginning of the period</b>	<b>(102,186)</b>	-	-	-
Bad debts recovered	53,060	-	-	-
Charge for the period	(14,133)	(102,186)	-	-
<b>Provision for doubtful receivables at the end of the period</b>	<b>(63,259)</b>	<b>(102,186)</b>	<b>-</b>	<b>-</b>

The fair value of receivables is not significantly different from the carrying value.

The deposit to the DME (Department of Minerals and Energy) is required by the South African authorities and, will be used against potential future environmental liabilities if any arise. The deposit is stated at cost as the period in which it would be utilised or recovered cannot be reliably measured.

Trade accounts receivable are denominated and receivable in South African Rand (ZAR) and are non-interest bearing.

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Other debtors generally arise from transactions outside the usual operating activities of the Group and are non-interest bearing.

The Group has recognised a loss of £61,987 (2007: £102,186) in respect of bad and doubtful trade receivables during the year ended 30 June 2008. The loss has been included in 'administration expenses' in the income statement.

**19 TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>As at 30 June 2008</b>	<b>As at 30 June 2007</b>	<b>As at 30 June 2008</b>	<b>As at 31 March 2007</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade Payables	<b>770,024</b>	738,459	<b>30,043</b>	38,158
Other taxes and social security	-	-	<b>9,037</b>	8,278
Other Payables	<b>6,551</b>	-	<b>4,838</b>	6,741
	<b>776,575</b>	<b>738,459</b>	<b>43,918</b>	<b>53,177</b>

Trade payables principally relate to outstanding amounts for ongoing costs. The directors consider that the carrying amount of other payables is not significantly different from the fair value.

**20 PROVISIONS**

	<b>Group</b>	
	<b>As at 30 June 2008</b>	<b>As at 30 June 2007</b>
	<b>£</b>	<b>£</b>
<b>Rehabilitation Provision</b>		
At the beginning of the year	<b>213,928</b>	-
Foreign exchange movement	<b>(19,646)</b>	-
Additions during the year	<b>44,110</b>	207,724
Utilised during the year	<b>(3,389)</b>	-
Unwinding of discount factor	<b>16,045</b>	6,204
	<b>251,048</b>	<b>213,928</b>

The rehabilitation provision includes amounts for the Blaauwbosch underground mine of £89,197 (2007: £87,288), Newlands underground mine of £34,167 (2007: £32,922), Basfour exploration site of £6,539 (2007: £6,361), Nootgedacht alluvial mine of £89,809 (2007: £87,357) and the Bellsbank tailings project of £31,336 (2007: £nil).

**KimCor Diamonds plc**  
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**Legal Provision**

At the beginning of the year	<b>90,588</b>	-
Foreign exchange movement	(8,318)	-
Additions during the year	-	90,588
	<u><b>82,270</b></u>	<u><b>90,588</b></u>
<b>Total Provisions</b>	<u><b>333,318</b></u>	<u><b>304,516</b></u>

The legal provision relates to a dispute over the quality of cement provided by the Industrial division.

The Company has no provisions.

**21 BORROWINGS**

<b>Group</b>	As at 30 June 2008 £	As at 30 June 2007 £
<b>Current loans and borrowings</b>		
Secured	449,317	-
Finance lease liabilities	81,306	40,602
<b>Total current loans and borrowings</b>	<u><b>530,623</b></u>	<u><b>40,602</b></u>
<b>Non-current loans and borrowings</b>		
Secured	1,114,195	11,729,881
Finance lease liabilities	219,677	337,614
Other	267,900	43,329
<b>Total non-current loans and borrowings</b>	<u><b>1,601,772</b></u>	<u><b>12,110,824</b></u>

The current secured loans are secured against fixed assets with a carrying value of approximately £100,000 and against work in progress to the value of approximately £130,000.

The non-current secured loans are secured by a notarial bond over the SMI4 plant and equipment. The bond is registered to a maximum of approximately £1.1m. Interest is payable on the loans at an interest rate of between 9.5% - 11.5% per annum. The directors consider that the carrying amount of borrowings is not significantly different from the fair value.

The Company has no borrowings.

	<b>Minimum lease payments 2008 £</b>	<b>Interest 2008 £</b>	<b>Present value 2008 £</b>
Not later than one year	69,333	28,180	81,306
Later than one year and not later than five years	223,493	36,221	219,677
	<u>292,826</u>	<u>64,401</u>	<u>300,983</u>

**KimCor Diamonds plc**  
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	<b>Minimum lease payments 2007 £</b>	<b>Interest 2007 £</b>	<b>Present value 2007 £</b>
Not later than one year	35,922	20,746	40,602
Later than one year and not later than five years	329,292	84,402	337,614
	<u>365,214</u>	<u>105,148</u>	<u>378,216</u>

The present value of future lease payments are analysed as:

	<b>2008 £</b>	<b>2007 £</b>
Current liabilities	81,306	40,602
Non-current liabilities	219,677	337,614
	<u>300,983</u>	<u>378,216</u>

The finance lease liabilities are secured against moveable assets with a book value of approximately £300,000.

## **22 SHARE CAPITAL**

Under reverse acquisition accounting the legal parent is the Company, but the Group results are presented as if DDH were the parent. The number and type of equity instruments issued reflects the equity structure of the Company, however the equity balances recognised are those of DDH immediately before the RTO, not those of the Company.

### **Group and Company**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
Ordinary shares of 0.5p each as of 31 March 2007	200,000,000	1,000,000	64,313,333	321,567
Ordinary shares as of 0.5p each as of 30 June 2008	400,000,000	2,000,000	268,265,577	1,341,328
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## KimCor Diamonds plc

### Notes to the financial statements

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#### Share Capital reconciliation

Date	Number of shares issued	Share capital £
<b>Total as at 1 April 2006</b>		
	<b>63,480,000</b>	<b>317,400</b>
18 April 2006	833,333	4,167
<b>Total as at 1 April 2007</b>		
	<b>64,313,333</b>	<b>321,567</b>
1 June 2007	1,439,263	7,196
2 July 2007	1,439,263	7,196
30 September 2007	201,073,718	1,005,369
<b>Total as at 30 June 2008</b>	<b>268,265,577</b>	<b>1,341,328</b>

#### Warrants

Warrants issued following the Company's IPO in March 2006 and outstanding at 31 March 2007 of 10,326,667 expired on 15 March 2008. No warrants were exercised during the year ended 30 June 2008.

In September 2007 warrants over 2,682,656 Ordinary Shares (representing 1 per cent. of the enlarged share capital of the Company following the RTO and subsequent admission to AIM) were granted to Strand Partners Securities ("Strand") and Montagu Stockbrokers Pty Limited ("Montagu").

These warrants are exercisable in whole or in part by each of Strand or Montagu at the placing price of 6.5p and may be exercised at any time prior to the date falling five years following 21 September 2007. In the event of a share capital reorganisation, the exercise price and/or the number of warrants is subject to such variation as the Company considers appropriate.

#### Share option agreement

A share option agreement was signed on 27 February 2006 with Westhouse Securities LLP ("Option Holder"), being the Company's nominated advisor and broker at that time. In consideration of the sum of £1 paid by Option Holder the Company granted to the Option Holder an option to subscribe for such number of ordinary shares as will represent 1 per cent of the issued share capital of the Company immediately following AIM Admission, being 634,800 ordinary shares, at a subscription price of 15p per share during the period of five years commencing on the date of IPO. The option granted is exercisable in whole or in part, subject to exercise on any one occasion of no less than 25% of the total subscription rights, at any time or times during the option period of 5 years.

#### Capital maintenance

As described in note 5 the Group considers its capital to comprise total equity. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth in the short term and both capital growth and distributions in the medium to long term. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Group's capital management objectives, policies and

**KimCor Diamonds plc**  
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processes in the year, nor has there been any change in what the group considers to be its capital.

**23 RESERVES**

The following describes the nature and purpose of each reserve within owners' equity.

<b>Reserve</b>	<b>Description and purpose</b>
Share premium	Amounts subscribed for share capital in excess of nominal value.
Merger reserve	Merger relief reserve for amount in excess of nominal value on issue of shares in relation to business combinations.
Reverse takeover reserve	Accounts for the difference between the total issued equity of DDH and the equity structure of KimCor Diamonds plc.
Warrant reserve	Fair value of the warrants issued.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of Group operations into Sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Other reserve – capital contribution	Amount of debt forgiven during the period.

**24 SHARED BASED PAYMENTS**

**Share option plan**

Before the RTO DDH did not have a share option plan.

The KimCor share option scheme (the "Scheme") was adopted on 31 January 2006 and is not approved by the Inland Revenue. The Scheme is governed by rules and is administered by a duly organised committee consisting of the directors of the Company. As part of the IPO process the Company adopted the Scheme as an incentive to directors, certain employees and consultants to promote the continued growth of the Company. The maximum number of options outstanding will not exceed 10% of the Company's total issued share capital at the year end. One third of the options will vest and become exercisable on the first, second and third anniversaries of the date of grant, shared equally across the three dates if the respective employees and directors are still employed by the company and consultants are still providing similar services. To the extent that they remain unexercised, the options will lapse on the tenth anniversary of the date of grant. The price at which options can be exercised shall be determined by the directors on the date of the grant rather than being fixed by the rules of the Share Option Plan. There are no cash settlement alternatives.

The expense recognised for share-based payments in respect of employee and director's services received during the year ended 30 June 2008 for the Group is £131,285 (2007: £nil) and for the Company is £131,285 (2007: £150,400).

The following options are outstanding for Ordinary shares.

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	<b>Date of Grant</b>	<b>Options granted and outstanding</b>	<b>Exercise price</b>	<b>First date of exercise</b>	<b>Final date of exercise</b>
Directors	6 March 2006	2,350,000	15p	06.03.2007	06.03.2016
Employees	6 March 2006	100,000	15p	06.03.2007	06.03.2016
Consultants	6 March 2006	850,000	15p	06.03.2007	06.03.2016
<b>Total options at 31 March 2006</b>		<b>3,300,000</b>			
Employees	28 July 2007	100,000	14p	28.07.2008	28.07.2017
<b>Total options as at 31 March 2007</b>		<b>3,400,000</b>			
Directors	1 October 2007	3,400,000	7.75p	01.10.2008	01.10.2017
Consultants	1 October 2007	850,000	7.75p	01.10.2008	01.10.2017
Employees	3 December 2007	400,000	7.75p	03.12.2008	03.12.2017
<b>Total options as at 30 June 2008</b>		<b>8,050,000</b>			

No options were exercised or lapsed during current or prior periods.

The vesting periods of the options issued in 2007 is one-third per annum from the date of grant, and options not vested will lapse on the individual ceasing to be a director or consultant (as applicable). Any options vested will lapse if not exercised within 3 months of the date of any such cessation of employment.

There were 1,133,333 options exercisable (2007: 1,100,000) at the year end. The fair value of the options granted during the period was £222,870 (2007: £7,880). The fair value of equity-settled share options granted is estimated as at the date of grant using a Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the period ended 30 June 2008.

	<b>2008</b>	<b>2007</b>
Share price at the date of grant	7p	14p
Dividend yield (%)	0%	0%
Expected share price volatility (%)	35%	51%
Expected comparator group volatility (%)	35%	51%
Risk-free interest rate (%)	4.89%	4.28%
Employee exit rate	0	0
Weighted average option price	2p	7.74p
Expected life of the options	5 years	10 years

The expected life of the options is based on academic research and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the comparator's volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**25 REVERSE TAKEOVER**

On 21 September 2007 the Company became the legal parent of DDH. As part of this combination Dwyka Resources Limited, the sole shareholder of DDH, became the owner of 50.09% of the enlarged share capital. Accordingly, and considering the size of the companies involved, the substance of the combination was that DDH acquired the Company in a reverse acquisition. Under the requirements of IFRS 3 it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case, the pre-combination results would be those of the Company and DDH would be included only in relation to its performance from 21 September 2007. However this would show the combination as the acquisition of DDH by the Company and would, in the opinion of the directors, fail to give a fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of the consolidation.

On 21 September DDH acquired 50.09% of the issued share capital of the Company for the consideration of £5,039,608 representing directly attributable costs of £0.7 million and 67,191,859 ordinary shares of the Company in issue immediately prior to the takeover for which the fair value was determined by directors as the placing price of 6.5p of the new ordinary shares issued and proposed for placing on AIM at the same date.

The fair value of the net assets acquired was determined by the directors, having regard to reports by independent experts.

A loss incurred in the Period ended 30 June 2008 by the Company and its subsidiaries included in the consolidated loss after tax of the Group was £5,485,730. Had the acquisition occurred on 1 June 2007, the estimated loss after tax of the combined entity would have been £6,293,726 and the revenues would have been £3,555,835 for the year ended 30 June 2008.

Book and fair values of the net assets at date of acquisition, were as follows:

	<b>Book values £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value to group £'000</b>
Mining properties	1,763	3,601	5,364
Property, plant and equipment	527	-	527
Other long-term assets	224	-	224
Deferred tax	-	360	360
Inventories	4	-	4
Cash and short-term deposits	85	-	85
Other receivables	855	-	855
Trade and other creditors	(923)	-	(923)
Deferred tax liability	(412)	(1,044)	(1,456)
	<hr/>	<hr/>	<hr/>
Net assets	2,123	2,917	5,040
	<hr/>	<hr/>	<hr/>
Goodwill arising on acquisition			-
			<hr/>
			5,040
			<hr/>
Discharged by:			
Fair value of shares			4,367
Acquisition costs			673
			<hr/>
			5,040
			<hr/>

## **KimCor Diamonds plc**

### **Notes to the financial statements**

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No identifiable goodwill has arisen in respect of this transaction. The surplus of value of the consideration over the other separable net assets and liabilities of the acquired group has been attributed to the mining properties and represents their estimated fair value of as at the date of acquisition of 21 September 2007.

As disclosed in note 13, the fair value of the mining properties acquired which related to the Bellsbank project was impaired by £4,908,321 during the period. This gave rise to an associated deferred tax credit to the income statement of £684,351.

## **26 RELATED PARTY TRANSACTIONS**

### **Identification of related parties**

Bridoon Trade and Invest 163 (Pty) Ltd (“Bridoon”) is a company controlled by Cedric Bredenkamp, a director of KimCor Diamonds plc.

Dwyka Resources Limited is a significant shareholder of KimCor Diamonds plc.

Kolong Investment Holdings (Pty) Ltd is a significant shareholder of Superkolong Holdings (Pty) Ltd, a Group subsidiary.

Nora Smeenk is a shareholder with significant influence in Anmic Diamonds (Pty) Ltd (“Anmic”).

Metal Resources Ltd is a significant shareholder of KimCor Diamonds Plc.

### **Transactions and balances outstanding**

#### **Group and Company for the period ended 30 June 2008**

Details of directors’ remuneration are given in Note 8. Other related party transactions are as follows:

Sales and fees totalling £69,679 were charged to Bridoon during the period. At year end, a balance of £1,088 was receivable from Bridoon. Loans of £50,315 were outstanding and receivable from Bridoon at year end.

At year end, a loan of £20,219 was outstanding and payable to Kolong Investment Holdings (Pty) Ltd.

There were no other significant trading transactions into which Group companies entered with related parties who are not members of the Group.

#### **Group and Company for the periods ended 30 June 2007 and 31 March 2007**

Details of directors’ remuneration are given in Note 8. Other related party transactions are as follows:

Loans of £9,940,574 were outstanding and payable to Dwyka Resources Limited at year end. Management fees of £141,756 were paid to Dwyka Resources Limited during the year.

At year end, a loan of £22,263 was outstanding and payable to Kolong Investment Holdings (Pty) Ltd.

Sales of £200,480 were made to Bridoon during the period. A payment of £5,587 was made by the Company on behalf of Bridoon. The balance remained unpaid as at 31 March 2007 and is included in other receivables.

An option agreement was signed between Nora Smeenk and Metal Resources on 21 July 2006. An option was granted to Metal Resources Ltd by Nora Smeenk to buy 50% in Anmic. The purchase consideration for the

## **KimCor Diamonds plc**

### **Notes to the financial statements**

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shares shall be ZAR 1 per share (nominal value) and shall be paid in cash. This option endures for a period of 36 months starting 21 July 2006.

An option agreement was signed between Metal Resources and the Company on 20 August 2006. An option was granted to Free State Diamond Mines (Pty) Ltd ("FSDM") by Metal Resources Ltd to buy 50% in Anmic. This option can be exercised at "fair market value" as determined by external and independent third parties. Payment by FSDM, if the option is exercised, shall be by a combination of cash (25%) and equity (75%) in KimCor Diamonds plc. This option endures for a period of 12 months starting 20 August 2006.

There were payments made by Bridoon on behalf of Anmic during the year. The total amount unpaid as at 31 March 2007 was £8,863 and is included in other payables.

As part of the acquisition the Company acquired 50% of the member's (Nora Smeenk's) loan. The remaining loan and a further £7,056 borrowed from Nora Smeenk were included in the Group accounts as part of other payables to a total amount of £16,094.

During the pre-acquisition period the Company issued a loan of £3,500 to Anmic. This loan was part of the Anmic's liabilities as at the date of acquisition.

During the pre-acquisition period Metal Resources Limited issued a loan of £4,621 to Anmic. This loan was part of Anmic's liabilities as at the date of acquisition.

On 31 October 2006, £90,000 of facilitation fees were paid to Metal Resources Limited for facilitating the acquisition of Anmic.

There were no other significant trading transactions into which Group companies entered with related parties who are not members of the Group.

## **27 CONTINGENCIES AND COMMITMENTS**

There are no capital commitments already contracted but not provided for. There are no non-cancellable operating lease rentals.

## **28 POST BALANCE SHEET EVENTS**

The directors are not aware of any significant matter or circumstance arising since the end of the financial year.

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**Notice of Annual General Meeting**

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KIMCOR DIAMONDS PLC (THE "COMPANY")  
REGISTERED IN ENGLAND AND WALES NO 05399993

NOTICE is hereby given that the 2008 ANNUAL GENERAL MEETING of the Company will be held at the Offices of Nabarro LLP, Lacon House, 84 Theobald's Road, London WC1X 8RW on 15 December 2008 at 11 am for the purpose of considering the following:

**ORDINARY BUSINESS**

1. To receive and adopt the directors' report and accounts for the year ended 30 June 2008, and the auditors report on those accounts.
2. To re-appoint BDO Stoy Hayward LLP as the auditors of the Company and to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company.
3. To authorise the directors to fix the remuneration of BDO Stoy Hayward LLP as auditors of the Company.

**Notes**

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand to the Company's registrars, Computershare Investor Services plc of PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, no later than 11 a.m. on 13 December 2008.
3. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company 48 hours before the time appointed for the meeting or any adjourned meeting shall be entitled to attend the meeting or any adjourned meeting and to vote in respect of the number of shares in their name at that time. Changes to the register of members after that time shall be disregarded in determining the right of any person to attend and /or vote at that meeting or any adjourned meeting.
4. The following documents are available for inspection at the register office of the Company during normal business hours on each weekday (public holidays excluded) until the date of the next meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting.
  - a. The register of directors' interests (and their families) in shares of the Company;
  - b. Copies of director's service contracts (other than contracts expiring or determinable by the Company in less than one year);
  - c. Copies of the Company's memorandum and articles of association.