THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all of your Ordinary Shares in River Diamonds, please send this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to your stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred some of your Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Application has been made for the Enlarged Share Capital to be re-admitted to trading on AIM. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The Company's existing Ordinary Shares are currently admitted to trading on AIM but not on any other recognised investment exchange and apart from the application for Re-Admission of the Enlarged Share Capital, no such other applications have been or are intended to be made.**

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer to the public in accordance with the provisions of section 85 of FSMA and is not a prospectus for the purposes of the Prospectus Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000 ("Prospectus Rules"). Accordingly, this document has not been prepared in accordance with the Prospectus Rules, nor has it been approved by the Financial Services Authority pursuant to section 85 of FSMA and a copy has not been delivered to the Financial Services Authority under regulation 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 3 of this document, accept full responsibility, collectively and individually, for the Company's compliance with the AIM Rules for Companies and the Company and the Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

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# RIVER DIAMONDS PLC

*(Incorporated in England and Wales with registered number 5059077)*

## Proposed acquisition of all the share capital of Viso Gero International, Inc. not held by the Company

## Application for Re-Admission of the Enlarged Share Capital of the Company to trading on AIM

## Notice of General Meeting

Nominated Adviser

## WH IRELAND LIMITED

Joint Brokers

## WH IRELAND LIMITED

## HICHENS HARRISON & CO. PLC

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Ordinary Share Capital on Re-Admission

| | *Authorised* | | *Issued and fully paid* | |
|---|---|---|---|---|
| | *Amount* | *Number* | *Amount* | *Number* |
| Ordinary Shares of 0.1p each | £3,500,000 | 3,500,000,000 | £1,685,155.387 | 1,685,155,387 |

The New Ordinary Shares will, following allotment, rank equally in all respects with the Existing Ordinary Shares of the Company, including the right to receive all dividends or other distributions declared or paid on the Ordinary Shares after the date of this document.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States, the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law. In particular, this document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular, should not be distributed to persons with addresses in, the United States of America, the Republic of South Africa, Australia, Canada, Japan or the Republic of Ireland. No action has been taken by the Company or by WH Ireland Limited that would permit an offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

WH Ireland Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of London Stock Exchange plc, is for the purposes of the AIM Rules for Companies and the AIM Rules for Nominated Advisers acting as Nominated Adviser and Broker exclusively for the Company in connection with the Re-Admission and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of WH Ireland Limited, or for advising any other person in connection with Re-Admission. The responsibilities of WH Ireland Limited, as Nominated Adviser, are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or Shareholder or to any subsequent purchaser of Ordinary Shares and accordingly no duty of care is accepted in relation to them. No representation or warranty, express or implied, is made by WH Ireland Limited as to, and no liability whatsoever is accepted by WH Ireland Limited in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Hichens Harrison & Co. Plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange plc, is for the purposes of the AIM Rules for Companies acting as broker exclusively for the Company in connection with the Placing and the Vendor in connection with Vendor Placing and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Hichens Harrison & Co. Plc, or for advising any other person in connection with the Placing or the Vendor Placing and no duty is accepted in relation to any other person. No representation or warranty, express or implied, is made by Hichens Harrison & Co. Plc as to, and no liability whatsoever is accepted by Hichens Harrison & Co. Plc in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Notice of a General Meeting of the Company to be held at 10.00 a.m. on 31 March 2008 is set out at the end of this document. Form of proxy for use at the meeting is enclosed with this document and should be returned as soon as possible and in any event so as to be received by the Company's registrars, Capita Registrars, P.O. Box 25, Beckenham Road, Beckenham, Kent, BR3 4BR, by no later than 10.00 a.m. on 29 March 2008. Completion and posting of the Form of Proxy will not prevent a shareholder from attending and voting in person at the General Meeting.

The distribution of this document and any invitation or offer to acquire Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Existing Ordinary Shares or by W H Ireland Limited that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Copies of this document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Re-Admission from the office of WH Ireland Limited, 24 Martin Lane London EC4R 0DR and from the registered office of the Company.

**An investment in River Diamonds plc may not be suitable for all recipients of this document. Any such investment is speculative and involves a high degree of risk. Prospective investors should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part II of this document.**

**The duties of WH Ireland Limited pursuant to the declaration in Schedule Two of the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange plc and to no other party. WH Ireland Limited accepts no responsibility or liability whatsoever to any other party who relies upon that declaration.**

# CONTENTS

## EXISTING DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| **Existing Directors** | Ian Colin Orr-Ewing, *(Executive Chairman)*<br>Kiran Caldas Morzaria, *(Finance Director)*<br>David Anthony Lenigas, *(Executive Director)*<br>Donald Ian George Layman Strang *(Non-Executive Director)*<br>All of Carmelite, 50 Victoria Embankment, London EC4Y 0LS |
| **Proposed Directors** | John Ian Stalker, (*Proposed Non-Executive Director*)<br>Neil Lindsey Herbert, (*Proposed Non-Executive Director*)<br>Both of Carmelite, 50 Victoria Embankment, London EC4Y 0LS |
| **Registered Office** | Carmelite<br>50 Victoria Embankment<br>London EC4Y 0LS |
| **Company Secretary** | Laytons Secretaries Limited<br>Carmelite<br>50 Victoria Embankment<br>London EC4Y 0LS |
| **Nominated Adviser to the Company** | WH Ireland Limited<br>24 Martin Lane<br>London EC4R 0DR |
| **Joint Brokers to the Company** | WH Ireland Limited<br>24 Martin Lane<br>London EC4R 0DR<br><br>Hichens, Harrison & Co. plc<br>Bell Court House<br>11 Blomfield Street<br>London EC2M 1LB |
| **Solicitors to the Company** | Laytons<br>Carmelite<br>50 Victoria Embankment<br>Blackfriars<br>London EC4Y 0LS |
| **Legal Advisers to the Company in Brazil** | Zancaner e Lima Gonçalves<br>Rua Padre João Manuel 222<br>3° andar<br>São Paulo, SP,<br>Brasil<br>CEP 01411-000 |
| **Legal Advisers to the Company in Sierra Leone** | Basma & Macaulay Barrister & Solicitors<br>19 Siaka Stevens Street<br>(2nd Floor), P.O.Box 83<br>Freetown<br>Sierra Leone |
| **Legal Advisers to the Company in Fiji** | Munro Leys<br>Pacific House, Butt Street,<br>G.P.O. Box 149<br>Suva, Fiji |

| | |
|---|---|
| **Legal Advisers to the Company in Australia** | Clayton Utz<br>1 O'Connell Street<br>Sydney<br>NSW 2000<br>Australia |
| **Legal Advisers to the Company in British Virgin Islands** | Maples and Calder<br>Sea Meadow House<br>PO Box 173<br>Road Town<br>Tortola VG1110<br>British Virgin Islands |
| **Solicitors to the Nominated Adviser and the Joint Brokers** | Charles Russell LLP<br>8 - 10 New Fetter Lane<br>London<br>EC4A 1RS |
| **Reporting Accountants and Auditors** | Mazars LLP<br>Tower Bridge House<br>St Katharine's Way<br>London E1W 1DD |
| **Competent Person** | CSA Consulting International Limited<br>International Business Centre<br>Spindle Way<br>Crawley<br>West Sussex RH10 1TG |
| **Principal Bankers** | Lloyds TSB Bank Plc<br>Moorgate Branch<br>34 Moorgate<br>London EC2R 6PL |
| **Registrars** | Capita IRG Plc<br>Bourne House<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |

# DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

| | |
|---|---|
| "10 August Deed" | the deed dated 10 August 2007 between the Government of the Republic of Fiji and Westech, details of which are set out in paragraph 7.2 (e) of Part V of this document |
| "Acquisition" | the acquisition by the Company of the 80% of the issued share capital of VGI not already owned by the Company on the terms and conditions of the Acquisition Agreement |
| "Acquisition Agreement" | the conditional agreement between the Company and the Vendor dated 14 December 2007 relating to the Acquisition further details of which are set out in paragraph 7.1 (g) of Part V of this document |
| "Act" | the Companies Act 1985 as amended or restated by the Companies Act 2006 |
| "AIM" | a market operated by the London Stock Exchange |
| "AIM Rules for Companies" | the rules for companies published by the London Stock Exchange governing admission to and trading on AIM |
| "Arrangement Fee Shares" | the 25,000,000 new Ordinary Shares to be issued pursuant to the fee arrangements relating to the provision of the Working Capital Facility |
| "Code" | the City Code on Takeovers and Mergers |
| "Combined Code" | the Combined Code on Corporate Governance issued by the Financial Reporting Council dated June 2006 |
| "the Company", or "River Diamonds" | River Diamonds plc, a company incorporated in England and Wales on 1 March 2004 with company number 5059077 |
| "Competent Person's Report" | the report prepared by CSA contained in Part IV of this document |
| "Consideration Shares" | the 477,633,333 new Ordinary Shares to be allotted to the Vendor or its order on completion of the Acquisition as consideration under the Acquisition Agreement |
| "CREST" | the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by Euroclear |
| "CSA" | CSA Consulting International Limited being the Competent Person as required by the AIM Guidance Note for Mining, Oil and Gas Companies |
| "Directors" or "Board" | the Existing Directors and the Proposed Directors |
| "DTR" | Disclosure and Transparency Rules of the FSA made in accordance with section 73A (3) of FSMA |
| "Emperor Mines" | Emperor Mines Limited, the former owner of the Vatukoula Gold Mine |
| "Enlarged Group" | the Company and its subsidiaries as enlarged by the Acquisition |
| "Enlarged Share Capital" | the issued Ordinary Share capital of the Company immediately following Re-Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares |
| "Euroclear" | Euroclear UK & Ireland Limited |
| "Existing Directors" | Ian Colin Orr-Ewing, David Anthony Lenigas, Kiran Caldas Morzaria and Donald Ian George Layman Strang |
| "Existing Group" | the Company and its subsidiaries as at the date of this document |
| "Existing Ordinary Shares" | the 1,104,705,388 Ordinary Shares in issue at the date of this document |
| "Financial Services and Markets Act" or "FSMA" | the Financial Services and Markets Act 2000 |

| | |
|---|---|
| "FIRCA" | the Fijian Islands Revenue and Customs Authority |
| "FSA" | the Financial Services Authority Limited, the single statutory regulator under the FSMA |
| "GDR" | Global Diamond Resources Plc, a company incorporated in Gibraltar and formerly known as Lesotho Diamonds Corporation plc, the holding company of the Kao diamond project in Lesotho |
| "General Meeting" | the general meeting of the Company convened for 10 a.m. on 31 March 2008, notice of which is set out at the end of this document |
| "Hichens Harrison" | Hichens, Harrison & Co. plc |
| "Hichens Harrison Warrant Instrument" | the warrant instrument in the agreed form to be executed by the Company conditional upon Re-Admission pursuant to the terms of the Placing Agreement further details of which are set out in paragraph 7.1(k) of Part V of this document |
| "Listing Rules" | the rules for listing issued by the UK Listing Authority |
| "London Stock Exchange" | London Stock Exchange plc |
| "New Ordinary Shares" | the Consideration Shares, the Placed Shares and the Arrangement Fee Shares |
| "Official List" | the official list of the UK Listing Authority |
| "Ordinary Shares" | ordinary shares of 0.1p each in the capital of the Company |
| "Panel" | the Panel on Takeovers and Mergers, the regulatory body which administers the Code |
| "Panguma Diamond Project" | the project for the exploration for kimberlitic diamonds in the Panguma dykes area of Sierra Leone |
| "Placees" | subscribers for the Placed Shares |
| "Placing" | the conditional placing by Hichens Harrison on behalf of the Company of the Placed Shares |
| "Placing Price" | 6p per Ordinary Share |
| "Placed Shares" | 77,816,666 new Ordinary Shares |
| "Proposed Directors" | John Ian Stalker and Neil Lindsey Herbert |
| "Re-Admission" | the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies |
| "Red Lion" | Red Lion Management Limited, a company incorporated in British Columbia |
| "Relationship Deed" | the agreement between the Company, Templar and certain of the Directors of Templar (being Directors of the Company) details of which are set out in paragraph 7.1(m) of Part V of this document regulating the relationship between the Company and Templar |
| "Resolution" | the shareholders' resolution to be proposed at the General Meeting |
| "Retained Consideration Shares" | those Consideration Shares to be retained by the Vendor and/or the Vendor's Associates which are not subject to the Templar Agreement |
| "Rio Novo Project" | the gold exploration project in Brazil, currently owned by the Company |
| "River Diamonds UK" | River Diamonds UK Limited, a company incorporated in England and Wales being the wholly-owned subsidiary of the Company |
| "SCML" | Sao Carlos Mineração Limitada, a company incorporated under the laws of Brazil and wholly-owned by River Diamonds UK Limited |
| "Shareholder" | a holder of Ordinary Shares |

| | |
|---|---|
| "Special Site Rights" | the special rights granted by the Government of Fiji collateral to production leases that facilitate or assist extraction or processing operations |
| "Special Prospecting Licences" | exclusive rights over a specified area granted under the Fijian Mining Act to prospect for (but not to extract) the minerals named in the licence |
| "Templar" | Templar Minerals Limited, a company incorporated in the British Virgin Islands |
| "Templar Agreement" | the agreement between the Vendor and Templar whereby Templar has agreed to acquire the entitlement of the Vendor to 143,290,000 Consideration Shares |
| "UK" | the United Kingdom of Great Britain and Northern Ireland |
| "United Kingdom Listing Authority" | the Financial Services Authority acting in its capacity as the competent authority for the purposes of FSMA |
| "Vatukoula Gold Mine" or "the Mine" | the gold mine in Fiji being acquired by the Company formerly known as the 'Emperor Gold Mine' and its associated assets, rights and entitlements |
| "Vendor" | Viso Gero Global, Inc., a company incorporated in the British Virgin Islands and controlled by Red Lion |
| "Vendor's Associates" | Fair Choice Limited, Brian Wesson, Amelia Wesson and Clyde Wesson |
| "VGI" | Viso Gero International, Inc., a company incorporated in the British Virgin Islands |
| "Westech" | Westech Gold Pty Ltd, a company incorporated in Australia and where the context so requires its subsidiaries |
| "WH Ireland" | W. H. Ireland Limited |
| "WH Ireland Warrant Instrument" | the warrant instrument in the agreed form to be executed by the Company conditional upon Re-Admission pursuant to the terms of the Placing Agreement further details of which are set out in paragraph 7.1(k) of Part V of this document |
| "Working Capital Facility" | the facility provided by Arlington Special Situations Fund Limited to subscribe for up to £3,000,000 convertible loan notes details of which are set out in paragraph 7.1(h) of Part V of this document |
| "£" or "Pound" | UK pounds sterling, the official currency of the United Kingdom |
| "US$" | United States dollars, the official currency of the United States |
| "AUS$" | Australian dollars, the official currency of Australia |
| "F$" | Fijian dollars, the official currency of Fiji |
| "R$" | Brazilian Reals, the official currency of Brazil |
| "SLL" | Sierra Leone: Leones, the official currency of Sierra Leone |

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Publication of this document and dealings recommence in the Existing Ordinary Shares | 13 March 2008 |
| Latest time and date for receipt of the Forms of Proxy | 10.00 a.m. on 29 March 2008 |
| General Meeting | 10.00 a.m. on 31 March 2008 |
| Completion of the Acquisition, Re-Admission becomes effective and dealings commence in the New Ordinary Shares | 8.00 a.m. on 1 April 2008 |

**SHARE CAPITAL STATISTICS**

| | |
|---|---|
| Number of Existing Ordinary Shares | 1,104,705,388 |
| Number of Placed Shares | 77,816,666 |
| Number of Consideration Shares | 477,633,333 |
| Number of Arrangement Fee Shares | 25,000,000 |
| Number of Retained Consideration Shares | 334,343,333 |
| Enlarged Share Capital following Re-Admission | 1,685,155,387 |
| Consideration Shares as a % of Enlarged Share Capital | 28.34% |
| New Ordinary Shares as a % of Enlarged Share Capital | 34.44% |

**Exchange Rates**

£1: F$3.03

£1: AUS$2.14

## PART I

## LETTER FROM THE CHAIRMAN OF RIVER DIAMONDS plc

# River Diamonds plc

*(Incorporated and registered in England and Wales with registered number 5059077)*

**Existing Directors:**
Ian Colin Orr-Ewing, (*Executive Chairman*)
Kiran Caldas Morzaria, (*Finance Director*)
David Anthony Lenigas, (*Executive Director*)
Donald Ian George Layman Strang, (*Non-Executive Director*)

**Registered Office:**
Carmelite, 50 Victoria Embankment,
London EC4Y 0LS

**Proposed Directors:**
John Ian Stalker, (*Proposed Non-Executive Director*)
Neil Lindsey Herbert, (*Proposed Non-Executive Director*)

13 March 2008

*To Shareholders and, for information purposes only, all holders of options in the Company*

Dear Shareholder

**Proposed acquisition of all the share capital of VGI not held by the Company**

**Application for Re-Admission of the Enlarged Share Capital of the Company to trading on AIM**

**Notice of General Meeting**

### 1. Introduction

River Diamonds announced on 14 December 2007 that it had signed a conditional agreement to acquire from the Vendor the 80% of the share capital of VGI not already held by the Company. Trading in the Ordinary Shares had been suspended on 27 November 2007 upon the announcement of discussions relating to the transaction and resumed upon publication of this document. It is a condition precedent of the Acquisition Agreement that VGI will have acquired the 6% of Westech not held by VGI on or before the completion of the Acquisition. Accordingly, subject to completion of the Acquisition in accordance with the terms of the Acquisition Agreement, the Company will own the whole of VGI and will indirectly, wholly own the Vatukoula Gold Mine in Fiji.

The consideration payable under the Acquisition Agreement is to be satisfied by the issue of the Consideration Shares to the Vendor and the persons nominated by the Vendor and a cash payment of AUS$2,100,000 to the Vendor. This values the 80% interest in VGI at £29,561,000 based on the Placing Price being attributed to the Consideration Shares and the conversion of the cash consideration into Sterling at an exchange rate of AUS$2.14 to the £. The consideration is to be satisfied upon Re-Admission, which if the Acquisition is approved by Shareholders, is anticipated to be on 1 April 2008.

Under the terms of the Templar Agreement 143,290,000 of the Consideration Shares will be acquired by Templar and accordingly the Vendor and the Vendor's Associates will initially retain 334,343,333 Retained Consideration Shares.

The Consideration Shares will represent 28.3% of the Enlarged Share Capital and will, when issued, rank *pari passu* in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Re-Admission. The Retained Consideration Shares will represent 19.8% of the Enlarged Share Capital and be held by the Vendor and the Vendor's Associates:

The Company also announced on 14 December 2007 that it had conditionally placed 70,833,833 Placed Shares and on 5 March 2008 that it had conditionally placed a further 6,983,333 Placed Shares in each case at the Placing Price to raise gross aggregate proceeds of £4,669,000. Such funds will be deployed to fund the cash consideration for the Acquisition, for further re-commissioning costs, and other working capital and operational costs of the Mine. The Placing is conditional on completion of the Acquisition and Re-Admission. The Placed Shares will represent 4.6% of the

Enlarged Share Capital. In addition the Company has secured the Working Capital Facility (further details of which are set out in paragraph 7.1 (h) of Part V of this document) which is conditional on the completion of the Acquisition and Re-Admission.

The Acquisition will, if completed, constitute a reverse takeover under the AIM Rules for Companies and accordingly requires approval by Shareholders which will be sought at the forthcoming General Meeting. Re-Admission is conditional, amongst other things, on the passing of the Resolution at the General Meeting. If the Resolution is not passed at the General Meeting, the Acquisition and the Placing will not proceed, funds will not be available under the Working Capital Facility, and trading in the Existing Ordinary Shares on AIM will continue.

The purpose of this document is to set out the principal terms of, and to seek Shareholder approval for, the Acquisition and to explain why the Existing Directors believe that the Acquisition is in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolution.

## 2. Background to and reasons for the Acquisition

The Company was admitted to AIM on 26 August 2004 to pursue a strategy of building and exploiting a portfolio of mineral exploration and mining projects. Initially the Company focused principally on exploration for alluvial diamond deposits in Brazil, through the projects at Alto Paraguai and Diamantino.

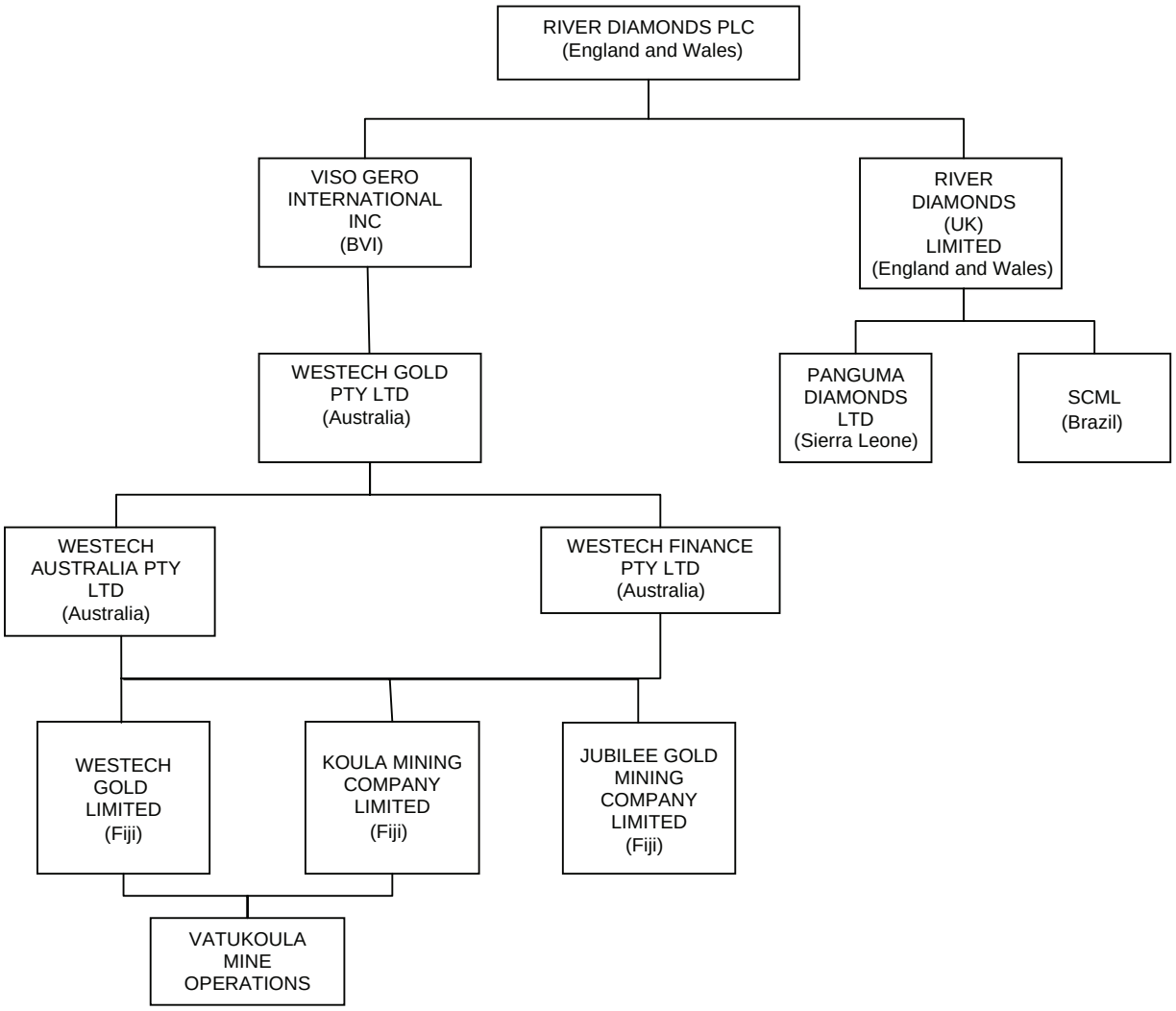
In the following year, after a strategic review, the Company extended its investment in exploration to include kimberlite resources at Paranatinga in Brazil and in Sierra Leone, through its participation in the Panguma dyke project which it now wholly owns. Through its diamond exploration activities in Brazil, the Company was given the opportunity to apply for gold exploration licences in the Rio Novo project in central Brazil and to date it has carried out some preliminary gold exploration over the area. The Company's diamond exploration licences have all lapsed or are being allowed to lapse. In April 2007, the Company acquired 0.46% of the ordinary share capital of GDR. GDR is a diamond exploration and development company whose principal asset is the Kao diamond project in Lesotho.

While the Company already has limited exposure to gold in Brazil, in the second half of 2007 it was presented with the opportunity to extend its interests in the gold sector and to participate in productive or near productive operations by acquiring in two stages (through subscribing for new shares for cash) 20% of the equity of VGI for an aggregate amount of £4,250,000. This investment has given the Company an indirect equity interest in the Vatukoula Gold Mine of approximately 19%. The investment in the Vatukoula Gold Mine has provided the Company with access to a near term producing asset at a time of prevailing strong gold prices.

The Acquisition will provide the Company with 100% ownership of the Vatukoula Gold Mine enabling it to have full control over its existing investment in the Mine and to expand significantly its interest in the gold sector.

## 3. Structure of the Enlarged Group

On Re-Admission, the Enlarged Group structure will be as shown below:




*Note: All subsidiaries of the Enlarged Group will be wholly owned by the Company.*

## 4. Information on the assets of the Enlarged Group

Certain information on the assets of the Enlarged Group is given below.

*Vatukoula Gold Mine in Fiji*

**Introduction**

The Vatukoula Gold Mine is an underground mine with an operational history of over 70 years[1]. The Company currently has a 19% indirect equity interest in the Vatukoula Gold Mine and on completion of the Acquisition, the Enlarged Group will hold a 100% indirect equity interest in the Mine.

**Areas of operations – Fiji**

The Mine is located in Fiji, an island group in the South Pacific Ocean. Fiji comprises two main islands, Viti Levu and Vanua Levu, with many smaller islands surrounding. The Mine is located in the northern part of the island of Viti Levu within the Tavua Basin, situated within the Tavua volcano[2].

Fiji became independent in 1970, after nearly a century as a British colony. Democratic rule was interrupted by two military coups in 1987, caused by concern over a government perceived as

1 Competent Person's Report, March 2008, p. 3
2 Competent Person's Report, March 2008, p. 3

dominated by the Indian community. The coups and a 1990 constitution that cemented native Melanesian control of Fiji, led to heavy Indian emigration; the population loss resulted in economic difficulties, but ensured that Melanesians became the majority. A new constitution enacted in 1997 was more equitable. Free and peaceful elections in 1999 resulted in a government led by an Indo-Fijian, but a civilian-led coup in May 2000 ushered in a prolonged period of political turmoil. Parliamentary elections held in August 2001 provided Fiji with a democratically elected government led by Prime Minister Laisenia Qarase. Re-elected in May 2006, Qarase was replaced in December 2006 following a military coup led by Commodore Voreqe Bainimarama, who became president. He was subsequently replaced as president by Ratu Joseph Iloilo and in January 2007, Bainimarama was appointed interim prime minister. The Directors believe that there is now a degree of stability in the country.

**Reserves and Resources**

The Competent Person's Report assigned mineral reserves and resources to the Vatukoula Gold Mine as follows:

| | *Gross* | | | *Net Attributable* | | | |
|---|---|---|---|---|---|---|---|
| *Category* | *Tonnes (millions)* | *Grade Au (oz/t)* | *Contained Metal Au (millions of ozs)* | *Tonnes (millions)* | *Grade Au (oz/t)* | *Contained Metal Au (millions of ozs)* | *Operator* |
| **Mineral Reserves** | | | | | | | Westech Gold Pty |
| Proved | 1.23 | 12.30 | 0.49 | 0.23 | 12.30 | 0.09 | |
| Probable | 1.11 | 10.50 | 0.37 | 0.21 | 10.50 | 0.07 | |
| Depletion | (0.08) | 12.30 | (0.03) | (0.02) | 12.30 | (0.01) | |
| **Sub-Total** | 2.26 | 11.41 | 0.83 | 0.43 | 11.41 | 0.16 | |
| **Mineral Resources** | | | | | | | |
| **Vatukoula Underground** | | | | | | | |
| Measured | 3.87 | 16.99 | 2.11 | 0.74 | 16.99 | 0.40 | |
| Indicated | 3.24 | 11.72 | 1.22 | 0.62 | 11.72 | 0.23 | |
| Inferred | 4.63 | 10.77 | 1.61 | 0.88 | 10.77 | 0.30 | |
| Depletion | (0.08) | 16.99 | (0.04) | (0.02) | 16.99 | (0.01) | |
| **Sub-Total** | 11.66 | 13.06 | 4.90 | 2.22 | 13.06 | 0.93 | |
| Vatukoula Tailings | | | | | | | |
| Measured | 4.49 | 1.50 | 0.22 | 0.85 | 1.50 | 0.04 | |
| Indicated | 0.69 | 1.30 | 0.03 | 0.13 | 1.30 | 0.01 | |
| Inferred | | | | | | | |
| **Sub-Total** | 5.18 | 1.47 | 0.25 | 0.98 | 1.47 | 0.05 | |
| **Total** | 16.84 | 9.49 | 5.15 | 3.20 | 9.49 | 0.98 | |

*Source: Competent Person's Report, March 2008, p., 5*

*Note: Gross are 100% of the reserves and resources which also reflects the reserves and resources of the Enlarged Group*

*Net attributable are the reserves and resources indirectly attributable to the Company as at the date of this document*

**Net Present Value of the Vatukoula Gold Mine**

The Competent Person has estimated the Net Present Value in US$m of the Vatukoula Gold Mine (on a 100% basis) under a variety of discount rates and gold prices as set out on the following table[3]. The assumptions supporting these calculations are set out on pages 91-99 of the Competent Person's Report in Part IV of this document.

| | | *Gold Price US$ per ounce* | | |
|---|---|---|---|---|
| | | *750* | *850* | *950* |
| Discount Rate | 8% | US$ 108.5 | US$ 169.5 | US$ 230.6 |
| Discount Rate | 10% | US$ 100.1 | US$ 157.2 | US$ 214.3 |
| Discount Rate | 12% | US$ 92.6 | US$ 146.1 | US$ 199.6 |

3 Competent Person's Report, March 2008, p. 8

**Mine geology and Mineralisation**

The Mine is hosted within basaltic rocks of the Tavua Volcano, except for the R1 area which is hosted in the younger Turtle Pool Formation. Mineralisation is hosted within quartz carbonate veins and are typically seen as flatmakes, steep shears and shatter zones. Flatmakes are shallow to moderate dipping mineralised fractures, steep shears have a dip of greater than 45 degrees and shatter zones are zones of intersection between one or more flatmakes with two or more major faults or faulted dykes. The main ore bodies are the Prince/Dolphin flatmake, Matanagata flatmake, 2000N flatmake and 166N flatmake. In addition to flatmake mineralisation there is the R1 area and Steep Structures that relate to the flatmakes[4].

**Exploration**

As part of the planned restart, substantial near-mine and development exploration has been planned. This will initially focus on mineralisation along strike and down dip of existing ore bodies; once this has been completed exploration will begin on the Basala target. This target is 200 square metres with an elevated soil gold grade of 0.25 ppm.[5]

There is also exploration potential at two localities around the caldera, the Nasomo magnetic target and the Waikatakata area.[6]

The Competent Person believes significant further upside with regard to potential additional resources exists.[7]

**Associated Assets**

At the Mine site there is a seven hundred thousand tonne per annum processing facility, which includes crushing, grinding, flotation, roaster, and CIP and tailings dams. Equipment at the Mine also includes several Toro load-haul-dump vehicles, jumbo rigs, support trucks and other associated equipment. Infrastructure at the Mine also includes a 20.5 Mega-watt power station and freehold land[8].

**Leases and other rights**

The Mine operates within three mining leases which cover a total area of 1,254.91 hectares with the associated Special Site Rights (which respectively confer certain access rights, rights to draw water and the right to maintain tailings) and Special Prospecting Licences (which give rights to explore areas outside of the mining leases). A summary of these leases, the Special Site Rights and the Special Prospecting Licences is set out at paragraph 8.2 of Part V of this document. The Special Site Rights and Special Prospecting Licences have expired (see Risk Factors in Part II of this document) and are at present under application for renewal and in the meantime the Mine continues to utilise the rights conferred.

**Operating history of the Vatukoula Gold Mine**

The Mine commenced production in 1933 and has produced some seven million ounces of gold and over two million ounces of silver from the treatment of around 22,500,000 tonnes of ore.[9]

4 Competent Person's Report, March 2008, p. 3
5 Competent Person's Report, March 2008, p. 42
6 Competent Person's Report, March 2008, p. 42
7 Competent Person's Report, March 2008, p. 8
8 Competent Person's Report, March 2008, p. 21, 60
9 Competent Person's Report, March 2008, p. 6

The table below shows historic production from the Mine for the period 1996 to 2006, as extracted from the Competent Person's Report in Part IV of this document:

| *Year* | *Ore Tonnes Milled* | *Recovered Grade (g/t)* | *Recovered Ounces (oz)* |
|---|---|---|---|
| 1996 | 594,919 | 6.44 | 123,197 |
| 1997 | 675,612 | 5.61 | 121,780 |
| 1998 | 586,499 | 5.74 | 108,306 |
| 1999 | 509,242 | 7.62 | 124,811 |
| 2000 | 568,903 | 7.82 | 143,039 |
| 2001 | 520,575 | 6.79 | 113,589 |
| 2002 | 547,702 | 7.45 | 131,175 |
| 2003 | 529,611 | 6.73 | 114,642 |
| 2004 | 574,137 | 6.83 | 126,017 |
| 2005 | 525,221 | 6.16 | 104,033 |
| *2006 | 343,612 | 5.76 | 63,583 |

*Source: Competent Person's Report March 2008*

* Production from all sections of the Mine was shutdown in April 2006, following which Philip Shaft production was gradually re-started in June 2006. As a result of the shutdown, tonnes treated and grade were both lower for the 12 months ending 30 June 2006[10]

The aggregated operating losses of the subsidiaries of Westech that are involved in the ownership and operation of the Vatukoula Gold Mine, for each of the three years ended 30 June 2007, have been extracted from the Accountants' Report in Part III(D) of this document and are set out below:

| | *2005 AUS$'000* | *2006 AUS$'000* | *2007 AUS$'000* |
|---|---|---|---|
| Revenue | 65,805 | 38,039 | 21,408 |
| Cost of sales | (58,115) | (53,561) | (33,093) |
| **Gross profit/(loss)** | 7,690 | (15,522) | (11,685) |
| Other operating income | 1,021 | — | — |
| Administrative expenses | (15,342) | (14,613) | (10,526) |
| Other operating expenses | (24,213) | (5,014) | (46,904) |
| **Operating loss** | (30,844) | (35,149) | (69,115) |

The Directors believe that the operating losses of the last three years can be attributed to a combination of a lower prevailing gold prices compared to the current gold price and high operating and administrative costs. Moreover after June 2005, the management of the Mine decreased production without a proportionate decrease in operating and administrative expenses. Therefore, the losses grew substantially between 2005 and 2007.

The Mine was placed on care and maintenance by its previous owners, Emperor Mines, in December 2006 following (it is understood), a review of its operating climate and on 6 January 2007 members of the military forces of Fiji entered parts of the Vatukoula Gold Mine. After discussions between Emperor Mines and the Fijian Government, the government imposed a number of conditions to Emperor Mines continuing its operations. These conditions were regarded as untenable by Emperor Mines and therefore on 28 March 2007 it sold all of its Fijian assets, including the Vatukoula Gold Mine, to Westech.[11]

**10 August Deed**

Following the sale to Westech, Westech pursued further discussions with the Fijian Government as a result of which a deed was signed by both Westech and the Fijian Government on 10 August 2007 which provides, amongst other things, certain tax concessions with respect to the operations of the Mine; in particular:

10 Emperor Mines Limited "Annual Report 2006", p11

11 Competent Person's Report, March 2008, p.26

(i) a reduction from 6% to 3% in tax and royalties on ore extracted for a period of five years;

(ii) a two year exemption on import duties on automotive diesel and industrial diesel oil for use at the Mine;

(iii) a five year exemption from export tax;

(iv) an exemption from fiscal duty on the import of plant equipment machinery and motor vehicles required to operate the mine for a period of three years; and

(v) eligibility to seek exemption from payment of without holding tax on overseas payments of interest, consultants fees and dividends.

In addition, the 10 August Deed confirmed that the mining leases, Special Site Rights and Special Prospecting Licences remained valid notwithstanding any previous breaches of the Fijian Mining Act.

Under the terms of the 10 August Deed, Westech agreed to contribute funds to a rehabilitation trust fund aimed at the remediation of the environmental and social aspects of the local community around the Vatukoula Gold Mine. These contributions comprise the initial contribution of £460,000 and four further annual contributions of approximately £350,000 each. The initial contribution is currently being held in escrow awaiting the formal establishment of the Rehabilitation Trust Fund.

**Re-commissioning plan**

Since its acquisition by Westech, efforts have been focused on re-commissioning the Mine. Key steps which have been taken include:

- Re-commissioning of operational shafts and ore and waste passes.
- Commencement of mining with ore being hauled to surface.
- Re-commissioing of the assay office and the engagement of geologists and samplers.
- Re-commissioning of the environmental water laboratory and the establishment of an environmental monitoring plan.
- Preparation of the processing plant for commissioning in March 2008.

The Competent Person's Report has made a number of operational recommendations in relation to the Mine. In particular, these covered:

- Some Quality Assurance and Quality Control measures in the geological department.
- Geotechnical matters.
- Staffing at the mineral processing plant.
- Environmental matters.

The Board is currently considering all of these recommendations and, to the extent to which they have not already been addressed, will consider the necessary steps for implementation, should this be deemed appropriate.

The strategy of the Enlarged Group will be to bring the Mine back to full production by the second half of 2009. Extraction of the underground ore reserves commenced in November 2007. The Directors expect that treatment of the ore will commence in March 2008 with a throughput of 129,000 tonnes of underground ore by the middle of 2008, rising to 524,000 tonnes of underground ore in the following year, producing an expected 26,000 ounces of gold in respect of the first period and rising to approximately 110,000 ounces in the following year.

The mill feed ore is expected to come from the current ore reserves and resources. Due to the continuity of the mineralised bodies, both along strike and down dip, the Directors are confident, as confirmed in the Competent Person's Report, that the reserve tonnes will increase once additional exploration is commenced[12].

The mining operations use conventional labour intensive stoping methods together with trackless ground handling and haulage followed by skip hoisting via the vertical shafts. Stoping will be a mixture of Long Wall Breast, Shrinkage and Cut and Fill.[13]

Further information on the Vatukoula Gold Mine is set out in the Competent Person's Report in Part IV of this document.

12 Competent Person's Report, March 2008, p.62

13 Competent Person's Report, March 2008, p.53

**Litigation and Creditors**

Westech has, since it acquired the Vatukoula Gold Mine, in addition to restoring the Mine operationally, been seeking to put in order the financial affairs of its Fijian subsidiaries and, in particular to address, two significant outstanding issues.

1. FIRCA raised in August 2007 an assessment for approximately F$11.1 million in respect of withholding taxes on dividend and interest payments in respect of the period 1988 to 2005 and the relating late payment penalties. These claims are not accepted by Westech and are the subject of a legal appeal which in the Directors' opinion, have taken legal advice, is unlikely to be determined before the end of the year.

   In the meantime in an agreement signed, after Westech had taken legal advice, on 21 February 2008 between FIRCA and Westech, without prejudice to the position of either Westech or FIRCA in relation to the substantive issues of the claims, FIRCA has agreed to take no further steps in respect of their claims and Westech has in return agreed to make certain without prejudice payments out of revenue, on account of the tax and penalties. If and to the extent that Westech's appeal succeeds it will able to claim the return of the commensurate amount paid under this agreement.

2. There are approximately 230 unsecured creditors of Westech who are owed approximately F$8.8m in trade debts pre-dating the December 2006 Mine closure. These debts are in large part undisputed. In addition, Westech has provided for a further amount of approximately F$3.2m in respect of contingent liabilities for payments for redundancies made prior to the acquisition of the Mine (the final amount of which is the subject of appeal proceedings in the Fijian courts).

   In respect of the amounts owing to the trade creditors, an application to the High Court in Fiji is now being prepared to establish a scheme of arrangement for the repayment of trade creditors over a court-sanctioned period of time.

*Panguma Diamond Project, Sierra Leone*

In June 2005, the Company entered into a joint venture agreement with Olympus Development Company Ltd which allowed it to acquire a participating interest of up to 51% of the Panguma Diamond Project in Sierra Leone. Between December 2005 and December 2006 the Company explored the deposit under the joint venture agreement. In December 2006 the Company acquired full ownership of the Panguma Diamond Project by the purchase of Panguma Diamond Limited.

**The Panguma exploration licence expired on 1 March 2008.** The licence can be renewed for a further term of one year at the discretion of the Minister of Mineral Resources. The Company has applied for a renewal for a further term of one year.

The following information on the Panguma Diamond Project has been extracted from the Competent Person's Report which can be found in full in Part IV of this document.

The Panguma area is about 230 km from Freetown and covers approximately 5,400 hectares in eastern Sierra Leone. In recent years Sierra Leone appears to have stabilised politically, in the view of the Directors. In the view of the Competent Person, new bedrock diamond discoveries, as well as the high value of Sierra Leone diamonds combine to make the country a prime target for diamond exploration.

Prior to the work undertaken by River Diamonds, the Panguma kimberlites, part of the Tongo dyke system, had never been commercially explored. An alluvial diamond rush took place from 1956 that made Panguma one of the main diamond centres in Sierra Leone.

River Diamonds initiated a detailed exploration programme on the Panguma concession in 2006. Field work comprised initial surveying of the concession area, geological mapping, collection of mini-bulk samples, core drilling, and geochemical soil sampling.

Exploration by River Diamonds has demonstrated that a number of the kimberlite dyke systems located at Panguma have a strike extent up to 4-5km and the mini-bulk sampling programme confirms that most of the Panguma dykes are diamondiferous, with strongly anomalous values within the widest reported (composite) dyke at 0.8m. Some of the other dykes/fissures sampled also contain interesting grades up to 0.77ct/t, although dykes are narrower and may splay and pinch towards the southwest. These results bear comparison with similar work reported by Mano River and partners from the Lion dykes at Kono and the Tongo dyke system, although the narrow width of the dykes at Panguma can present a challenge to economic evaluation and development. Given the narrow dyke

width the proposed collection of a bulk sample of up to 1,000 tonnes will require shaft sinking and underground mining on one or more dykes.

*Rio Novo Project, Brazil*

River Diamonds has two licences which give it the right to explore for gold within the Tapajós gold province in central Brazil, an area which has undergone very little modern exploration. The Directors, however, believe that the high numbers of artisanal miners working the area suggest that significant gold mineralisation may be present. The licensed areas lie in a highly prospective area, with other companies actively exploring the surrounding area and the working Palito mine, owned by Serabi Mineraçaó, which is adjacent to the licensed areas[14].

The mineralisation in the area is associated with quartz veining and hydrothermal alteration related to the veins[15].

Rio Tinto undertook a systematic mineral exploration across the province in the 1980's and the Brazilian Geological Survey also carried out a regional mapping and geophysical survey in 2000. In November 2006, River Diamonds undertook a geological review of the area focusing on historic and current artisanal workings of both of alluvial and vein hosted origin. The work included mapping and grab sampling[16].

The Competent Person's Report expresses the opinion that the area has significant gold potential and that River Diamonds should carry out a well planned exploration programme across the area to identify possible targets for further exploration[17].

Further information on the Rio Novo Project is set out in the Competent Person's Report in Part IV of this document

*Kao Diamond Project, Lesotho*

On 26 April 2007, the Company acquired 1,212,121 ordinary shares in Global Diamond Resources plc (representing approximately 0.46% of its issued share capital as of December 2007) for £400,000.

GDR's principal asset is the 93% owned Kao Diamond Project in Lesotho which is a kimberlite deposit with an indicated and measured resource of 147 million tonnes of kimberlite at a grade of 6.9 carats per hundred tonnes. The Kao Diamond Project was commissioned on 22 November 2007, and during the first week 30 tonnes of alluvial material was processed producing the first diamonds including a 0.86 carat stone[18].

## 5. Strategy of the Enlarged Group

The Company's near term strategy is to bring the Vatukoula Gold Mine back to full production and profitability, and to exploit any exploration potential at or surrounding the Mine. Currently, there is no plan or intention to hedge the gold production from the Mine.

The Company's initial focus will be on processing the current ore stockpiles and extracting further ore from the upper areas of the mine.

The Directors believe that the combination of stringent cost controls and management expertise with strong gold prices, and operations unburdened by hedging obligations will provide an opportunity to bring the Mine back to profitability.

The Company is currently assessing its strategy with respect to its diamond and gold assets in Sierra Leone and Brazil respectively. Over the next 12 months the Company will determine which course of action will deliver the greatest value to shareholders.

The Company will also consider opportunities for acquisitions in the global exploration and minerals sector, particularly of undervalued or under capitalised assets.

Conditional upon Re-Admission, the Board will consider changing the corporate name of the Company.

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14 Competent Person's Report, March 2008, p. 123
15 Competent Person's Report, March 2008, p. 126
16 Competent Person's Report, March 2008, p. 127
17 Competent Person's Report, March 2008, p. 130
18 http://www.globaldiamondres.com

## 6. Principal Terms of the Acquisition

On 14 December 2007, the Company entered into the Acquisition Agreement, completion of which is conditional upon the passing of the Resolution at the General Meeting and Re-Admission, to acquire all of the share capital of VGI not already held by it from the Vendor. It is a condition precedent of the Acquisition Agreement that VGI will have acquired the remaining 6% of Westech.

The aggregate consideration for the Acquisition is £29,561,000 to be satisfied by the issue of the Consideration Shares and a cash payment of AUS$2,100,000. The terms of the Acquisition Agreement provide that 286,580,000 of the Consideration Shares will be issued to the Vendor and that, upon the Vendor's directions, 143,290,000 Consideration Shares will be issued to Fair Choice Limited and 15,921,111 Consideration Shares will be issued respectively to each of Brian Wesson, Amelia Wesson and Clyde Wesson. Under the Templar Agreement, Templar has acquired the right to 143,290,000 of the Vendor's entitlement to Consideration Shares.

The Consideration Shares will represent 28.3% of the Enlarged Share Capital and the Retained Consideration Shares will represent 19.8% of the Enlarged Share Capital.

Templar will hold 25.4% of the Enlarged Share Capital. Templar's relationship with the Company from Re-Admission will be governed through the Relationship Deed, details of which are set out in paragraph 7.1 (m) of Part V of this document.

Subject to completion of the Acquisition, the Company will own 100% of VGI and will indirectly, through Westech and its subsidiaries, own 100% of the Vatukoula Gold Mine.

## 7. Details of the Placing

Conditional upon the completion of the Acquisition and Re-Admission, the Company has raised £4,669,000 (gross) through the placing of 77,816,666 Placed Shares. The Placed Shares will represent approximately 4.6% of the Enlarged Share Capital. A summary of the Placing Agreement is contained in paragraph 7.1 (k) of Part V of this document.

## 8. Information on the Vendor and the Vendor's Associates

The Vendor and Vendor's Associates will at Re-Admission hold the Retained Consideration Shares.

The Vendor is a company incorporated in the British Virgin Islands which is indirectly owned by Red Lion. Red Lion is a private holding company, based in Vancouver, Canada and headed by Walter H. Berukoff.

For the last 30 years, Mr Berukoff has been a mining entrepreneur and taken an active role in developing and restructuring business enterprises throughout the Americas, Europe, Africa and Asia. Mr Berukoff is the founder of several mining companies, including American Eagle, Miramar Mining Corporation, Northern Orion Resources, La Mancha Resources and X-Tal Resources[19].

Fair Choice Limited, which is incorporated in Hong Kong, is an investment vehicle of Michael Silver who has a background in mining and was formerly managing director of Dome Resources NL.

Mr Brian Wesson is the founder of Westech which purchased the Vatukoula Gold Mine from Emperor Mines in March 2007. Brian has over 23 years' experience as a senior executive in several mining companies, and prior to founding Westech, he held an executive position with Emperor Mines. Mr Wesson has also been employed by Durban Roodepoort Deep Limited (South Africa), East Rand Proprietary Mines Limited, and Harmony Gold Mine Virginia.

Amelia Wesson and Clyde Wesson are respectively Mr Wesson's wife and son.

The Retained Consideration Shares will be held as follows:

| *Name* | *Retained Consideration Shares* |
|---|---|
| The Vendor | 143,290,000 |
| Fair Choice Limited | 143,290,000 |
| Brian Wesson | 15,921,111 |
| Amelia Wesson | 15,921,111 |
| Clyde Wesson | 15,921,111 |
| **Total** | 334,343,333 |

19 http://www.redlionmgmt.com/management.html

## 9. Use of Proceeds

The net proceeds of the Placing are expected to amount to approximately £4m and will be used to fund the cash consideration for the Acquisition, for further re-commissioning costs, and other working capital and operational costs of the Mine.

## 10. Current Trading and Prospects

If the Acquisition is completed, the Company's principal activity will be the operations at the Vatukoula Gold Mine. In November 2007, the first gold was poured since the Mine was placed on care and maintenance in December 2006. River Diamonds made a loan of £1.45m to VGI between December 2007 and January 2008 for working capital requirements of the Mine. Ore extraction commenced in December 2007 and has been continuing.

The Board expects that the results of operations of the Company will be principally affected by the volumes of gold which can be extracted from the Mine and subsequently sold, the ability to control costs at the Mine, the prevailing gold price and by general market, political and macroeconomic conditions.

Shareholders should be aware that if the Acquisition is not approved or is otherwise not completed the Board anticipates that, in the absence of the funds arising from the Placing or from the Working Capital Facility (both of which are conditional on completion of the Acquisition) and in view of the irrecoverable costs associated with the Acquisition and Re-Admission, in the near term there would be severe constraints placed on the Company's activities until it is able to effect a further capital raising.

## 11. Existing Directors and Proposed Directors

Shortly before the publication of this document and in anticipation of the changed composition of the Board following completion of the Acquisition, Anthony Balme and Nicholas Shaw-Hardie resigned as Directors. In addition, David Lenigas has agreed to provide his services in an executive capacity, and accordingly will cease to be treated as a non-executive director. Donald Strang was appointed as a non-executive director on 12 March 2008. It is intended that John Stalker and Neil Herbert will be appointed as directors of the Company with effect from Re-Admission. Brief biographies of the Directors are set out below:

*(i) Existing Directors*

Ian Colin Orr-Ewing, *Executive Chairman, age 66*

Mr Orr-Ewing is a graduate of Oxford University in Geography and has been involved in the natural resources sector for 35 years. He began his career as an investment manager for the Shell Pension Fund in London after completing his education as a Certified Accountant. His experience covers both the oil and mining industries and he has been a director of UK and Canadian oil companies and Irish and Canadian mining companies. Currently, Mr Orr-Ewing also advises a fund management company on its natural resources portfolios. Mr. Orr-Ewing also has extensive experience in international financial affairs. He was deeply involved in the oil industry from 1971 through to 1987 with numerous companies in the North Sea, Libya, Nigeria and Algeria.

Kiran Caldas Morzaria, *Finance Director, age 34*

Mr Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has eight years of experience in the mineral resource industry covering gold and diamonds. Mr Morzaria spent his first four years in exploration, mining and civil engineering working for Highland Gold, Firestone Diamonds and CL associates. He was appointed Finance Director of River Diamonds plc in 2004 and since then has been overseeing the development of its mining and exploration projects in Sierra Leone and Brazil and the expansion of the Company's interests into gold mining. In this role, Mr Morzaria has been involved in acquisitions, joint ventures, valuations, independent experts' reports, due diligence and capital raisings. Mr Morzaria is currently a non-executive director of Immersion Technologies International plc, Hot Tuna (International) plc and Brinkley Mining plc.

David Anthony Lenigas, *Executive Director, age 46*

Mr. Lenigas holds a Bachelor of Applied Science Degree in Mining Engineering. Currently the executive chairman of Lonrho plc, he has extensive experience operating in the public company environment. Mr. Lenigas is also executive chairman of Leni Gas & Oil plc, Lonrho Mining plc and Lonzim plc and director of Global Coal Management PLC and Templar Minerals Limited.

Mr Lenigas was the Managing Director between 1989 and 1991 of the joint venture company between Western Mining and Emperor Mines which ran the Vatukoula Gold Mine.

Donald Ian George Layman Strang, *Non-executive Director, age 40*

Mr Strang is a qualified chartered accountant with 20 years' experience in the financial and resources sectors. He has experience operating in the AIM environment. He is currently finance director for Brinkley Mining plc and also for Leni Gas and Oil plc. He is also a non-executive director of Lonrho plc.

Mr Strang was previously the chief financial officer and company secretary for Global Coal Management plc (formerly Asia Energy plc) and BDI Mining Corp. He has previously held senior financial positions with Ernst & Young and several publicly listed Australian gold mining companies (Macraes Mining Company Limited and Perilya Mining Limited) and has also worked with Deutsche Bank and Credit Suisse Group in the investment banking sector.

*(ii) Proposed Directors*

John Ian Stalker, *Proposed Non-executive Director, age 55,*

Mr Stalker was the Chief Executive Officer of UraMin Inc, a London and Toronto listed Uranium exploration and development company until late 2007 when the company was acquired by Areva.

Prior to joining UraMin, Mr Stalker was at Gold Fields Ltd., the world's fourth largest gold producer. At Gold Fields, he managed the company's PGE project in Finland starting in 2001 and eventually became a vice president and responsible for all of the company's projects in Australia and Europe in 2004.

Prior to Gold Fields, he worked at Lycopodium, an engineering, mining, and metallurgical consultancy company. Mr Stalker has also been employed by Ashanti Goldfields Company Limited, Caledonia Mining Corporation, AGC Ltd. and Zambia Consolidated Copper Mines Ltd. He holds a BSc. in chemical engineering.

Mr Stalker is a non-executive director of Templar Minerals Limited, a substantial shareholder of the Company.

Neil Lindsey Herbert *Non-executive Director, age 41*

Mr Herbert was the former Finance Director of UraMin Inc , a London and Toronto listed Uranium exploration and development company until late 2007 when the company was acquired by Areva. Mr. Herbert was previously Finance Director of Galahad Gold PLC, International Molybdenum PLC, Kalahari Diamond Resources PLC and HPD Exploration PLC. He was also Chief Financial Officer of Argentinian gold explorer Brancote Holdings PLC until its acquisition by Meridian Gold Inc and was Group Financial Controller of Antofagasta PLC when the Los Pelambres and El Tesoro copper mines were brought to production. Before joining the mining sector he worked for PricewaterhouseCoopers and he is a fellow of the Association of Chartered Accountants.

Mr Herbert is a non-executive director of Templar Minerals Limited, a substantial shareholder of the Company.

*(iii) Senior Management*

Brian Stanley Wesson, *Technical Manager, age 49*

Mr Wesson was a founder of Westech International Engineering ("WIE") which owned the Vatukoula Gold Mine. Mr Wesson was the Executive Manager of WIE and adviser to their board in Fiji.

Prior to WIE, Mr Wesson held an executive position with Emperor Mines dealing with corporate strategic projects and was a director of South Pacific Infrastructure Pty Limited. Mr Wesson has also been employed by Durban Roodepoort Deep Limited (South Africa), East Rand Proprietary Mines Limited, and Harmony Gold Mine Virginia.

**12. Corporate Governance**

The Directors intend that the Company will continue to comply with the main provisions of the Combined Code in so far as they are practicable for a company of its size. It is proposed that each of the Proposed Directors will be appointed to the Board conditional on Re-Admission. Upon Re-Admission, the Company will therefore have three non-executive directors with relevant experience to complement the executive directors and to provide an independent view to the Board.

The Directors have established an audit committee, a remuneration committee and a nomination committee with formally delegated duties and responsibilities. However, with effect from Re-Admission, the audit committee will comprise Donald Strang and Neil Herbert with Donald Strang as Chairman. It will continue to be responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

With effect from Re-Admission, the remuneration committee will comprise Neil Herbert and Donald Strang with Neil Herbert as Chairman. It will continue to be responsible for reviewing the performance of the executive Directors, setting their remuneration, determining the payment of bonuses to the executive Directors, and consider the Enlarged Group's bonus and options schemes.

The nomination committee will, with effect from Re-Admission, comprise Colin Orr-Ewing, David Lenigas and the non-executive Directors and will be chaired by David Lenigas. The nomination committee will meet at least once a year and at such other times as the chairman of the committee requires and has the responsibility for managing the process of making Board appointments and recommendations to the Board to provide a formal, transparent and rigorous appointments procedure

The Combined Code provides that smaller companies should have at least two independent non-executive directors. However, John Stalker and Neil Herbert are also directors of Templar Minerals Limited which is a substantial shareholder of the Company and furthermore, John Stalker will also be performing some executive functions. Accordingly only Donald Strang fully satisfies the independence criteria set out in the Combined Code. In the near term, the Board believes that Neil Herbert notwithstanding his other directorships will be able to exercise independent judgement aligned with the interests of Shareholders generally. However, in longer term the Board recognises that it is unsatisfactory to not comply more strictly with the provisions of the Combined Code in this respect and the Company will be seeking at an early opportunity to ensure that it appoints another director who is clearly independent within the meaning of the Combined Code.

The Company has adopted and will continue to operate a share dealing code for Directors and employees in compliance with the AIM Rules for Companies.

### 13. Lock-ins and Orderly Market Arrangements

Each of the Directors, Brian Wesson, Amelia Wesson, and Templar have agreed with the Company, WH Ireland and Hichens Harrison that (save in certain limited circumstances) they will not for a period of 12 months from Re-Admission sell or otherwise dispose of any of their respective interests in Ordinary Shares and for a further 12 months only to dispose of such shares with Hichens Harrison's consent and on an orderly market basis.

In addition, each of the Vendor, Fair Choice Limited and Clyde Wesson have agreed with the Company, WH Ireland and Hichens Harrison that for the period of 12 months from Re-Admission they will only dispose of their respective interests in Ordinary Shares with Hichens Harrison's consent and on an orderly market basis.

### 14. Dividend Policy

The Directors do not envisage declaring a dividend in the short to medium term. However, if or when sufficient distributable reserves are available the Directors intend to pursue a progressive dividend policy.

### 15. Employees

The table below highlights the geographic distribution and the average number of employees of the Enlarged Group over the last three years (as if the Enlarged Group was in existence over that period):

| *Year* | *2005* | *2006* | *2007* |
|---|---|---|---|
| Location | | | |
| London | 6 | 6 | 6 |
| Fiji* | 1983 | 1837 | 124 |
| Brazil | 27 | 10 | 10 |
| Sierra Leone | 0 | 6 | 3 |

* *as employed at the Vatukoula Gold Mine which is not currently wholly owned by the Company. As at 24 January 2008 the Fiji employees numbered 533.*

**16. Warrants**

Under the terms of the Placing Agreement, the Company has agreed conditional upon Re-Admission to issue warrants over 1.5% of the Enlarged Share Capital to WH Ireland. The warrants are exercisable at the Placing Price pursuant to and on the terms of the WH Ireland Warrant Instrument.

The Company has also agreed conditional upon Re-Admission to issue warrants over 1% of the Enlarged Share Capital to Hichens Harrison. The warrants are exercisable at the Placing Price pursuant to and on the terms of the Hichens Harrison Warrant Instrument.

**17. Enlarged Share Capital**

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that trading in the Enlarged Share Capital will commence on 1 April 2008.

**18. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Existing Ordinary Shares are currently enabled for settlement through CREST. Accordingly, settlement of transactions in the Ordinary Shares following Re-Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

**19. General Meeting**

You will find set out at the end of this document a notice convening the General Meeting of the Company to be held at 10.00 a.m. on 31 March 2008 at Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0LS to consider the Resolution.

**20. Action to be Taken**

A Form of Proxy is enclosed for use at the General Meeting. Whether or not you intend to attend the General Meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita IRG Plc, Proxies Department, PO Box 25, Beckenham, Kent BR3 4BR by no later than 10 a.m. on 29 March 2008. The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person should you subsequently wish to do so.

**21. Taxation**

A summary of the taxation treatment for UK taxpayers of the Ordinary Shares is set out in paragraph 13 of Part V of this document.

**22. Further information**

Your attention is drawn to Parts II to V of this document, which provide additional information on the Existing Group and the Enlarged Group.

**23. Recommendation**

**The Existing Directors consider the Acquisition to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.**

**The proceeds of River Diamonds' original subscription for shares in VGI, which amounted to £4,250,000, were applied to support the Vatukoula Gold Mine and the efforts to restore it to production. Since the Acquisition Agreement was entered into the Company has provided further loans to Westech in the amount of £1,450,000 which would become repayable upon demand if the Acquisition does not proceed but which VGI would be unlikely to be in a position to repay within an acceptable time frame.**

**Consequently, if the Acquisition does not proceed and accordingly the funds from the Placing and under the Working Capital Facility do not become available to the Company, the Company will need as a matter of urgency to seek urgent funding to enable it to continue with its present activities.**

**Accordingly, the Existing Directors unanimously recommend Shareholders to vote in favour of the Resolution as they intend to do themselves in respect of their own beneficial holdings of Ordinary Shares.**

Yours faithfully,

Colin Orr-Ewing
Chairman

# PART II

# RISK FACTORS

**AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.**

**In addition to the other relevant information in this document, the Directors consider the following risk factors to be of particular relevance to the Enlarged Group's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors may apply. Any one or more of these risks could have a material adverse effect on the value of the Company and should be taken into account in assessing the Enlarged Group and should be taken into account in deciding whether to vote in favour of the Resolution.**

**Risk Factors relating to the Enlarged Group**

**Mining Licences, Leases and Special Site rights**

Some or all of the mining licences or leases held by the Enlarged Group may be subject to conditions which, if not satisfied, may be revoked. In the event of revocation, the value of the Enlarged Group's investments in such projects may decline, which may lead to a fall in the value of any investment in the Ordinary Shares of the Enlarged Group.

The exploration licence for the Panguma Diamond Project expired on 1 March 2008. The licence can be renewed for a further term of one year at the discretion of the Minister of Mineral Resources. The Company has applied for a renewal however such renewal is not guaranteed. If not renewed, the Company would be unable to pursue the exploration potential of the Panguma Diamond Project.

The Company has investigated title to the Vatakoula Gold Mine and the following matters have come to its attention:

1. The Special Site Rights have expired and the Mine has continued to operate in the absence of these rights. Applications to renew these rights have been made. These rights can be renewed at the discretion of the Minister of Mineral Resources. While the Directors, having taken legal advice, believe the risk of non-renewal to be remote, and the risk of the authorities in Fiji requiring the Enlarged Group to cease operations pending renewal of the rights to also be remote, renewal nevertheless cannot be guaranteed and the absence of the Special Site Rights could have significant adverse effects on the functioning of the Vatukoula Gold Mine as it is currently operated.

2. The Special Prospecting Licences have also expired and can be renewed at the discretion of the Minister of Mineral Resources. Applications to renew these licences have been made. While the Directors, having taken legal advice, believe the risk of non-renewal is remote, should renewal be denied, the Company will be prevented from exploiting the exploration potential of the Mine outside of the areas covered by the mining leases which could have significant adverse effects on the future operations of the Mine.

**Litigation and Claims**

Legal proceedings may arise from time to time in the course of the Enlarged Group's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Enlarged Group in future from time to time or that it may be subject to any other form of litigation. With respect to litigation and claims in Fiji the following have come to the Company's attention:

*1. FIRCA*

If the Enlarged Group does not succeed in its ongoing litigation with FIRCA in respect of the assessed tax liabilities and penalties of F$11.1 million (as described in paragraph 4 of Part I of this document), it would be liable to pay the balance of tax liabilities and any other associated penalties assessed, and would be unable to recover any monies already paid.

2. *Employee claims*

If the appeal in respect of the redundancy payments of F$3.2 million (as described in paragraph 4 of Part I of this document) to former employees does not succeed, the Enlarged Group would be liable in whole or in part to pay the sums claimed.

3. *Unsecured trade creditors*

If the proposed scheme of arrangement (referred to in paragraph 4 of Part I of this document) is not approved by the High Court of Fiji there can be no assurance that the repayment of the unsecured trade creditors will be capable of being effected in an orderly fashion and without resort to litigation which could have a material adverse impact on the business, operations and financial performance of the Enlarged Group.

4. *Outstanding debt owed by Westech Gold Limited to Emperor Mines and Sovereign Company Limited of Vanuatu*

If Westech Gold Limited is not able to discharge its obligations under the letter arrangements described in paragraph 7.2(j) of Part V of this document there can be no assurance that the aggregate indebtedness of AUS$4.6 million will be released.

**Risks in relation to the Working Capital Facility**

**1. Conversion risks**

Under the terms of the Working Capital Facility any Loan Notes that are issued may be converted at the election of the Note Holder at the rate of one Ordinary Share for each 6p in nominal value of Loan Notes converted.

However if, in the period following the end of the sixth month following the passing of the Resolution and ending on the Redemption Date (being the anniversary of the passing of the Resolution), the holder elects to convert any Loan Notes that have been issued to it and the bid price for Ordinary Shares is less than 6p, the conversion rate will be adjusted so that the holder will receive such number of Ordinary Shares as would realise at the bid price a sum equivalent to the nominal value of the Loan Notes being converted and accrued interest thereon.

If at that time the bid price was below 6p and the Note Holders wished to convert then the dilutive effect would be greater and of course increase the lower the bid price. Accordingly if the bid price was materially lower than 6p the additional dilutive effect would be substantial.

**2. Other Risks**

If the Company has a requirement to utilise the Working Capital Facility in whole or in part, the availability of funds depends, *inter alia*, upon an event default provision that there has been no material disruption to the operations at the Mine which has not been rectified within 20 business days. If such an event of default occurs then, if undrawn the working capital facility may be unavailable or, if drawn, the monies owing may become immediately repayable.

**Economic and political risk**

The operations of the Enlarged Group are carried out in foreign jurisdictions where there may be a number of associated risks over which it will have no control. These may include economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability, changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, as well as government control over the domestic pricing of gold and diamonds.

The benefits conferred by the 10 August Deed are dependent on the continued endorsement of the deed by the relevant authorities. There can be no guarantee that this endorsement will continue.

**Exploration and development**

The Enlarged Group will have exploration assets. The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties, which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and grades of minerals disclosed will be available to extract. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction

methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any mineralisation discovered will result in an increase in the Enlarged Group's reserves and resource base.

**Mining and processing risks**

The Enlarged Group's principal operation will be the mining of gold. Its operations will be subject to all of the hazards and risks normally encountered in the mining and processing of minerals. These include unusual and unexpected geological formations, rock falls, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimise risk will be taken, operations are subject to hazards, which may result in environmental pollution and consequent liability which could have a material adverse impact on the business, operations and financial performance of the Enlarged Group.

As is common with all mining operations, there is uncertainty and therefore risk associated with the Enlarged Group's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Enlarged Group's control.

**Laws and Regulations**

The exploration and mining activities of the Enlarged Group are subject to various laws governing prospecting, development, production and other taxes, labour standards and occupational health, mine safety, toxic substances and other matters. There can be no assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Enlarged Group.

**Reserves and Resource estimates**

As with other natural resources companies, the Enlarged Group's reserves and resource estimates are uncertain and potentially subject to future revisions and refinements. There can be no guarantee that any future production will be commensurate with the reserves and/or resource estimates presented in this document.

**Operational considerations**

The Company's operational targets for the Enlarged Group are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Enlarged Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Enlarged Group.

The locations of all of the Enlarged Group's current activities, being Fiji, Sierra Leone (assuming renewal of the Company's exploration licence) and Brazil, dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and extraction activity levels might fluctuate. Heavy rainfall and severe weather can cause disruption to transport and mining operations. Accordingly, production forecasts may be adversely affected by such conditions.

Unscheduled interruptions in the Enlarged Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

With respect to its activities in Sierra Leone (assuming renewal of the Company's exploration licence) and Brazil, the Enlarged Group is currently in its early stages of exploration. Even if the Enlarged Group remains on schedule with its operational targets, it is highly unlikely that any commercially viable mining and production will commence from these activities for several years. As such, the Enlarged Group will not generate any material income from its exploration operations in these countries until mining has successfully commenced.

Many suppliers to the minerals industry do not currently have sufficient capacity to meet the demand for capital equipment. Should the Enlarged Group require equipment over and above what is

required to meet its current operational targets, then it could suffer delays in delivery of equipment which could affect production and revenue.

**Transportation of gold and diamonds**

There is always a risk of theft in the transportation of gold and diamonds. There can be no assurance that Enlarged Group will be able to prevent theft from occurring.

**Gold and other metal and mineral prices**

The Enlarged Group's revenue particularly over the near to medium term, will substantially be derived from the sale of gold and, to a lesser extent silver. Mineral and metal prices are volatile and are affected by numerous factors which are beyond the Enlarged Group's control. These factors include world production levels, global and regional economic and political events, international economic trends, inflation and deflation, currency exchange fluctuations, speculative activity and the political and economic conditions of a number of countries. Additionally, the purchase and sale of minerals and metals by world central banks or other large holders or dealers may also have an impact on the market price. The aggregate effect of these factors is impossible to predict. The price of minerals and metals has fluctuated widely and future material price declines could cause continued commercial production to be impractical. If, as a result of a decline in mineral and metal prices, revenues from mineral and metal sales were to fall below cash operating costs, production might be discontinued.

**Competition**

Other mining companies may seek to establish themselves in the countries in which the Enlarged Group operates and may be allowed to bid for exploration and production licences and other services, thereby providing competition to the Enlarged Group. Larger companies, in particular, may have access to greater resources than the Enlarged Group, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

**Dependence on key personnel**

The Enlarged Group is substantially dependent on the services of certain key members of the executive management team and a number of highly skilled and experienced executives and personnel in particular those who are familiar with the operations of the Vatukoula Gold Mine. The Enlarged Group cannot guarantee the retention of the services of such executives and personnel. The loss of these persons or the Enlarged Group's inability to attract and retain additional highly skilled employees may adversely affect the exploration and development of its properties, which could have a material adverse effect on the Enlarged Group's business and future operations.

**Environmental issues**

The Enlarged Group's exploration and extraction activities are subject to various laws and regulations relating to the protection of the environment. Fiji is in the process of implementing environmental protection legislation and the relevant regulations are in the process of being drafted, although these are not yet available. Moreover the Company seeks, notwithstanding any less stringent regulatory regime in a particular jurisdiction, to comply with recognised international best practices and standards in relation to environmental protection. However, no assurance can be given that new rules and regulations (and in particular the new Fijian regulatory regime) will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing the protection of the environment, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Enlarged Group.

In addition the costs of compliance with existing and future standards can be materially affected by unforeseen events or issues outside of the Enlarged Group's control which could also have a material adverse impact on the business, operations and financial performance of the Enlarged Group.

**Health and Safety**

Certain of the Enlarged Group's operations are carried out under potentially hazardous conditions including in particular its underground mining operations in Fiji. Whilst the Enlarged Group intends to operate in accordance with relevant health and safety regulations and requirements, the Enlarged

Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Enlarged Group's control.

**Labour Disputes**

Mining operations in Fiji are labour intensive and accordingly any form of industrial action could affect the future performance of the Mine.

**Volatility of price of diamonds**

Should the Enlarged Group undertake diamond production it will be exposed to the market price of diamonds which is volatile and is affected by numerous factors beyond the Enlarged Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in diamond market prices could render less economic, or uneconomic, some or all of the exploration and/ or extraction activities to be undertaken by the Enlarged Group.

**Currency risk**

The expenditures made by the Enlarged Group are subject to exchange rate fluctuations and any potential income may become subject to exchange control or similar restrictions. The Enlarged Group's operations as enlarged will be conducted in Brazilian Real, US$, Pounds, AUS$, Fiji Dollar and Sierra Leone Leonis.

**Additional requirements for capital**

Additional financing may be required in the event of unforeseen circumstances or if in the future the Enlarged Group wishes to materially expand its activities or scope of operation.

No assurances can be given that the Enlarged Group will be able to raise the additional finance that it may require for its anticipated future operations. Gold prices, diamond prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Enlarged Group or at all. If the Enlarged Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties and reduce or terminate its operations.

**Uninsured risks**

The Enlarged Group, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Enlarged Group may incur a liability to third parties (in excess of any insurance cover) arising from negative environmental impact or other damage or injury.

**Market perception**

Market perception of mining and exploration companies may change, potentially affecting the value of investors' holdings and the ability of the Enlarged Group to raise further funds by the issue of further Ordinary Shares or otherwise.

**AIM and liquidity of the Ordinary Shares**

AIM is not the Official List. The Ordinary Shares will not be listed on the Official List. Notwithstanding that Re-Admission becomes effective and dealings commence in the Ordinary Shares, this should not be taken as implying that there will be a liquid market for the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets. The price at which the Ordinary Shares will be traded and

the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Enlarged Group and its proposed operations, and some which may affect the business sectors in which the Enlarged Group operates. Such factors could also include the performance of the Enlarged Group's operations, large purchases or sales of the Ordinary Shares (in particular at the conclusion of any lock-in period), liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Enlarged Group and general economic conditions.

**Possible volatility of the price of the Ordinary Shares**

Following Re-Admission the market price of the Ordinary Shares could be subject to significant fluctuations due to various factors and events, including any regulatory or economic changes affecting the Enlarged Group's operations, variations in the Enlarged Group's operating results, the price of gold and diamonds, developments in the Enlarged Group's business or its competitors, or to changes in market sentiment towards the Ordinary Shares. The Enlarged Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Enlarged Group's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

**Forward looking statements**

Certain statements within this document constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Enlarged Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Enlarged Group's ability to develop its existing or new resources, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct only as at the date of this document. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this document except as required by law or by regulatory authority.

**General**

The risks noted above do not necessarily comprise all those potentially faced by the Enlarged Group and are not intended to be presented in any assumed order of priority.

**Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.**

# PART III

# ACCOUNTANTS' REPORTS

## Part III (A)

## ACCOUNTANTS' REPORT ON THE COMPANY

The Directors and Proposed Directors
River Diamonds plc
Carmelite
50 Victoria Embankment
London
EC4Y 0LS

W H Ireland Limited
24 Martin Lane
London
EC4R 0DR

13 March 2008

Dear Sirs

**RIVER DIAMONDS plc**

We report on the consolidated financial information on River Diamonds plc (the "Company"), River Diamonds UK Limited, Sao Carlos Mineracao Limitada and Panguma Diamonds Limited (together the "Group") which has been prepared for the purpose of its inclusion in the AIM Admission Document dated 13 March 2008 (the "Admission Document") of the Company on the basis of the accounting policies set out in note 2 to the consolidated financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the Admission Document dated 13 March 2008 of the Company.

**Responsibilities**

The Directors of the Company are responsible for preparing the consolidated financial information on the basis of preparation set out in note 2 to the consolidated financial information and in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Commission.

It is our responsibility to form an opinion on the consolidated financial information as to whether the consolidated financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the consolidated financial information gives, for the purposes of the Admission Document dated 13 March 2008, a true and fair view of the state of affairs of the Company as at the dates stated and of its income statements, balance sheets, statements of recognised income and expense and cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 to the consolidated financial information and in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**

## CONSOLIDATED INCOME STATEMENTS

The consolidated Income Statements of the Company for each of the three years ended 31 August 2007 are set out below:

| | *Notes* | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|---|
| Revenue | | 19 | 67 | 28 |
| Cost of sales | | (625) | (159) | (4) |
| **Gross (loss)/profit** | | (606) | (92) | 24 |
| Administrative expenses | | (923) | (843) | (1,001) |
| **Operating loss** | | (1,529) | (935) | (977) |
| Financial income | | 19 | 18 | 9 |
| Financial expenses | 6 | (7) | (7) | (14) |
| **Loss on ordinary activities before taxation** | | (1,517) | (924) | (982) |
| Taxation | 7 | — | — | — |
| **Loss on ordinary activities after taxation** | | (1,517) | (924) | (982) |
| Attributable to: | | | | |
| Equity holders of the parent | | (1,517) | (924) | (982) |
| **Loss per share** | | *pence* | *pence* | *pence* |
| From continuing operations | | | | |
| Basic and diluted | 8 | (0.52) | (0.22) | (0.17) |

## CONSOLIDATED BALANCE SHEETS

The consolidated Balance Sheets of the Company at the end of each of the three years ended 31 August 2007 are set out below:

| | *Notes* | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non current assets** | | | | |
| Goodwill | 9 | — | — | 1,213 |
| Property, plant and equipment | 10 | 481 | 478 | 435 |
| Investments | 11 | — | 234 | 2,900 |
| | | 481 | 712 | 4,548 |
| **Current assets** | | | | |
| Inventories | 13 | 66 | — | — |
| Trade and other receivables | 14 | 26 | 61 | 57 |
| Cash and cash equivalents | | 8 | 525 | 35 |
| | | 100 | 586 | 92 |
| **Total assets** | | 581 | 1,298 | 4,640 |
| **EQUITY** | | | | |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | 15 | 302 | 470 | 836 |
| Share premium account | | 1,672 | 3,179 | 6,884 |
| Merger reserve | | 2,167 | 2,167 | 2,167 |
| Share based payment reserve | | 103 | 103 | 143 |
| Equity component | | — | — | 11 |
| Accumulated losses | | (3,878) | (4,780) | (5,790) |
| **Total equity** | | 366 | 1,139 | 4,251 |
| **LIABILITES** | | | | |
| **Non-current liabilities** | | | | |
| Convertible loan | 16 | — | — | 89 |
| **Current Liabilities** | | | | |
| Trade and other payables | 17 | 194 | 159 | 300 |
| **Provisions for liabilities and charges** | 18 | 21 | — | — |
| **Total liabilities** | | 215 | 159 | 389 |
| **Total equity and liabilities** | | 581 | 1,298 | 4,640 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The consolidated Statement of Changes in Equity of the Company for each of the three years ended 31 August 2007 are set out below:

| | *Ordinary share capital £'000* | *Share premium account £'000* | *Merger reserve £'000* | *Share based payment reserve £'000* | *Equity component £'000* | *Accumulated losses £'000* | *Total £'000* |
|---|---|---|---|---|---|---|---|
| Balance at 1 September 2004 | 271 | 1,405 | 2,167 | — | — | (2,473) | 1,370 |
| Loss for the year | — | — | — | — | — | (1,517) | (1,517) |
| Issue of shares | 31 | — | — | — | — | — | 31 |
| Premium on shares issued during the year | — | 267 | — | — | — | — | 267 |
| Exchange adjustment | — | — | — | — | — | 112 | 112 |
| Share based payment | — | — | — | 103 | — | — | 103 |
| Balance at 31 August 2005 | 302 | 1,672 | 2,167 | 103 | — | (3,878) | 366 |
| Loss for the year | — | — | — | — | — | (924) | (924) |
| Issue of shares | 168 | — | — | — | — | — | 168 |
| Premium on shares issued during the year | — | 1,507 | — | — | — | — | 1,507 |
| Exchange adjustment | — | — | — | — | — | 22 | 22 |
| Balance at 31 August 2006 | 470 | 3,179 | 2,167 | 103 | — | (4,780) | 1,139 |
| Loss for the year | — | — | — | — | — | (982) | (982) |
| Issue of shares | 366 | — | — | — | — | — | 366 |
| Premium on shares issued during the year | — | 3,705 | — | — | — | — | 3,705 |
| Exchange adjustment | — | — | — | — | — | (28) | (28) |
| Convertible loan | — | — | — | — | 11 | — | 11 |
| Share based payment | — | — | — | 40 | — | — | 40 |
| Balance at 31 August 2007 | 836 | 6,884 | 2,167 | 143 | 11 | (5,790) | 4,251 |

## CONSOLIDATED CASH FLOW STATEMENT

The consolidated Cash Flow Statements of the Company for each of the three years ended 31 August 2007 are set out below:

| | *Notes* | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|---|
| **Net cash outflow from operating activities** | | | | |
| Loss from operating activities | | (1,529) | (935) | (977) |
| Adjustments for: | | | | |
| Share based payments | | 103 | — | 40 |
| Depreciation | | 57 | 73 | 86 |
| Loss on disposal of fixed assets | | — | 8 | — |
| Impairment | | 144 | 11 | — |
| Foreign exchange | | 112 | 22 | (54) |
| **Net cash from operating activities before changes in working capital** | | (1,113) | (821) | (905) |
| (Increase)/decrease in inventories | | (66) | 66 | — |
| Decrease/(increase) in debtors | | 57 | (35) | (4) |
| (Decrease)/increase in payables | | (125) | (56) | 141 |
| **Net cash flow from operating activities** | | (1,247) | (846) | (768) |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | (441) | (108) | (12) |
| Interest received | | 19 | 18 | 9 |
| Purchase of investments | | — | (234) | (3,880) |
| Sale of property, plant and equipment | | — | 18 | 4 |
| **Net cash flow from investing activities** | | (422) | (306) | (3,879) |
| **Financing activities** | | | | |
| Proceeds from issue of ordinary shares net of issue costs | | 297 | 1,676 | 4,071 |
| Interest paid | | (7) | (7) | (14) |
| Proceeds from issue of loan note | | — | — | 100 |
| **Net cash flow from financing activities** | | 290 | 1,669 | 4,157 |
| **Net (decrease)/increase in cash and cash equivalents** | 20 | (1,379) | 517 | (490) |

# NOTES TO THE FINANCIAL INFORMATION

## 1. General information

The Company is incorporated in the United Kingdom under the Companies Act 1985. The principal activity of the Group during the period was that of mineral exploration. The principal activity of the Company was that of a holding company.

## 2. Significant accounting policies

The following principal accounting policies have been used consistently in the preparation of the consolidated financial information of the Company.

### *(a) Basis of presentation*

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

The consolidated financial information has been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statements.

The Company has not applied the following IFRSs and IFRICs that are applicable to the Group and Company and that have been issued but are not yet effective.

IAS 1, Amendment to IAS 1 (Revised), Presentation of Financial Statements, effective for financial year beginning 1 January 2007
IAS 23, Borrowing Costs, revised 2007 (effective 1 January 2009)
IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)
IAS 28, Investment in Associates, revised 2008 (effective 1 July 2009)
IAS 31, Interests in Joint Ventures, revised 2008 (effective 1 July 2009)
IAS 32, Financial Instruments: Presentation, revised 2008 (effective 1 January 2009)
IFRS 2, Share-based Payment, revised 2008 (effective 1 January 2009)
IFRS 3, Business Combinations, effective for financial year beginning 1 January 2009
IFRS 7, Financial Instruments: Disclosures, effective for financial year beginning 1 January 2007
IFRS 8, Operating Segements (effective 1 January 2009)
IFRIC 12, Service Concession Agreement (effective 1 January 2008)
IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14, IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The Directors anticipate that the adoption of these interpretations in future periods will have no material financial impact on the financial information of the Westech Subsidiaries.

### *(b) Presentation currency*

The financial information is presented in UK Pounds Sterling and all values rounded to the nearest thousand pounds except when otherwise indicated.

### *(c) Basis of accounting*

The financial information has been prepared on a going concern basis.

### *(d) Basis of consolidation*

The consolidated financial information incorporates the financial statements of the Company and entities controlled by the Group made up to 31 August each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

***(e) Significant accounting estimates***

The preparation of financial information requires the application of estimate and judgement by management, which affects assets and liabilities at the balance sheet date and income and expenditure for the period. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in the relevant accounting policies discussed below. The best estimates of management may differ from the actual result.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made in particular with regard to:

*Income taxes*

The Group is subject to income taxes in the United Kingdom and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

***(f) Revenue recognition***

Revenue and associated costs from the sale of minerals are recognised when 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.

***(g) The Company's investments in subsidiaries***

The Company recognises its investments in subsidiaries at cost, less any impairment for permanent diminution in value.

***(h) Foreign currency***

Transactions entered into by individual Group companies in currencies other than the currency of the primary economic environment in which it operates (the 'functional currency') are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair values are recognised directly in equity.

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 translation 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.

***(i) Tangible fixed assets and depreciation***

Fixed assets are stated at cost less depreciations and impairment. Depreciation is calculated to write down the cost, of all tangible fixed assets by equal annual instalments over their expected useful life, as follows:

| | |
|---|---|
| Plant and Machinery | Over 3 – 10 years |
| Motor Vehicles | Over 3 years |
| Fixtures Fittings and Equipment | Over 4 years |
| Assets under construction | Transferred to plant and machinery when completed and no depreciation is charged until completion |

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 the 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 any items of property, plant 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.

Assets under construction are carried at cost less any recognised impairment.

Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

***(j) Mining and exploration expenditure***

The Company applies the full cost method of accounting for Exploration and Evaluation costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under the full cost method of accounting, costs of exploring for and evaluating areas of gold interest are accumulated and capitalized by reference to appropriate cost pools. Each area of interest is considered to be a separate cash pool.

Exploration and evaluation costs are initially capitalised within 'Intangible assets'. Such exploration and evaluation costs are capitalised, provided that one of the following conditions is met;

i. such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

ii. the activities have not established whether or not economically recoverable resources exist; and

iii. active and significant operations in relation to the area are continuing.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Intangible exploration and evaluation assets related to each exploration license/prospect are not depreciated and are carried forward until the existence (or otherwise) of commercial reserves has been determined. The Company's definition of commercial reserves for such purpose is proven and probable reserve on an entitlement basis.

If commercial reserves have been discovered, the related exploration and evaluation assets are assessed for impairment on a cost pool basis as set out below and any impairment loss is recognised in the income statement. The carrying value, after any impairment loss, of the relevant exploration and evaluation assets is then reclassified as development and production assets within property, plant and equipment.

Intangible exploration and evaluation assets that relate to exploration and evaluation activities that have not yet resulted in the discovery of commercial reserves remain capitalised as intangible exploration and evaluation assets at cost less accumulated amortisation, subject to meeting a pool-wide impairment test as set out below. Such exploration and evaluation assets are amortised on a unit of production basis over the life of the commercial reserves of the pool to which they relate.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. Where the exploration and evaluation assets concerned fall within the scope of an established full cost pool, the exploration and evaluation assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Where the exploration and evaluation assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the exploration and evaluation assets concerned will generally be written off in full.

Any impairment loss is recognised in the income statement as additional depreciation and separately disclosed.

***(k) Impairment of tangible and intangible assets***

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the 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 risk specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired 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 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 re-valued 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.

***(l) Financial instruments***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

*Loans and receivables*

Loans and receivables, including trade and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such cases, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

*Impairment of financial assets*

At each balance sheet date, the Company assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

*Financial liabilities*

The Company's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities, except for derivatives, are recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are sold or impaired, as well as through the amortization process.

***(m) Trade and other payables***

Trade and other payables are not interest bearing and are stated at cost.

***(n) Trade and other receivables***

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Where the time value of money is material, receivables are carried at amortised cost.

***(o) Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand, deposits held on call with the bank, 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 in the relevant exchange rates at the balance sheet date.

***(p) Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

***(q) Equity instruments***

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

***(r) Income taxes***

Tax on 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 amount 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.

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.

***(s) Share-based payments***

Where equity instruments are granted to external parties, 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 equity instruments granted is used. The fair value of equity instruments is calculated by using the Black-Scholes model.

***(t) Contingent liabilities and contingent assets***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Key estimates are made by management.

***(u) Pensions***

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund.

***(v) Investments***

Fixed and current asset investments are stated at cost less provision for any impairment in value.

***(w) Bank borrowings***

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## 3. Segment information

The primary sector results are attributable to the operation of diamond and gold exploration in Brazil. Turnover, operating results and net assets are mainly attributable to activities in this sector for 2005, 2006 and 2007.

The Directors consider that the Group's activities represent a single class of business. The analysis of the Group's turnover, profit before tax and minority interests, assets, liabilities, additions to plant, property and equipment and depreciation by geographical origin of customers is set out below:

| **Revenue** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| United Kingdom | — | — | — |
| Brazil | 19 | 67 | 28 |
| Sierra Leone | — | — | — |
| | 19 | 67 | 28 |

| **Gross profit** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| United Kingdom | — | — | — |
| Brazil | (606) | (92) | 24 |
| Sierra Leone | — | — | — |
| | (606) | (92) | 24 |

| **Carrying amount of assets** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| United Kingdom | — | 748 | 4,150 |
| Brazil | 581 | 550 | 483 |
| Sierra Leone | — | — | 7 |
| | 581 | 1,298 | 4,640 |

| **Liabilities** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| United Kingdom | 8 | 136 | 274 |
| Brazil | 186 | 23 | 23 |
| Sierra Leone | — | — | 3 |
| | 194 | 159 | 300 |

| **Additions to plant, property and equipment** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| United Kingdom | — | — | — |
| Brazil | 424 | 108 | 7 |
| Sierra Leone | — | — | 5 |
| | 424 | 108 | 12 |

| **Depreciation** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| United Kingdom | — | — | — |
| Brazil | 57 | 73 | 64 |
| Sierra Leone | — | — | 22 |
| | 57 | 73 | 86 |

## 4. Operating loss

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Operating loss is stated after charging: | | | |
| Depreciation | 57 | 73 | 86 |
| Auditor's remuneration | 23 | 24 | 25 |
| Remuneration of auditors for non-audit work | 1 | 18 | 4 |
| Impairment of tangible assets | 144 | 11 | — |
| Loss on disposal of tangible fixed assets | — | 8 | — |
| Share based payments | 103 | — | 40 |

## 5. Employees

The average monthly number of persons (including Directors) employed by the Group during each of the three years ended 31 August 2007 was:

| | *2005* *No.* | *2006* *No.* | *2007* *No.* |
|---|---|---|---|
| Productive labour | 23 | 17 | 11 |
| Office and management | 10 | 5 | 8 |
| | 33 | 22 | 19 |

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Employment costs | | | |
| Wages and salaries | 295 | 189 | 196 |
| Pension | 3 | 3 | 4 |
| | 298 | 192 | 200 |

**Directors' remuneration**

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Aggregate emoluments (including benefits in kind) | 151 | 137 | 121 |

## 6. Financial expenses

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Bank overdraft interest payable | 7 | 7 | 14 |

## 7. Taxation

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Current tax charge/(credit) | — | — | — |
| Deferred tax charge | — | — | — |
| The charge for the years stated can be reconciled to the losses per the income statement as follows: | | | |
| Losses on ordinary activities before taxation | (1,517) | (924) | (982) |
| Tax at UK corporation tax of 30% (2006: 30%, 2005: 30%) | (455) | (277) | (295) |
| Effects of: | | | |
| Depreciation add back | 17 | 22 | 26 |
| Fixed asset impairment provision | 43 | — | — |
| Losses carried forward | 395 | 255 | 269 |
| UK corporation tax | — | — | — |

## 8. Loss per share

Loss for each year attributable to shareholders is £982,000 (2006: £924,000, 2005: £1,517,000). This is divided by the weighted average number of shares outstanding calculated to be 583,857,497 (2006: 414,706,048, 2005: 290,932,734) to give basic loss per share of 0.17 pence (2006: 0.22 pence, 2005: 0.52 pence).

The calculation of diluted loss per share is based on the weighted average number of shares outstanding adjusted by the dilutive share options. The weighted average number of shares outstanding used in the calculation is 583,857,497 (2006: 414,706,048, 2005: 290,932,734).

| | *2005* | *2006* | *2007* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| **Loss** | | | |
| Loss after taxation | (1,517) | (924) | (982) |
| **Number of shares** | *No.* | *No.* | *No.* |
| Weighted average number of Ordinary shares (fully paid up) | 290,932,734 | 414,706,048 | 583,857,497 |
| Basic and diluted loss per share based on the issued share capital | (0.52)p | (0.22)p | (0.17)p |

## 9. Goodwill

| | *2005* | *2006* | *2007* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| On the acquisition on Panguma Diamonds Ltd | — | — | 1,213 |

On 23 October 2006, the Company acquired 100% of the share capital of Panguma Diamonds Ltd for a cost of investment of £1,213,000. The fair value of the net assets acquired was £nil.

## 10. Property, plant and equipment

| | *Plant & machinery £'000* | *Motor vehicles £'000* | *Fixtures, fittings & equipment £'000* | *Assets under construction £'000* | *Total £'000* |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 31 August 2005 | 478 | 157 | 6 | 99 | 740 |
| Reclassification | (48) | 58 | — | (10) | — |
| Additions | 6 | 83 | — | — | 89 |
| Transferred on completion | 14 | — | — | (14) | — |
| Disposals | (12) | (24) | — | — | (36) |
| Exchange difference | 8 | 8 | — | 3 | 19 |
| At 1 September 2006 | 446 | 282 | 6 | 78 | 812 |
| Additions | 8 | — | 4 | — | 12 |
| Transferred on completion | 79 | — | — | (78) | — |
| Disposals | — | (20) | — | — | (20) |
| Exchange difference | 22 | 12 | 1 | — | 35 |
| At 31 August 2007 | 555 | 274 | 11 | — | 840 |
| Depreciation | | | | | |
| At 31 August 2005 | 236 | 22 | 1 | — | 259 |
| Reclassifications | (5) | 5 | 1 | — | — |
| Charge for the year | 25 | 47 | 1 | — | 73 |
| Exchange difference | — | 1 | — | — | 1 |
| Impairment in year | 11 | — | — | — | 11 |
| Disposals | (3) | (7) | — | — | (10) |
| At 1 September 2006 | 264 | 68 | 2 | — | 334 |
| Charge for the year | 32 | 54 | 1 | — | 87 |
| Disposals | — | (16) | — | — | (16) |
| At 31 August 2007 | 296 | 106 | 3 | — | 405 |
| Net book value | | | | | |
| At 31 August 2005 | 242 | 135 | 5 | 99 | 481 |
| At 31 August 2006 | 182 | 214 | 4 | 78 | 478 |
| At 31 August 2007 | 259 | 168 | 8 | — | 435 |

## 11. Non-current asset investments

| | *Unlisted Investment £'000* |
|---|---|
| Cost | |
| Balance as 31 August 2004 and 31 August 2005 | — |
| Additions | 234 |
| Balance as 31 August 2006 | 234 |
| Included as cost of acquisition of subsidiary | (234) |
| Additions | 2,900 |
| Balance as 31 August 2007 | 2,900 |

The investment in 2006 represents the Company's initial investment in the Panguma Dykes Project in Sierra Leone and entitled it to 10.64% participation rights in the project. During 2006, the Company acquired 100% participation rights to the project. This acquisition was satisfied by the issue of 93,985,000 Ordinary shares of 0.1 pence each in the Company. Based on the closing mid-market share price on the date of acquisition the consideration was valued at approximately £700,000.

Non-current asset investments constitute holdings in the following entities:

| *Name of business* | *Country of incorporation* | *Principal activities* | *% held* |
|---|---|---|---|
| Viso Gero International Inc | British Virgin Islands | Mining | 12.5% |
| Lesotho Diamonds Corporation | Gibraltar | Mining | 0.5% |

In April 2007, the Company acquired 1,212,121 new Ordinary shares in Lesotho Diamond Corporation for £400,000.

In July 2007, the Company acquired 12.5% of Viso Gero International ("VGI") for a cash consideration of £2,500,000. VGI is a company incorporated in the British Virgin Islands. VGI owns a 94% equity interest in the capital of Westech Gold Pty Ltd ("Westech") which, through its wholly owned direct and indirect subsidiaries, owns the mining rights and associated assets of the Vatukoula Gold Mine in Fiji.

## 12. Current asset investment

| **Current asset investment** | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| Cost | | | |
| Balance brought forward and carried forward | 77 | 77 | 77 |
| Provisions | | | |
| Balance brought forward and carried forward | 77 | 77 | 77 |

| | *Unlisted Investment £'000* |
|---|---|
| Net book value | |
| As at 31 August 2007, 31 August 2006 and 31 August 2005 | — |

## 13. Inventories

| | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| Finished goods | 66 | — | — |

## 14. Trade and other receivables

| | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| Other debtors and prepayments | 26 | 61 | 57 |
| | 26 | 61 | 57 |

## 15. Share capital

### *(a) Authorised*

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| **Authorised** | | | |
| 1,500,000 Ordinary shares of 0.1 pence each (2006: 750,000,000 Ordinary shares of 0.1 pence each) (2005: 450,000,000 Ordinary shares of 0.1 pence each) | 450 | 750 | 1,500 |
| **Allotted and fully paid** | | | |
| 835,622,055 Ordinary shares of 0.1 pence each (2006: 469,927,966 Ordinary shares of 0.1 pence each) (2005: 302,327,966 Ordinary shares of 0.1 pence each) | 302 | 470 | 836 |

### *(b) Share issues during the three years ended 31 August 2007*

The Company has allotted shares for cash consideration as follows:

500,000 Ordinary shares of 0.1 pence at 1 pence each on 21 September 2004;
400,000 Ordinary shares of 0.1 pence at 1 pence each on 18 October 2004;
400,000 Ordinary shares of 0.1 pence at 1 pence each on 17 December 2004;
25,500,000 Ordinary shares of 0.1 pence at 1 pence each on 25 January 2005;
800,000 Ordinary shares of 0.1 pence at 1 pence each on 16 March 2005;
600,000 Ordinary shares of 0.1 pence at 1 pence each on 5 May 2005;
1,477,541 Ordinary shares of 0.1 pence at 1 pence each on 5 May 2005;
400,000 Ordinary shares of 0.1 pence at 1 pence each on 10 May 2005;
500,000 Ordinary shares of 0.1 pence at 1 pence each on 2 August 2005;
500,000 Ordinary shares of 0.1 pence at 1 pence each on 17 August 2005;
14,900,000 Ordinary shares of 0.1 pence at 1.5 pence each on 10 October 2005;
150,000,000 Ordinary shares of 0.1 pence at 1 pence each on 3 January 2006;
2,700,000 Ordinary shares of 0.1 pence at 1 pence each on 27 June 2006;
34,209,089 Ordinary shares of 0.1 pence at 1.1 pence each on 30 March 2007; and
237,500,000 Ordinary shares of 0.1 pence at 1.3 pence each on 15 June 2007.

The Company has allotted shares for non cash consideration as follows:

93,985,000 Ordinary shares of 0.1 pence at 0.75 pence each on 23 October 2006 as consideration for the acquisition of Panguma Diamonds Limited

### *(c) Warrants*

During each of the three years ended 31 August 2007, the following movements occurred on the warrants to purchase 0.1 pence Ordinary shares in the Company.

| **Exercise price** | *Number of warrants* **1p** | *Number of warrants* **1.3p** | *Number of warrants* **1.5p** | *Number of warrants* **2p** | *Number of warrants* **2.5p** | *Number of warrants* **4p** | *Number of warrants* **Total** |
|---|---|---|---|---|---|---|---|
| Balance at 1 September 2004 | 51,800,000 | — | 13,333,332 | 8,750,000 | — | 2,585,907 | 76,469,239 |
| Granted during the year | — | — | — | — | * 24,900,000 | — | 24,900,000 |
| Exercised during the year | (29,600,000) | — | — | — | — | — | (29,600,000) |
| Balance at 31 August 2005 | 22,200,000 | — | 13,333,332 | 8,750,000 | 24,900,000 | 2,585,907 | 71,769,239 |
| Exercised during the year | (2,700,000) | — | — | — | — | — | (2,700,000) |
| Expired during the year | (11,500,000) | — | — | (8,750,000) | (2,400,000) | (2,585,907) | (25,235,907) |
| Balance at 31 August 2006 | 8,000,000 | — | 13,333,332 | — | 22,500,000 | — | 43,833,332 |
| Granted during the year | — | 8,333,333 | — | 7,750,000 | — | — | 16,083,333 |
| Balance at 31 August 2007 | 8,000,000 | 8,333,333 | 13,333,332 | 7,750,000 | 22,500,000 | — | 59,916,665 |

* The options were issued to Directors, staff and consultants. The options are exercisable at the Placing Price of 2.5 pence pursuant to and on the terms of the option scheme summarised in the AIM Admission document dated 29 July 2004.

*(d) Share options*

A charge to the consolidated income statement has been made for the year ended 31 August 2005 and 31 August 2007 and presented in the financial information.

| | *Weighted average exercise price* | *Number* |
|---|---|---|
| Outstanding at 1 September 2004 | 1.3p | 76,469,239 |
| Granted in the year | 2.5p | 24,900,000 |
| Exercised in year | 1.0p | (29,600,000) |
| Outstanding at 31 August 2005 | 1.84p | 71,769,239 |
| Exercised in year | 1.0p | (2,700,000) |
| Expired in the year | 1.8p | (25,235,907) |
| Outstanding at 31 August 2006 | 1.92p | 43,833,332 |
| Granted in the year | 1.4p | 16,083,333 |
| Outstanding at 31 August 2007 | 1.78p | 59,916,665 |

The weighted average fair value of each option granted during the period was 0.4 pence. The Company used a discount factor of 50% in arriving at fair value due to the fact the Company was a start up at the date of grant and the stock was illiquid.

The Company uses the Black Scholes model to determine the value of the options and the inputs were as follows:

| | |
|---|---|
| Share price | 2.5 pence |
| Exercise price | 1.3 pence -2.5 pence |
| Expected volatility | 11.30% |
| Expected life | 2-6 years |
| Risk free rate | 5% |
| Expected factor | Nil |
| Discount factor | 50% |

The total share-based payments expense in the year for the Group was £40,000 (2006; £nil, 2005: £103,000).

**16. Non current liabilities**

On the 22nd April 2007, the Company issued a fully redeemable convertible loan note for £100,000 repayable in cash by December 2009. The loan note carries a coupon rate of 1% per annum. The loan note will be convertible at £0.012 equating to 8,333,333 Ordinary shares of 0.1 pence in the Company. The net proceeds from the issue of the convertible loan has been split between the liability element and an equity component as follows:

| | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| Nominal value | | | |
| Equity component | — | — | 100 |
| Liability component | — | — | (11) |
| | — | — | 89 |

**17. Trade and other payables**

| | *2005 £'000* | *2006 £'000* | *2007 £'000* |
|---|---|---|---|
| Bank loans and overdrafts | 5 | 5 | 5 |
| Trade creditors | 79 | 47 | 162 |
| Accruals and deferred income | 80 | 93 | 133 |
| Taxation and social security | 30 | 14 | — |
| | 194 | 159 | 300 |

## 18. Provisions for liabilities and charges

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Balance brought forward | — | 21 | — |
| Charged/(released) in the year | 21 | (21) | — |
| Balance carried forward | 21 | — | — |

The provision represented the cost of rehabilitating land in Brazil. This work was undertaken during 2006.

## 19. Foreign currency risks and exposures

### *(a) Objectives, policies and strategies*

The Company's activities expose it to a variety of financial risks; currency risk, credit risk, liquidity risk and cashflow risk. These risks are limited by the Company's financial management policies and procedures as described below:

*Currency rate risk*

Loans between companies which are members of the Group are made in the operating currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal operating currency, except in exceptional circumstances.

The Group's revenue derives from the sale of rough and polished diamonds by its Brazilian operating subsidiaries. While proceeds of sales are received in Reals, diamonds are sold in US Dollars, with the Reals proceeds being calculated on the basis of the US Dollar sales price and the US Dollar/Reals exchange rate prevailing on the date of the sale. As the Group reports in Sterling, reported revenue is affected by the combination of changes in the US Dollar/Reals and Sterling/Reals rates.

As at 31 August 2007, the Group held no monetary assets or liabilities in currencies other than the functional currency of the operating units involved.

### *(b) Cash flow and fair value interest rate risk*

Group borrowings are all subject to a floating rate of interest and taken out in Sterling only.

The maturity profile of financial liabilities of the Group is as follows:

| | *2005* *£'000* | *2006* *£'000* | *2007* *£'000* |
|---|---|---|---|
| Within one year | 5 | 5 | 5 |
| Due within 2 to 5 years | — | — | 100 |

The fair value of all financial instruments is approximately equal to book value due to their short term nature and the fact that they bear interest at floating rates based on the local bank rate.

### *(c) Credit risk*

The Group has no significant concentrations of credit risk. The Group has credit risk management policies in place and exposure to credit risk is monitored on an ongoing basis. Management generally adopts conservative strategies and tight control on credit policy. The Group has a limited amount of credit exposure to customers.

### *(d) Liquidity risk*

To ensure liquidity, the Group maintains sufficient cash and cash equivalents to meet its obligations as and when they fall due.

## 20. Notes to the cash flow statement

**Analysis of changes in net debt**

| | *2004* £'000 | *Cash flow* £'000 | *2005* £'000 | *Cash flow* £'000 | *2006* £'000 | *Cash flow* £'000 | *2007* £'000 |
|---|---|---|---|---|---|---|---|
| Cash at bank and in hand | 1,387 | (1,379) | 8 | 517 | 525 | (490) | 35 |
| Overdraft | (5) | — | (5) | — | (5) | — | (5) |
| Net funds | 1,382 | (1,379) | 3 | 517 | 520 | (490) | 30 |

## 21. Explanation of transition to IFRS

The consolidated financial information for each of the three years ended 31 August 2007 has been presented under IFRS. The financial statements of the Company for each of the two years ended 31 August 2006 have been previously issued under UK GAAP. Reconciliations between IFRS and UK GAAP of equity and the profit and loss for each of the two years ended 31 August 2006 are included below:

**Reconciliation of equity at 1 September 2006**

| | *UK GAAP 2006* £'000 | *Effect of transition to IFRS 2006* £'000 | *IFRS 2006* £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 478 | — | 478 |
| Investments | 234 | — | 234 |
| | 712 | — | 712 |
| **Current assets** | | | |
| Trade and other receivables | 61 | — | 61 |
| Cash and cash equivalents | 525 | — | 525 |
| | 586 | — | 586 |
| **Total assets** | 1,298 | — | 1,298 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 470 | — | 470 |
| Share premium account | 3,179 | — | 3,179 |
| Merger reserve | 2,167 | — | 2,167 |
| Other reserves | — | 103 | 103 |
| Retained earnings | (4,677) | (103) | (4,780) |
| **Total equity** | 1,139 | — | 1,139 |
| **LIABILITES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 159 | — | 159 |
| **Total liabilities** | 159 | — | 159 |
| **Total equity and liabilities** | 1,298 | — | 1,298 |

On transition from UK GAAP to IFRS during the year ended 31 August 2005, a cost of £103,000 was expensed within retained earnings and credited to other reserves in respect of employee share options granted.

**Reconciliation of profit and loss for the year ended 31 August 2006**

| | *UK GAAP 2006 £'000* | *Effect of transition to IFRS 2006 £'000* | *IFRS 2006 £'000* |
|---|---|---|---|
| Revenue | 67 | — | 67 |
| Cost of Sales | (159) | — | (159) |
| **Gross loss** | (92) | — | (92) |
| Administrative expenses | (843) | — | (843) |
| **Operating loss** | (935) | — | (935) |
| Other interest receivable and similar income | 18 | — | 18 |
| Interest payable and similar charges | (7) | — | (7) |
| **Loss on ordinary activities before taxation** | (924) | — | (924) |
| Tax on loss on ordinary activities | — | — | — |
| **Loss on ordinary activities after taxation** | (924) | — | (924) |

There is no effect on the transition from UK GAAP to IFRS in respect of the year ended 31 August 2006.

**Reconciliation of equity at 1 September 2005**

| | *UK GAAP 2005 £'000* | *Effect of transition to IFRS 2005 £'000* | *IFRS 2005 £'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 481 | — | 481 |
| **Current assets** | | | |
| Inventories | 66 | — | 66 |
| Trade and other receivables | 26 | — | 26 |
| Cash and cash equivalents | 8 | — | 8 |
| | 100 | — | 100 |
| **Total assets** | 581 | — | 581 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 302 | — | 302 |
| Share premium account | 1,672 | — | 1,672 |
| Merger reserve | 2,167 | — | 2,167 |
| Other reserves | — | 103 | 103 |
| Retained earnings | (3,775) | (103) | (3,878) |
| **Total equity** | 366 | — | 366 |
| **LIABILITES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 194 | — | 194 |
| **Provisions for liabilities and charges** | 21 | — | 21 |
| **Total liabilities** | 215 | — | 215 |
| **Total equity and liabilities** | 581 | — | 581 |

On transition from UK GAAP to IFRS during the year ended 31 August 2005, a cost of £103,000 has been expensed within retained earnings and credited to other reserves in respect of employee share options granted.

**Reconciliation of profit and loss for the year ended 31 August 2005**

| | *UK GAAP 2005 £'000* | *Effect of transition to IFRS 2005 £'000* | *IFRS 2005 £'000* |
|---|---|---|---|
| Revenue | 19 | — | 19 |
| Cost of Sales | (625) | — | (625) |
| **Gross loss** | (606) | — | (606) |
| Administrative expenses | (820) | (103) | (923) |
| **Operating loss** | (1,426) | (103) | (1,529) |
| Other interest receivable and similar income | 19 | — | 19 |
| Interest payable and similar charges | (7) | — | (7) |
| **Loss on ordinary activities before taxation** | (1,414) | (103) | (1,517) |
| Tax on loss on ordinary activities | — | — | — |
| **Loss on ordinary activities after taxation** | (1,414) | (103) | (1,517) |

On transition from UK GAAP to IFRS, a cost of £103,000 has been recognised within administrative expenses in respect of employee share options granted.

## 22. Acquisition

Positive goodwill arose during the year ended 31 August 2007 on the acquisition of 100% of the share capital of Panguma Diamonds Limited. The assets acquired were analysed as follows:

| | *2007 £'000* |
|---|---|
| Net assets acquired | — |
| Goodwill arising on acquisition | 1,213 |
| Cost of acquisition | 1,213 |

## 23. Ultimate controlling party

There was no ultimate controlling party during the three years ended 31 August 2007.

## 24. Related party transactions

There were no related party transactions during the three years ended 31 August 2007.

## 25. Post balance sheet events

On 4 October 2007, the Company agreed to increase its holding in VGI by 7.5% to 20% for a cash consideration of £1.75 million. This investment was funded by the issue of 250 million new Ordinary shares of 0.1 pence at a placing price of 1.5 pence per share.

On 14 December 2007, the Company announced that it had entered into a conditional agreement to acquire the remaining 80% of VGI for the issue of 477,633,333 new Ordinary shares of 0.1 pence each at 6 pence per share plus a payment of AUS$2.1 million. A conditional placing of 77,816,666 new Ordinary shares of 0.1 pence each at 6 pence per share totalling £4,669,000 will be completed at the same time. Issue of these shares is subject to the completion of the acquisition.

In addition since the 14 December 2007, funds of £1.45 million have been loaned to VGI on commercial terms for working capital purposes.

Exploration Licence EXPL 1/06 covering the Panguma Diamonds Project was issued on 1 March 2006 and expired on 1 March 2008. The Company has applied for a renewal of the licence for a further term of one year and is currently awaiting the outcome of this application. Should the renewal of the licence not be granted, the Company will no longer have an interest in the Panguma Diamond Project.

On 6 March 2008 the Company entered into an agreement with Arlington Special Situations Fund Limited ("Arlington") whereby Arlington have conditionally agreed to subscribe for, if required by the Company, and the Company has agreed to issue if required by Arlington, up to £3,000,000 of unsecured convertible loan notes. The loan notes, if issued, will bear interest at 7% per annum and may be convertible prior to the redemption date into Ordinary Shares at a rate of one Ordinary Share for each 6 pence of nominal amount of loan note converted. The redemption date will be 12 months following the passing of the shareholders' resolution to be proposed at the general meeting to be held on 31 March 2008.

**26. Nature of financial information**

The financial information presented above does not constitute Statutory Accounts for each of the three years ended 31 August 2007.

## Part III (B)

## ACCOUNTANTS REPORT ON VGI

The Directors and Proposed Directors
River Diamonds plc
Carmelite
50 Victoria Embankment
London
EC4Y 0LS

W H Ireland Limited
24 Martin Lane
London
EC4R 0DR

13 March 2008

Dear Sirs

**VISO GERO INTERNATIONAL INC.**

We report on the financial information on Viso Gero International Inc. ("VGI") which has been prepared for inclusion in the AIM Admission Document dated 13 March 2008 (the "Admission Document") of River Diamonds plc (the "Company") on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the Admission Document dated 13 March 2008 of the Company.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as endorsed by the European Commission ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the financial information gives, for the purposes of the Admission Document dated 13 March 2008, a true and fair view of the state of affairs of VGI as at 15 July 2007 and of its

income statement, balance sheet, changes in shareholders' equity and cash flow statement for the period then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**

**INCOME STATEMENT**

The Income Statement of VGI for the period 5 July 2007 to 15 July 2007 is set out below:

| | *Note* | *2007 AUS$'000* |
|---|---|---|
| ***Continuing operations*** | | |
| Revenue | | — |
| Administration expenses | | (3) |
| **Loss for the period** | | (3) |
| **Loss per share** | | |
| From continuing operations | | |
| Basic and diluted | 7 | AUS$(0.3) |

**BALANCE SHEET**

The Balance Sheet of VGI as at 15 July 2007 is set out below:

| | *Note* | *2007 AUS$'000* |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Convertible loan notes | 3 | 6,900 |
| **Total assets** | | 6,900 |
| **EQUITY** | | |
| **Equity attributable to holders of the parent** | | |
| Called up share capital | 4 | 6,900 |
| Result for the period | 3 | (3) |
| **Total equity** | | 6,897 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade payables and other current payables | | 3 |
| **Total liabilities** | | 3 |
| **Total equity and liabilities** | | 6,900 |

**STATEMENT OF CHANGES IN EQUITY**

The Statement of Changes in Equity of VGI for the period 5 July 2007 to 15 July 2007 is set out below:

| | *Retained earnings AUS$'000* | *Share capital AUS$'000* | *Total AUS$'000* |
|---|---|---|---|
| **Balance as at 5 July 2007** | — | — | — |
| Issue of ordinary share capital | — | 6,900 | 6,900 |
| Loss for the period | (3) | — | (3) |
| **Balance as at 15 July 2007** | (3) | 6,900 | 6,897 |

**CASH FLOW STATEMENT**

The Cash Flow Statement of VGI for the period 5 July 2007 to 15 July 2007 is set out below:

| | *2007 AUS$'000* |
|---|---|
| **Cash flow used in operating activities** | |
| Net loss for the period | (3) |
| *Adjustment for:* | |
| Payables | 3 |
| Net cash flow used in operating activities | — |
| **Cash flow from investing activities** | |
| Issue of convertible loan notes | (6,900) |
| Net cash flow from investing activities | (6,900) |
| **Cash flow from financing activities** | |
| Issue of ordinary shares | 6,900 |
| Net cash flow from financing activities | 6,900 |
| **Net increase in cash and cash equivalents** | — |
| Cash and cash equivalents at the beginning of the period | — |
| **Cash and cash equivalents at the end of the period** | — |

# NOTES TO THE FINANCIAL INFORMATION

## 1. General information

VGI is a company incorporated in the British Virgin Islands on 5 July 2007 under the British Virgin Island Business Companies Act 2007 to invest in or acquire assets, businesses or companies which are involved in the mineral resources sector.

## 2. Significant accounting policies

The following principal accounting policies have been used consistently in the preparation of the financial information of VGI.

### *(a) Basis of preparation*

The financial information on VGI has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) for the period disclosed.

The financial information has been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The information has been prepared on a going concern basis.

The accounting policies, as detailed below, have been applied consistently by VGI for the period ended 15 July 2007.

The financial information comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes.

### *(b) Comparative figures*

No comparative figures have been presented as the financial information covers the period from incorporation to 15 July 2007.

### *(c) Presentation currency*

The financial information has been presented in Australian Dollars (''AUS$'') and rounded to the nearest thousand.

### *(d) Financial instruments*

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

*Convertible loans*

Convertible loan notes are initially stated at fair value. Where conversion features represent an embedded derivative not closely related to the host instrument these are separately accounted for. The remaining financial asset component is carried at amortised cost. Interest receivable on such assets is reported as income.

*Trade and other payables*

Trade and other payables are not interest-bearing and are stated at cost.

*Equity*

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

### *(e) Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards applicable to the Company have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2007 or later periods but which the Group have not early adopted, as follows:

IFRS 2, Share-based Payment, revised 2008 (effective from 1 January 2009)
IFRS 3, Business Combinations, revised 2008 (effective 1 January 2009)
IFRS 8, Operating Segments (effective from 1 January 2009)
IAS 1, Presentation of Financial Statements, revised 2007 (effective 1 January 2009)
IAS 1, Presentation of Financial Statements, revised 2008 (effective 1 January 2009)
IAS 23, Borrowing Costs, revised 2007 (effective 1 January 2009)

IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)
IAS 28, Investments in Associates, revised 2008 (effective 1 July 2009)
IAS 31, Interests in Joint Ventures, revised 2008 (effective 1 July 2009)
IAS 32, Financial Instruments: Presentation, revised 2008 (effective 1 January 2009)
IFRIC 12, Service Concession Agreement (effective 1 January 2008)
IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14, IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The Directors anticipate that the adoption of these interpretations in future periods will have no material financial impact on the financial information of the Group.

***(f) Financial risk management***

VGI's operations expose it to financial risks that include liquidity risk, interest rate and foreign exchange risk. Due to the size of VGI, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The finance department implements the policies set by the board of directors.

*Liquidity risk*

VGI actively manages its working finance to ensure it has sufficient funds for operations and planned expansion. The Directors are currently seeking to raise further funds to provide the capital required to finance future operations.

*Interest rate cash flow risk*

VGI does not have any interest bearing liabilities at the balance sheet date. Interest bearing assets are convertible loans with a fixed interest rate of 12% per annum. As such, the Directors currently do not consider it necessary to enter into any interest rate hedging operations.

*Foreign exchange risk*

VGI principally operates in Australia. A proportion of the proceeds from the issue of ordinary shares is received in UK Pounds Sterling. The board has assessed its exposure using value at risk methodology and it does not currently consider the risk of exposure to these currencies to be material. As such, the Directors do not currently consider it necessary to enter into forward exchange contracts. This situation is monitored on a regular basis.

***(g) Foreign currency***

Transactions entered into in currencies other than the currency of the primary economic environment in which VGI operates (the 'functional currency') are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair values are recognised directly in equity.

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 translation reserve.

***(h) Fair value estimation for disclosure purposes***

The fair values of the financial assets and liabilities maturing within 12 months are assumed to approximate their carrying values as at the balance sheet date.

**3. Financial instruments**

The Directors' consider that under the requirements of IFRS 7, all current assets and current liabilities at the balance sheet date are classified as being in the amortised cost class and the loans and receivables category.

The Directors' consider that VGI has no significant exposure to credit, market or liquidity risks in respect of these assets and liabilities.

Under the terms of a Deed Poll, dated 5 June 2007, signed between Westech Gold Pty Ltd ("Westech") and VGI's ultimate parent company, Red Lion Management Ltd, VGI will convert the loan notes to an equity shareholding at any time upon the delivery of the relevant notice documentation. The percentage shareholding to be acquired on conversion is dependant on the amount of loan principal outstanding at the date of conversion. The relevant thresholds are set out in the Deed Poll. Due to the intended conversion timetable no separation of the compound instrument for the embedded conversion option has been made.

**4. Share capital**

| | *2007 AUS$'000* |
|---|---|
| **Authorised** | |
| 50,000 Ordinary shares of no par value | — |
| **Allotted and fully paid** | |
| 8,750 Ordinary shares issued at AUS$ 114.2857 per share | 1,000 |
| 1,250 Ordinary shares issued at £2,000 per share | 5,900 |
| | 6,900 |

**5. Parent and ultimate parent company**

VGI is controlled by Viso Gero Global Inc, incorporated in the British Virgin Islands, which owns 80% of the company's shares. The ultimate parent company of VGI is Red Lion Management Ltd, a company incorporated in Canada.

**6. Post balance sheet events**

Under the terms of a Memorandum of Understanding dated 28 June 2007, VGI, through its ultimate parent company Red Lion Management Ltd, agreed to convert AUS$6,900,000 of convertible loan notes into a 94% equity interest in Westech. This conversion took place on 19 July 2007 with VGI acquiring 47 ordinary shares in Westech.

The net assets of Westech as at 30 June 2007, as extracted from the acquiree's accounting records, and the fair value adjustments ascribed thereto, are set out below:

| | *Book values acquired AUS$'000* | *Fair values acquired AUS$'000* |
|---|---|---|
| Intangible assets | 5,794 | 5,794 |
| Property, plant and equipment | 23,055 | 23,055 |
| Other receivables | 3,941 | 3,941 |
| Inventories | 3,979 | 3,979 |
| Trade and other receivables | 962 | 962 |
| Cash and cash equivalents | 18 | 18 |
| Long-term borrowings | (4,678) | (4,678) |
| Provisions | (318) | (318) |
| Trade and other payables | (16,441) | (16,441) |
| | 16,312 | 16,312 |

On 28 September 2007, VGI issued 937 Ordinary shares of no par value at £1,867.66 per share.

Since the 14 December 2007, the Company has loaned funds of £1.45 million to VGI on commercial terms for working capital purposes.

## 7. Loss per share – continuing operations

The calculation of the basic and diluted loss per share attributable to the Ordinary shareholders of VGI is based on the following:

| | *AUS$'000* |
|---|---|
| **Loss** | |
| Net loss for the period | (3) |
| **Number of shares** | |
| Weighted average number of ordinary shares (fully paid up) | 10,000 |
| **Loss per share** | AUS$(0.3) |

## 8. Nature of financial information

The financial information presented above does not constitute Statutory Accounts for the period ended 15 July 2007.

## Part III (C)

## ACCOUNTANTS' REPORT ON WESTECH

The Directors and Proposed Directors
River Diamonds plc
Carmelite
50 Victoria Embankment
London
EC4Y 0LS

W H Ireland Limited
24 Martin Lane
London
EC4R 0DR

13 March 2008

Dear Sirs

**WESTECH GOLD PTY LIMITED**

We report on the consolidated financial information on Wesetch Gold Pty Limited ("Westech"), Westech Australia Pty Limited, Westech Finance Pty Limited, Westech Gold Limited, Koula Mining Company Limited and Jubilee Gold Mining Company Limited (together the "Westech Group") which has been prepared for the purpose of its inclusion in the AIM Admission Document dated 13 March 2008 (the "Admission Document") of River Diamonds plc (the "Company") on the basis of the accounting policies set out in note 2 to the consolidated financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the Admission Document dated 13 March 2008 of the Company.

**Responsibilities**

The Directors of the Company are responsible for preparing the consolidated financial information on the basis of preparation set out in note 2 to the consolidated financial information and in accordance with International Financial Reporting Standards as endorsed by the European Commission ("IFRS").

It is our responsibility to form an opinion on the consolidated financial information as to whether the consolidated financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the consolidated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 consolidated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the consolidated financial information gives, for the purposes of the Admission Document dated 13 March 2008, a true and fair view of the state of affairs of Westech as at the dates stated and of its income statement, balance sheet, change in shareholders' equity and cash flows for the period then ended in accordance with the basis of preparation set out in note 2 to the consolidated financial information and in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**

## CONSOLIDATED INCOME STATEMENT

The consolidated Income Statement of Westech for the period 20 February 2007 to 30 June 2007 is set out below:

| | *Notes* | *2007 AUS$'000* |
|---|---|---|
| Revenue | | 89 |
| Cost of sales | | (2,433) |
| **Gross loss** | | (2,344) |
| Administrative expenses | | (2,201) |
| Other operating expenses | | (1,671) |
| **Operating loss** | | (6,216) |
| Negative goodwill | 19 | 19,743 |
| Financial income | 7 | 1,501 |
| Financial expenses | 8 | (2,174) |
| Foreign exchange gains | | 3,442 |
| **Profit before taxation** | | 16,296 |
| Taxation | 9 | — |
| **Profit for the period** | 6 | 16,296 |
| Attributable to: | | |
| Equity holders of the parent | | 16,296 |
| **Earnings per share** | | |
| Basic and diluted | 10 | 5,432 |

All amounts relate to continuing operations.

**CONSOLIDATED BALANCE SHEET**

The consolidated Balance Sheet of Westech as at 30 June 2007 is set out below:

| | *Notes* | *2007 AUS$'000* |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | 11 | 6,025 |
| Property, plant and equipment | 12 | 22,824 |
| Other receivables | 14 | 3,941 |
| | | 32,790 |
| **Current assets** | | |
| Inventories | 13 | 3,979 |
| Trade and other receivables | 14 | 962 |
| Cash and cash equivalents | | 18 |
| | | 4,959 |
| **Total assets** | | 37,749 |
| **EQUITY** | | |
| **Equity attributable to holders of the parent** | | |
| Share capital | 15 | — |
| Retained earnings | | 16,312 |
| **Total equity** | | 16,312 |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Borrowings | 16 | 4,678 |
| Provisions | 17 | 318 |
| | | 4,996 |
| **Current liabilities** | | |
| Trade and other payables | 18 | 16,441 |
| **Total liabilities** | | 21,437 |
| **Total equity and liabilities** | | 37,749 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity of Westech for the period 20 February 2007 to 30 June 2007 is set out below:

| | *Share capital AUS$'000* | *Retained earnings AUS$'000* | *Total AUS$'000* |
|---|---|---|---|
| On incorporation | — | — | — |
| Profit for the period | — | 16,296 | 16,296 |
| Exchange differences on translation of overseas operations | — | 16 | 16 |
| | — | 16,312 | 16,312 |

## CONSOLIDATED CASH FLOW STATEMENT

The Cash Flow Statement of Westech for the period 20 February 2007 to 30 June 2007 is set out below:

| | *2007 AUS$'000* |
|---|---|
| **Cash flow from operating activities** | |
| Cash received from customers | 19 |
| Cash paid to suppliers and employees | (478) |
| **Net cash used in opening activities** | (459) |
| **Cash flows from investing activities** | |
| Acquisition of subsidiaries, net of cash acquired | 495 |
| **Net cash from investing activities** | 495 |
| **Net increase in cash and cash equivalents** | 36 |
| **Cash and cash equivalents** | |
| At beginning of period | — |
| Effects of exchange rate changes | (18) |
| **At the end of the period** | 18 |

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

### 1. General information

Westech was incorporated in Australia on 20 February 2007 under the Corporations Act 2001. The principal activity of Westech was that of a holding company. The principal activities of the Westech Group as defined is the ownership and exploitation of mineral interests in the Asia-Pacific region.

### 2. Significant accounting policies

The following principal accounting policies have been used consistently in the preparation of the consolidated financial information of Westech.

***(a) Basis of presentation***

The consolidated financial information on Westech has been prepared in accordance with International Financial Reporting Standards as adopted by the EU (''Adopted IFRSs'').

The consolidated financial information has been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

***(b) Presentation currency***

The consolidated financial information is presented in Australian Dollars and all values rounded to the nearest thousand Dollars except when otherwise indicated.

***(c) Basis of consolidation***

The financial information incorporates the consolidated financial information of Westech and entities controlled by the Westech Group made up to 30 June 2007. Control is achieved where the Westech Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

***(d) Business combinations***

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Westech 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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

***(e) Revenue recognition***

Revenue arises from the sale of gold produced from the Westech Group's mining activities. Revenues are recognised when the risks and rewards of ownership are transferred to the customer and:

(i) the product is in a form suitable for delivery and no further processing is required by the Westech Group;

(ii) the quantity and quality of the product can be determined with reasonable accuracy;

(iii) the product has been despatched to the customer and is no longer under the physical control of the Westech Group; and

(iv) selling price can be determined with reasonable accuracy.

***(f) Foreign currency translation***

Amounts payable to and by the Westech Group in foreign currencies have been translated to Australian dollars at rates of exchange ruling at balance sheet date. All other amounts are translated at the rates ruling at the date of the transaction. Resulting exchange differences are brought to income statement in determining results for the year.

***(g) Taxation***

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intend to settle its tax assets and liabilities on a net basis.

***(h) Mine buildings, plant and equipment***

The annual charge for depreciation on property, plant and equipment is based upon the lesser of the estimated remaining useful lives of the assts concerned or the life of the mine.

The depreciation of certain mine buildings, plant and equipment is based on a 15 year mine estimate.

Freehold and leasehold land is not depreciated.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

***(i) Mine properties and development***

This represents the accumulation of all exploration, evaluation, development and acquisition expenditure incurred in relation to areas of interest in which economically recoverable reserves exist.

The capitalised value of mine properties and development is amortised on a life of mine basis. The life of mine has been calculated on a units of production method based on economically recoverable reserves and resources.

The net carrying value of mine assets is reviewed regularly and, to the extent to which this amount exceeds its recoverable amount (based on the higher of the net present value of estimated future net cash flows and the mine asset's current realisable value) that excess is fully provided against in the financial year in which this is determined.

**(j) Exploration expenditure**

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential gold reserves. Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that the following conditions are met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

(ii) the activities have not established whether or not economically recoverable resources exist; and

(iii) active and significant operations in relation to the area are continuing.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are reassessed on a regular basis and these coasts are carried forward provided that at least one of the conditions outlined above is met.

Expenditure is transferred to mine, properties and development assets when commercial reserves have been discovered. The Westech Group definition of commercial reserves for such purpose is proven and probable reserves on an entitlement basis.

***(k) Maintenance and repairs***

The cost of maintenance, repairs and minor renewals are charged to costs of production as incurred. Where the economic benefit of major overhauls will be realised over more than one accounting period, the costs are capitalised and amortised over the life of the asset or until the next major overhaul, whichever period is the shorter.

***(l) Impairment of tangible non-current assets***

Where an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount (higher of fair value less costs to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

***(m) Inventories***

Inventories are valued as follows:

(i) Stores comprising plant spares and consumable stores are valued on the basis of weighted average cost after providing for obsolescence;

(ii) Work in progress, including ore stock, consists of stocks on which further processing is required by or on behalf of the joint venture to convert them to trading stocks, and is valued at the lower of cost and net realisable value. The work in progress is valued on the basis of first in first out and includes direct costs, depreciation and amortisation; and

(iii) Insurance spares are depreciated over the same remaining life as the equipment with which they are associated.

***(n) Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise cash on hand and in banks and short-term deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of any outstanding bank overdrafts.

***(o) Financial instruments***

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

*Trade and other receivables*

Trade receivables do not carry any interest and are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end.

*Trade and other payables*

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company. The amounts are unsecured.

*Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

*Borrowing costs*

Borrowing costs include interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, foreign exchange gains and losses, amortisation of ancillary costs incurred in connection with the arrangements of borrowing and finance lease. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

*Equity instruments*

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

***(p) Employee benefits***

Provision has been made in the financial statements for benefits accruing in respect of sick leave, annual leave and long service leave.

A liability for long service is recognised during an accounting period when an employee has rendered service to the Westech Group. This is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

***(q) Mine rehabilitation***

Expenditures relating to ongoing rehabilitation and restoration programs, including for exploration areas on non-freehold land, are provided for or charged to costs of production as incurred. A provision for future rehabilitation and restoration relating to mine closure is recognised as the present value of such costs.

***(r) Standards, interpretations and amendments to published standards that are not yet effective***

Certain new standards, amendments and interpretations to existing standards applicable to the Company have been published that are mandatory for the Westech Group accounting periods beginning on or after 1 July 2007 or later periods but which the Westech Group have not early adopted, as follows:

IFRS 2, Share-based Payment, revised 2008 (effective from 1 January 2009)
IFRS 3, Business Combinations, revised 2008 (effective 1 January 2009)
IFRS 8, Operating Segments (effective from 1 January 2009)
IAS 1, Presentation of Financial Statements, revised 2007 (effective 1 January 2009)
IAS 1, Presentation of Financial Statements, revised 2008 (effective 1 January 2009)
IAS 23, Borrowing Costs, revised 2007 (effective 1 January 2009)
IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)
IAS 28, Investments in Associates, revised 2008 (effective 1 July 2009)
IAS 31, Interests in Joint Ventures, revised 2008 (effective 1 July 2009)
IAS 32, Financial Instruments: Presentation, revised 2008 (effective 1 January 2009)

IFRIC 12, Service Concession Agreement (effective 1 January 2008)
IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14, IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The Directors anticipate that the adoption of these interpretations in future periods will have no material financial impact on the consolidated financial information.

***(s) Critical accounting judgements and key sources of estimation uncertainty***

The preparation of the consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made in particular with regard to:

*Estimated impairment of mine properties and development*

The Westech Group test annually whether mine properties and development assets have suffered any impairment, in accordance with its accounting policy, stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

*Uncertainty of mineral reserve and mineral resource estimates*

The Westech Group estimate its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code'). The Westech Group use these reserve and resource estimates in determining the useful lives of mining assets. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Future production could differ dramatically from mineral reserve estimates for the following reasons:

(i) mineralisation or formation could be different from that predicted by drilling, sampling and similar examinations;

(ii) declines in the market price of gold may render the mining of some or all of the Westech Group's mineral reserves uneconomic;

(iii) increases in mining costs and processing costs could adversely affect mineral reserves; and

(iv) the grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of gold may be recovered from the mineral reserves.

Any of these factors may require the Westech Group to reduce its mineral reserve and mineral resource estimates or increase its costs. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration.

*Units of production method of depreciation/amortisation*

The Westech Group apply the units of production method for depreciation and amortisation of its mine assets based on ore tonnes milled. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and resources and production capacity are the Westech Group's history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre tax profit and carrying values of assets.

*Income taxes*

The Westech Group are subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

*Stripping costs*

Mining costs incurred during the operating phase of the mine related to the removal of waste rock, referred to as stripping costs, are capitalised. The capitalisation of these costs is based on the calculated life of mine stripping ratio of waste to ore as well as the actual ratio achieved during each month. The life of mine stripping ratio incorporates the same risks and uncertainties discussed for the uncertainty of mineral reserve and mineral resource estimates above.

## 3. Financial risk management

The Westech Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Westech Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Board of Directors. The Directors are responsible for the identification of the major business risks faced by the Westech Group and for determining the appropriate courses of action to manage those risks. The most important types of risk are credit risk, liquidity risk, and market risk. Market risk includes currency risk, interest rate and other price risk.

### *(a) Credit risk*

Credit risk is the risk of financial loss to the Westech Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Westech Group's receivables from customers.

The maximum exposure to credit risk is AUS$4,903,000.

### *(b) Liquidity risk*

Liquidity risk is the risk that the Westech Group are unable to meet its payment obligations associated with its financial liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Westech Group's short, medium and long-term funding and liquidity management requirements.

The Westech Group additionally manages its liquidity risk based upon business needs, through a variety of sources of finance in order to maintain flexibility.

*Liquidity and interest risk tables*

The following tables detail the Westech Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Westech Group can be required to pay. The table includes both interest and principal cash flows:

| **2007** | *Weighted average effective interest rate* *%* | *Less than 1 year* *AUS$'000* | *1 – 5 years* *AUS$'000* | *5+ years* *AUS$'000* | *Total* *AUS$'000* |
|---|---|---|---|---|---|
| Variable interest rate instruments | 8% | — | — | 4,678 | 4,678 |

The following table details the Westech Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

| 2007 | *Less than 1 year AUS$'000* | *1 – 5 years AUS$'000* | *5+ years AUS$'000* | *Total AUS$'000* |
|---|---|---|---|---|
| Cash and cash equivalents | 18 | — | — | 18 |
| Non-interest bearing | 962 | — | — | 962 |
| | 980 | — | — | 980 |

***(c) Market risk***

*Currency exchange risk*

The Westech Group operates in Fiji and Australia. The functional currency of the individual group companies is the same as their operating currency; therefore the Westech Group does not consider that they are exposed to significant currency exchange risk.

*Interest rate risk*

The Westech Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by entering into interest rate swaps.

The Westech Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

***(d) Sensitivity analysis***

For financial instruments held, the Westech Group has used a sensitivity analysis technique that measures the change in the fair value and cash flows of financial instruments for hypothetical changes in all relevant market risk variables.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets.

The sensitivity of profit or loss and equity due to changes in the relevant risk variables as at 30 June 2007 are set out below.

*Interest rate sensitivity analysis*

If interest rates have been 0.5% basis point higher/lower and all other variables were held constant, the Westech Group's:

(i) profit for the period ended 30 June 2007 would decrease/increase by AUS$23,400; and

(ii) there will be no impact on other equity reserves.

***(e) Fair value of financial assets and financial liabilities***

The Directors' consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

**4. Capital risk management**

The Directors' objectives when managing capital are to safeguard the Westech Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Westech Group monitors its capital structure and in order to maintain or adjust the capital structure, the Westech Group may adjust issue new shares or sell assets to reduce debt.

**5. Segment information**

***(a) Business segments***

The Westech Group's activities are concerned with gold production. The Board of Directors manages the business as a single business segment.

*(b) Geographical segments*

The Westech Group's activities are all concentrated in the Asia-Pacific region.

**6. Profit for the period**

The profit for the period has been arrived at after (crediting)/charging:

| | *2007 AUS$'000* |
|---|---|
| Net foreign exchange gains | (3,442) |
| Depreciation of property, plant and equipment | 1,525 |
| Cost of inventories recognised as an expense | 395 |
| Staff costs | 5,793 |

**7. Financial income**

| | *2007 AUS$'000* |
|---|---|
| Interest on loan from Emperor Mines Limited | 1,501 |

Investment revenue is earned on loans and receivables (including cash and bank balances).

**8. Financial expenses**

| | *2007 AUS$'000* |
|---|---|
| Interest on secured loan | 643 |
| Interest on loan to Emperor Mines Limited | 1,531 |
| | 2,174 |

**9. Taxation**

| | *2007 AUS$'000* |
|---|---|
| Current tax charge | — |
| Deferred tax charge | — |
| | — |

Corporation tax is calculated at 31% of the estimated assessable profit for the period.

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

| | *2007 AUS$'000* |
|---|---|
| Profit before tax | 16,296 |
| Tax at corporation tax rate of 31% | 5,052 |
| Effect of expenses that are not deductible in determining taxable profit | (5,052) |
| Tax charge for the period | — |

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised.

The Directors believe that the Westech Group have substantial carried forward losses available. However, the Fiji Islands Revenue & Customs Authority have issued assessments totalling F$11.5million against one of the subsidiary companies. The Directors do not believe any amounts are payable and is vigorously defending the claim. No amounts have been provided in the accounts in respect of this claim. Given the material uncertainty in regards to the quantum of available losses, the

Directors have not provided an estimate of the losses for the purposes of these accounts. Deferred tax arising on accelerated capital allowances have been offset against available tax losses.

**10. Earnings per share**

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of Ordinary shares in issue during the period.

| | *2007 AUS$'000* |
|---|---|
| Profit attributable to shareholders | 16,296 |
| Weighted average number of ordinary shares in issue | 3 |
| Basic earnings per share | 5,432 |

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Westech does not have any potential Ordinary shares therefore the basic and diluted earnings per share are the same.

**11. Intangible assets**

| | *Exploration AUS$'000* |
|---|---|
| Cost or valuation: | |
| Acquisition of subsidiary | 25,576 |
| Exchange movements | (505) |
| At 30 June 2007 | 25,071 |
| Accumulated amortisation: | |
| Acquisition of subsidiary | (19,434) |
| Exchange movements | 388 |
| At 30 June 2007 | (19,046) |
| Net book value | |
| At 30 June 2007 | 6,025 |

**12. Property, plant and equipment**

| | *Freehold & leasehold land AUS$'000* | *Mine properties & development AUS$'000* | *Mine buildings, plant & equipment AUS$'000* | *Total AUS$'000* |
|---|---|---|---|---|
| Cost or valuation: | | | | |
| Acquisition of subsidiary | 1,795 | 97,696 | 60,735 | 160,226 |
| Exchange movements | (36) | (1,948) | (1,207) | (3,191) |
| At 30 June 2007 | 1,759 | 95,748 | 59,528 | 157,035 |
| Accumulated depreciation: | | | | |
| Acquisition of subsidiary | — | (97,696) | (37,694) | (135,390) |
| Charge for year | — | — | (1,525) | (1,525) |
| Exchange movements | — | 1,948 | 756 | 2,704 |
| At 30 June 2007 | — | (95,748) | (38,463) | (134,211) |
| Net book value | | | | |
| At 30 June 2007 | 1,759 | — | 21,065 | 22,824 |

No assets were acquired under hire purchase or finance lease.

## 13. Inventories

| | *2007 AUS$'000* |
|---|---|
| Consumable stores (including insurance spares) | 5,905 |
| Provision for stock obsolescence | (2,316) |
| | 3,589 |
| Work in progress and ore stocks | 390 |
| | 3,979 |

## 14. Trade and other receivables

| | *2007 AUS$'000* |
|---|---|
| Current: | |
| Other receivables | 971 |
| Allowance for doubtful debts | (9) |
| | 962 |
| Non-Current: | |
| Other receivables | 3,941 |

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

Non-current other receivables relate to amounts due from Emperor Mines Limited.

## 15. Share capital

| | *2007 AUS$'000* |
|---|---|
| **Authorised share capital** | |
| 3 Ordinary shares of AUS$1each | — |
| **Issued share capital** | |
| 3 Ordinary shares of AUS$1each | — |

## 16. Borrowings

| | *2007 AUS$'000* |
|---|---|
| Non-current: | |
| Unsecured loan | 4,678 |

All borrowings are denominated in Fijian dollars.

*Unsecured borrowings*

Unsecured borrowings comprise an amount of AUS$737,000 owing to Emperor Mines Limited and an amount of AUS$3,941,000 owing to Sovereign Insurance Company Limited.

Interest is charged at variable rate of interest, which averaged 8% at 30 June 2007.

## 17. Provisions

| | *Mine rehabilitation provision AUS$'000* |
|---|---|
| Acquisition of subsidiary | 325 |
| Exchange movements | (7) |
| At 30 June 2007 | 318 |

The provision of mine rehabilitation represents management's best estimate of the future rehabilitation and restoration cost relating to the mine closure.

## 18. Trade and other payables

| | *2007 AUS$'000* |
|---|---|
| Current: | |
| Trade payables | 11,028 |
| Other payables | 2,921 |
| Employee benefits | 2,492 |
| | 16,441 |

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

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

Other payables include amounts due to Emperor Mines Limited of AUS$785,000.

## 19. Acquisition of subsidiary

On 28 March 2007, Westech acquired 100 per cent of the issued share capital of Westech Australia Pty Limited and 100 per cent of the issued share capital of Westech Finance Pty Limited for a combined cash consideration of AUS$1. Westech Australia Pty Limited and Westech Finance Pty Limited, together own 100% of the issued share capital of Westech Gold Limited, Koula Mining Company Limited and Jubilee Gold Mining Company Limited. Westech's subsidiaries are involved in mineral exploration. This transaction has been accounted for by the purchase method of accounting.

| | *Book value AUS$'000* | *Provisional fair value AUS$'000* |
|---|---|---|
| Cash and cash equivalents | 495 | 495 |
| Other net assets acquired | 19,248 | 19,248 |
| Negative goodwill | | (19,743) |
| Total consideration | | — |
| Less: cash and cash equivalents in subsidiaries acquired | | (495) |
| | | (495) |
| Satisfied by: | | |
| Cash inflow on acquisition | | 495 |

It is considered impracticable to separate the net assets acquired for each class of the acquiree's assets, liabilities and contingent liabilities and into their respective carrying amounts immediately before acquisition.

In accordance with IFRS 3(69) the initial accounting for the acquisition that was effected during the period was determined only provisionally as management still need to consider fair values of any intangible amounts.

The negative goodwill arising on the acquisition of Westech Australia Pty Limited and Westech Finance Pty Limited, being the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities excess over the consideration paid has been recognised immediately in profit for the period.

Westech Australia Pty Limited and Westech Finance Pty Limited contributed AUS$89,000 revenue and AUS$16,312,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition of Westech Australia Pty Limited and Westech Finance Pty Limited had been completed on the first day of the financial period, consolidated revenues for the period would have been AUS$21,408,000 and the consolidated loss attributable to equity holders of the parent would have been AUS$68,788,000

**20. Parent and ultimate parent company**

Westech's immediate parent undertaking is Viso Gero International Inc.

Westech's ultimate parent undertaking is Red Lion Management Limited, a company incorporated in Canada.

**21. Contingent liabilities**

The Fiji Islands Revenue & Customs Authority has issued taxation assessments against one of the Group companies in the amount of F$11,133,000. The Company does not believe any amounts are payable and is vigorously defending the claim. No amount has been provided in the accounts in respect of this claim.

The Westech Group is a plaintiff in several litigations with respect to potential claims of creditors, workers compensation and industrial action. The Directors believe these litigations will not have a material effect on the consolidated financial information.

The assets of Westech have been used as security for a F$640,000 bond issued to the Westech Group's former owner, Emperor Gold Limited.

**22. Subsequent events**

(a) The Westech Group is in the final stages of entering a scheme of arrangement with creditors that were owed a total of F$8,810,000 as at 31 December 2007.

On legal advice, a proposed compromise between the Westech Group and its creditors (''Proposed Scheme'') under section 208 of the Companies Act (Fiji) has been planned. The intention is to register the Scheme of Arrangement with the High Court to ensure all creditors abide by the arrangement and to prevent any winding-up actions from being taken.

In order to obtain support for the Proposed Scheme, a letter was written addressed to each of the known creditors outlining the Proposed Scheme requesting them to respond with an indication as to whether they would support the Proposed Scheme.

The letter forwarded to creditors indicated the intention of the Westech Group to pay to all creditors a 10% instalment of the total outstanding liabilities commencing on 7 December 2007. Such a payment was made. Further, the balance of the outstanding liabilities would be paid in four equal instalments on 31 March 2008, 30 June 2008, 30 September 2008 and 31 December 2008.

No further action has been advanced from any creditor since payment was made (although no notification has been received of any action being withdrawn entirely).

Given the level of support for the Proposed Scheme, the Westech Group intends to apply to the High Court through counsel, to have the Proposed Scheme registered.

(b) Westech has entered into a Deed with the Government of Fiji which provides concessions with respect to royalties, power supply and various taxes. The Deed also require establishment of a Rehabilitation Trust Fund of F$6.0million to provide for the remediation of the Vatakoula

community as a result of the mine activities. Westech paid F$1.5m into escrow for the purposes of the Rehabilitation Trust Fund during November 2007 pending establishment of that Rehabilitation Trust Fund.

(c) On 21 February 2008, Westech Gold Limited entered into an agreement with the Fiji Islands Revenue and Customs Authority (''FIRCA'') to pay certain amounts out of revenue as a credit against the taxation assessments of F$11,133,000 detailed in note 21 above. Such payments to FIRCA will be made with effect from 21 February 2008.

**23. Nature of financial information**

The consolidated financial information presented above does not constitute Statutory Accounts for the period ended 30 June 2007.

## Part III (D)

## ACCOUNTANTS' REPORT ON THE WESTECH SUBSIDIARIES

The Directors and Proposed Directors
River Diamonds plc
Carmelite
50 Victoria Embankment
London
EC4Y 0LS

W H Ireland Limited
24 Martin Lane
London
EC4R 0DR

13 March 2008

Dear Sirs

**WESTECH AUSTRALIA PTY LIMITED, WESTECH FINANCE PTY LIMITED, WESTECH GOLD LIMITED, KOULA MINING COMPANY LIMITED AND JUBILEE GOLD MINING COMPANY LIMITED**

We report on the aggregated financial information on Westech Australia Pty Limited, Westech Finance Pty Limited, Westech Gold Limited, Koula Mining Company Limited and Jubilee Gold Mining Company Limited (together the "Westech Subsidiaries") which has been prepared for the purpose of its inclusion in the AIM Admission Document dated 13 March 2008 (the "Admission Document") of River Diamonds plc (the "Company") on the basis of the accounting policies set out in note 2 to the aggregated financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Save for any responsibility arising under the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the AIM Rules, consenting to its inclusion in the Admission Document dated 13 March 2008 of the Company.

**Responsibilities**

The Directors of the Company are responsible for preparing the aggregated financial information on the basis of preparation set out in note 2 to the aggregated financial information and in accordance with International Financial Reporting Standards as endorsed by the European Commission ("IFRS").

It is our responsibility to form an opinion on the aggregated financial information as to whether the aggregated financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the aggregated financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the aggregated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 aggregated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the aggregated financial information gives, for the purposes of the Admission Document dated 13 March 2008, a true and fair view of the state of affairs of the Westech Subsidiaries as at the dates stated and of its income statements, balance sheets, changes in shareholders' equity and cash flows for the periods then ended in accordance with the basis of preparation set out in note 2 to the aggregated financial information and in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**

## AGGREGATED INCOME STATEMENTS

The aggregated Income Statements of the Westech Subsidiaries for each of the three years ended 30 June 2007 are set out below:

| | *Notes* | *2005 AUS$'000* | *2006 AUS$'000* | *2007 AUS$'000* |
|---|---|---|---|---|
| Revenue | | 65,805 | 38,039 | 21,408 |
| Cost of sales | | (58,115) | (53,561) | (33,093) |
| **Gross profit / (loss)** | | 7,690 | (15,522) | (11,685) |
| Administrative expenses | | (15,342) | (14,613) | (10,526) |
| Other operating expenses | | (23,192) | (5,014) | (46,904) |
| **Operating loss** | | (30,844) | (35,149) | (69,115) |
| Financial income | 7 | 4,084 | 4,054 | 1,533 |
| Other gains and losses | 8 | 2,553 | (31,396) | 2,504 |
| Financial expenses | 9 | (9,899) | (11,920) | (3,710) |
| **Loss before taxation** | | (34,106) | (74,411) | (68,788) |
| Taxation | 10 | 88 | — | — |
| **Loss for the year** | 6 | (34,018) | (74,411) | (68,788) |
| Attributable to: | | | | |
| Equity holders of the parent | | (34,018) | (74,411) | (68,788) |

All amounts relate to continuing operations.

## AGGREGATED BALANCE SHEETS

The aggregated Balance Sheets of the Westech Subsidiaries at the end of each of the three years ended 30 June 2007 are set out below:

| | Notes | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 11 | 231 | 231 | 6,025 |
| Property, plant and equipment | 12 | 49,551 | 52,854 | 22,824 |
| Investment in subsidiaries | | 295 | 295 | 295 |
| Other receivables | 14 | 77,743 | 73,385 | 3,941 |
| | | 127,820 | 126,765 | 33,085 |
| **Current assets** | | | | |
| Inventories | 13 | 7,662 | 8,602 | 3,979 |
| Trade and other receivables | 14 | 3,844 | 1,274 | 962 |
| Cash and cash equivalents | | 4,596 | 2,064 | 18 |
| | | 16,102 | 11,940 | 4,959 |
| **Total assets** | | 143,922 | 138,705 | 38,044 |
| **EQUITY** | | | | |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | 15 | 72,677 | 72,677 | 72,677 |
| Share premium | | 40,436 | 40,436 | 40,436 |
| Revaluation reserve | | 3,714 | 3,661 | 3,513 |
| Other reserves | | 1,939 | 1,912 | 223,817 |
| Translation reserve | | (7,828) | (8,432) | (10,135) |
| Retained earnings | | (170,115) | (242,867) | (313,701) |
| **Total equity** | | (59,177) | (132,613) | 16,607 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Trade and other payables | 16 | 138 | 124 | — |
| Borrowings | 17 | 166,721 | 220,394 | 4,678 |
| Provisions | 18 | 134 | 264 | 318 |
| Derivative financial instruments | 19 | 4,452 | 35,847 | — |
| | | 171,445 | 256,629 | 4,996 |
| **Current liabilities** | | | | |
| Trade and other payables | 16 | 15,705 | 12,535 | 16,441 |
| Borrowings | 17 | 15,949 | 2,154 | — |
| | | 31,654 | 14,689 | 16,441 |
| **Total liabilities** | | 203,099 | 271,318 | 21,437 |
| **Total equity and liabilities** | | 143,922 | 138,705 | 38,044 |

## AGGREGATED STATEMENTS OF CHANGES IN EQUITY

The Statement of Changes in Equity of the Westech Subsidiaries for each of the three years ended 30 June 2007 are set out below:

| | *Share capital AUS $'000* | *Share premium AUS $'000* | *Translation reserves AUS $'000* | *Revaluation reserve AUS $'000* | *Other reserves* AUS $'000* | *Retained earnings AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|---|---|---|
| At 1 June 2004 | 72,677 | 40,436 | — | 3,873 | 2,022 | (136,246) | (17,238) |
| Loss for the year | — | — | — | — | — | (34,018) | (34,018) |
| Exchange differences on translation of overseas operation | — | — | (7,828) | (159) | (83) | 149 | (7,921) |
| At 30 June 2005 | 72,677 | 40,436 | (7,828) | 3,714 | 1,939 | (170,115) | (59,177) |
| Loss for the year | — | — | | — | — | (74,411) | (74,411) |
| Exchange differences on translation of overseas operation | — | — | (604) | (53) | (27) | 1,659 | 975 |
| At 30 June 2006 | 72,677 | 40,436 | (8,432) | 3,661 | 1,912 | (242,867) | (132,613) |
| Loss for the year | — | — | | — | — | (68,788) | (68,788) |
| Capital contribution | — | — | — | — | 228,173 | — | 228,173 |
| Exchange differences on translation of overseas operation | — | — | (1,703) | (148) | (6,268) | (2,046) | (10,165) |
| At 30 June 2007 | 72,677 | 40,436 | (10,135) | 3,513 | 223,817 | (313,701) | 16,607 |

*Other reserves comprise capital contributions to the Westech Subsidiaries.

## AGGREGATED CASH FLOW STATEMENTS

The aggregated Cash Flow Statements of the Westech Subsidiaries for each of the three years ended 30 June 2007 are set out below:

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash received from customers | 63,694 | 42,382 | 21,423 |
| Proceeds from gold derivatives | 3,707 | 355 | — |
| Cash paid to suppliers and employees | (66,821) | (62,248) | (44,982) |
| Net interest paid | (30) | (1) | (2,176) |
| **Net cash from/(used in) opening activities** | 550 | (19,512) | (25,735) |
| **Cash flows from investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | 41 | 46 | 2 |
| Purchases of property, plant and equipment | (12,648) | (11,048) | (19,704) |
| **Net cash used in investing activities** | (12,607) | (11,002) | (19,702) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings – ultimate holding company | 17,440 | 28,037 | 43,829 |
| Cash transferred to related party | — | — | (406) |
| Repayment of secured loan | (2,485) | — | — |
| Repayment of lease liabilities | (44) | (93) | — |
| **Net cash from financing activities** | 14,911 | 27,944 | 43,423 |
| **Net increase / (decrease) in cash and cash equivalents** | 2,854 | (2,570) | (2,014) |
| **Cash and cash equivalents** | | | |
| At beginning of year | 1,946 | 4,596 | 2,064 |
| Effects of foreign exchange rate changes | (204) | 38 | (32) |
| **At end of year** | 4,596 | 2,064 | 18 |

# NOTES TO THE AGGREGATED FINANCIAL INFORMATION

## 1. General information

Westech Australia Pty Limited and Westech Finance Pty Limited are companies incorporated in Australia under the Corporations Act 2001. Westech Gold Limited, Koula Mining Company Limited and Jubilee Company Limited are companies incorporated in Fiji under the Fijian Companies Act 1985. The principal activity of the Westech Subsidiaries as defined is the ownership and exploitation of mineral interests in the Asia-Pacific region.

## 2. Significant accounting policies

The following principal accounting policies have been used consistently in the preparation of the aggregated financial information of the Westech Subsidiaries.

### *(a) Basis of presentation*

The aggregated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC interpretations) as adopted by the EU (''Adopted IFRS'').

The aggregated financial information for the three years ended 30 June 2007 has been prepared and presented in accordance with IFRS (except for the method of aggregation which is not permitted by IFRS3 ''Business Combinations'') and in accordance with the accounting policies of the Westech Subsidiaries. The exception to IFRS is detailed below:

*Method of aggregation*

The financial information represents the aggregation of the results for the three years ended 30 June 2007 of the following businesses that comprise the Westech Subsidiaries as at 30 June 2007:

- Westech Australia Pty Limited;
- Westech Finance Pty Limited;
- Westech Gold Limited (formerly known as 'Emperor Gold Mining Limited');
- Koula Mining Company Limited; and
- Jubilee Gold Mining Company Limited.

This method of combination of the financial information is considered necessary to give a true and fair view of the underlying results of those entities owned by Westech Gold Pty Limited as at 30 June 2007.

In accordance with Standards for Investment Reporting 2000, the results and net assets of the relevant entities have been aggregated with eliminations for intercompany transactions and balances only.

As a result of the financial information being prepared on an aggregated basis, no earnings per share figure has been presented and as such there is no meaningful measure to this figure.

### *(b) Presentation currency*

The aggregated financial information is presented in Australian Dollars and all values rounded to the nearest thousand Dollars except when otherwise indicated.

### *(c) Cumulative translation differences*

The Westech Subsidiaries have elected to reset all cumulative translation differences for all foreign operations to zero at the date of transition to IFRS.

### *(d) Revenue recognition*

Revenue arises from the sale of gold produced from mining activities. Revenues are recognised when the risks and rewards of ownership are transferred to the customer and:

(i) the product is in a form suitable for delivery and no further processing is required by the Westech Subsidiaries;

(ii) the quantity and quality of the product can be determined with reasonable accuracy;

(iii) the product has been despatched to the customer and is no longer under the physical control of the Westech Subsidiaries; and

(iv) selling price can be determined with reasonable accuracy.

***(e) Foreign currency translation***

Amounts payable to and by the Westech Subsidiaries in foreign currencies have been translated to Australian Dollars at rates of exchange ruling at balance date. All other amounts are translated at the rates ruling at the date of the transaction. Resulting exchange differences are brought into the income statement in determining results for the years sated.

***(f) Taxation***

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Westech Subsidiaries' liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Westech Subsidiaries intend to settle its tax assets and liabilities on a net basis.

***(g) Mine buildings, plant and equipment***

The annual charge for depreciation on mine buildings, plant and equipment is based upon the lesser of the estimated remaining useful lives of the assets concerned, or the life of the mine.

During 2006, the remaining life of the mine was estimated and extended from 10 years to 15 years, from 1 July 2005. The depreciation of certain mine buildings, plant and equipment will be based on a 15 year mine estimate.

Freehold and leasehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

***(h) Mine properties and development***

This represents the accumulation of all exploration, evaluation, development and acquisition expenditure incurred in relation to areas of interest in which economically recoverable reserves exist.

The capitalised value of mine properties and development is amortised on a life of mine basis. The life of the mine has been calculated on a units of production method based on economically recoverable reserves and resources.

The net carrying value of mine assets is reviewed regularly and, to the extent to which this amount exceeds its recoverable amount (based on the higher of the net present value of estimated future net cash flows and the mine asset's current realisable value), that excess is fully provided against in the financial year in which this is determined.

***(i) Exploration expenditure***

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential gold reserves. Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that the following conditions are met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

(ii) the activities have not established whether or not economically recoverable resources exist; and

(iii) active and significant operations in relation to the area are continuing.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Expenditure is transferred to mine, properties and development assets when commercial reserves have been discovered. The Westech Subsidiaries definition of commercial reserves for such purpose is proven and probable reserves on an entitlement basis.

***(j) Maintenance and repairs***

The cost of maintenance, repairs and minor renewals are charged to costs of production as incurred. Where the economic benefit of major overhauls will be realised over more than one accounting period, the costs are capitalised and amortised over the life of the asset or until the next major overhaul, whichever period is the shorter.

***(k) Impairment of tangible non-current assets***

Where an indication of impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount (higher of fair value less costs to sell and value in use of an asset) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

***(l) Leased non-current assets***

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risk benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense. The lease asset is amortised on a straight line basis over the term of the lease or, where it is likely that the Company will obtain ownership of the asset, the life of the asset. Other operating lease payments are charged to the income statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

***(m) Inventories***

Inventories are valued as follows:

(i) stores comprising plant spares and consumable stores are valued on the basis of weighted average cost after providing for obsolescence;

(ii) work in progress, including ore stock, consists of stocks on which further processing is required by or on behalf of the joint venture to convert them to trading stocks, and is valued at the lower of cost and net realisable value. The work in progress is valued on the basis of first in first out and includes direct costs, depreciation and amortisation; and

(iii) insurance spares are depreciated over the same remaining life as the equipment with which they are associated.

***(n) Cash and cash equivalents***

Cash and cash equivalents in the balance sheet comprise cash on hand and in banks and short-term deposits which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of any outstanding bank overdrafts.

***(o) Financial instruments***

Financial assets and financial liabilities are recognised when the Westech Subsidiaries become a party to the contractual provisions of the instrument.

*Trade and other receivables*

Trade receivables do not carry any interest and are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end.

*Trade and other payables*

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Westech Subsidiaries. The amounts are unsecured.

*Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

*Borrowing costs*

Borrowing costs include interest on bank overdrafts, short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, foreign exchange gains and losses, amortisation of ancillary costs incurred in connection with the arrangements of borrowing and finance lease. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as expenses in the period in which they are incurred.

*Equity instruments*

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

*Commodity forward contracts*

The Westech Subsidiaries enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency exchange rate risk, including commodity exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 19 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

In the period under review, certain of the Westech Subsidiaries entered into forward commodity contracts for the sale of gold. All such forward contracts were novated with effect from the date of acquisition of the Westech Subsidiaries on 28 March 2007.

***(p) Employee benefits***

Provision has been made in the financial statements for benefits accruing in respect of sick leave, annual leave and long service leave.

A liability for long service is recognised during an accounting period when an employee has rendered service to the Westech Subsidiaries. This is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

***(q) Mine rehabilitation***

Expenditures relating to ongoing rehabilitation and restoration programs, including for exploration areas on non-freehold land, are provided for or charged to costs of production as incurred. A provision for future rehabilitation and restoration relating to mine closure is recognised as the present value of such costs.

***(r) Standards, interpretations and amendments to published standards that are not yet effective***

Certain new standards, amendments and interpretations to existing standards applicable to the Company have been published that are mandatory for the Westech Subsidiaries' accounting periods beginning on or after 1 July 2007 or later periods but which have not been early adopted are as follows:

IFRS 2, Share-based Payment, revised 2008 (effective from 1 January 2009)

IFRS 3, Business Combinations, revised 2008 (effective 1 January 2009)

IFRS 8, Operating Segments (effective from 1 January 2009)

IAS 1, Presentation of Financial Statements, revised 2007 (effective 1 January 2009)

IAS 1, Presentation of Financial Statements, revised 2008 (effective 1 January 2009)

IAS 23, Borrowing Costs, revised 2007 (effective 1 January 2009)

IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)

IAS 28, Investments in Associates, revised 2008 (effective 1 July 2009)

IAS 31, Interests in Joint Ventures, revised 2008 (effective 1 July 2009)

IAS 32, Financial Instruments: Presentation, revised 2008 (effective 1 January 2009)

IFRIC 12, Service Concession Agreement (effective 1 January 2008)

IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)

IFRIC 14, IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The Directors anticipate that the adoption of these interpretations in future periods will have no material financial impact on the aggregated financial information of the Westech Subsidiaries.

***(s) Critical accounting judgements and key sources of estimation uncertainty***

The preparation of the aggregated financial information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made in particular with regard to:

*Estimated impairment of mine properties and development*

The Westech Subsidiaries test annually whether mine properties and development assets have suffered any impairment, in accordance with its accounting policy, stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

*Uncertainty of mineral reserve and mineral resource estimates*

The Westech Subsidiaries estimate its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code'). The Westech Subsidiaries use these reserve and resource estimates in determining the useful lives of mining assets. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Future production could differ dramatically from mineral reserve estimates for the following reasons:

(i) Mineralisation or formation could be different from that predicted by drilling, sampling and similar examinations;

(ii) Declines in the market price of gold may render the mining of some or all of the Westech Subsidiaries' mineral reserves uneconomic;

(iii) Increases in mining costs and processing costs could adversely affect mineral reserves; and

(iv) The grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of gold may be recovered from the mineral reserves.

Any of these factors may require the Westech Subsidiaries to reduce its mineral reserve and mineral resource estimates or increase its costs. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping costs and provisions for decommissioning and restoration.

*Units of production method of depreciation/amortisation*

The Westech Subsidiaries apply the units of production method for depreciation and amortisation of its mine assets based on ore tonnes milled. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves and resources and production capacity are the Westech Subsidiaries' history of converting resources to reserves and the relevant time frames, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre tax profit and carrying values of assets.

*Income taxes*

The Westech Subsidiaries are subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

*Stripping costs*

Mining costs incurred during the operating phase of the mine related to the removal of waste rock, referred to as stripping costs, are capitalised. The capitalisation of these costs is based on the calculated life of mine stripping ratio of waste to ore as well as the actual ratio achieved during each month. The life of mine stripping ratio incorporates the same risks and uncertainties discussed for the uncertainty of mineral reserve and mineral resource estimates above.

**3. Financial risk management**

The Westech Subsidiaries' activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Westech Subsidiaries' aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Westech Subsidiaries' financial performance.

Risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Westech Subsidiaries regularly reviews risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Board of Directors. The Directors are responsible for the identification of the major business risks faced and for determining the appropriate courses of action to manage those risks. The most important types of risk are credit risk, liquidity risk, and market risk. Market risk includes currency risk, interest rate and other price risk.

***(a) Credit risk***

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Westech Subsidiaries' receivables from customers.

The maximum exposure to credit risk is AUS$4,903,000 (2006: AUS$74,659,000, 2005: AUS$81,857,000).

***(b) Liquidity risk***

Liquidity risk is the risk that the Westech Subsidiaries are unable to meet its payment obligations associated with its financial liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Westech Subsidiaries' short, medium and long-term funding and liquidity management requirements. Despite a net liability position, the Westech Subsidiaries have arranged financing structures to enable it to continue trading as a going concern.

In 2006, the Westech Subsidiaries took the following actions to manage its liquidity risk:

Emperor Mines Limited obtained a 5 year term debt facility for AUS$59,093,000. The funds were used to fund acquisition of the DRD Isle of Man assets in Papua New Guinea and to provide a working capital facility for the Westech Subsidiaries.

Emperor Mines Limited also raised additional equity of AUS$40,000,000. These funds were used to:

(i) Fund redevelopment plans for the Vatukoula and Tolukuma Gold mines;

(ii) Fund an exploration program on the tenement holdings in Papua New Guinea and Fiji; and

(iii) Reduce debt.

On 28 March 2007, the facilities provided by ANZ to Emperor Mines Limited and its subsidiaries were repaid and the facility limits cancelled. Securities provided by Emperor Mines Limited and its subsidiaries to ANZ in support of the facilities have been released.

The Westech Subsidiaries manages its liquidity risk based upon business needs, through a variety of sources of finance in order to maintain flexibility.

*Liquidity and interest risk tables*

The following tables detail the Westech Subsidiaries' remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Westech Subsidiaries can be required to pay. The table includes both interest and principal cash flows:

| | *Weighted average effective interest rate* | *Less than 1 year* | *1 – 5 years* | *5+ years* | *Total* |
|---|---|---|---|---|---|
| | | *AUS* | *AUS* | *AUS* | *AUS* |
| **2007** | *%* | *$'000* | *$'000* | *$'000* | *$'000* |
| Non-interest bearing | — | 16,441 | — | — | 16,441 |
| Variable interest rate instruments | 8% | — | — | 4,678 | 4,678 |
| | | 16,441 | — | 4,678 | 21,119 |

| 2006 | *Weighted average effective interest rate* % | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|---|
| Non-interest bearing | — | 12,535 | — | 124 | 12,659 |
| Finance lease liability | 5.8% | 79 | 162 | — | 241 |
| Variable interest rate instruments | 8.0% | 2,075 | 11,388 | 204,938 | 218,401 |
| Fixed interest rate instruments | 9.2% | — | — | 3,906 | 3,906 |
| | | 14,689 | 11,550 | 208,968 | 235,207 |

| 2005 | *Weighted average effective interest rate* % | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|---|
| Non-interest bearing | — | 15,705 | — | 29,438 | 45,143 |
| Finance lease liability | 2.5% | 88 | 154 | — | 242 |
| Variable interest rate instruments | 8.0% | 15,861 | — | 162,776 | 178,637 |
| Fixed interest rate instruments | 9.2% | — | — | 3,791 | 3,791 |
| | | 31,654 | 154 | 196,005 | 227,813 |

The following table details the Westech Subsidiaries' expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Westech Subsidiaries anticipates that the cash flow will occur in a different period.

| 2007 | *Weighted average effective interest rate* % | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|---|
| Cash and cash equivalents | — | 18 | — | — | 18 |
| Non-interest bearing | — | 962 | — | — | 962 |
| Variable interest rate instruments | 8.0% | — | 3,941 | — | 3,941 |
| | | 980 | 3,941 | — | 4,921 |

| 2006 | *Weighted average effective interest rate* % | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|---|
| Cash and cash equivalents | — | 2,064 | — | — | 2,064 |
| Non-interest bearing | — | 1,274 | — | — | 1,274 |
| Variable interest rate instruments | 8.0% | — | 73,385 | — | 73,385 |
| | | 3,338 | 73,385 | — | 76,723 |

| 2005 | *Weighted average effective interest rate* % | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|---|
| Cash and cash equivalents | — | 4,596 | — | — | 4,596 |
| Non-interest bearing | — | 3,844 | — | — | 3,844 |
| Variable interest rate instruments | 8.0% | — | 77,743 | — | 77,743 |
| | | 8,440 | 77,743 | — | 86,183 |

The following table details the Westech Subsidiaries' expected maturity for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows / (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the reporting date.

There are no derivative financial instruments outstanding at 30 June 2007.

| 2006 | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|
| Interest rate swaps | — | 476 | — | 476 |
| Forward commodity contracts | — | 35,371 | — | 35,371 |
| | — | 35,847 | — | 35,847 |

| 2005 | *Less than 1 year AUS $'000* | *1 – 5 years AUS $'000* | *5+ years AUS $'000* | *Total AUS $'000* |
|---|---|---|---|---|
| Forward commodity contracts | — | 4,452 | — | 4,452 |

### *(c) Market risk*

*Currency exchange risk*

The Westech Subsidiaries operate in their respective countries, Fiji and Australia, therefore they do not consider that they are exposed to any significant currency exchange risk.

*Interest rate risk*

The Westech Subsidiaries are exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by entering into interest rate swaps.

The exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### *(d) Interest rate swap contracts*

Under interest rate swap contracts, the Westech Subsidiaries agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Westech Subsidiaries to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate debt held. The average interest rate is based on the outstanding balances at the end of the financial year.

The bank loan of the Westech Subsidiaries has borne an average variable rate of 3.42%. In order to minimise fluctuations in interest rates, 64% of the loan has been hedged by entering into interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates until October 2008. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in the term loan.

The fixed interest rate payable on the hedged 64% of the loan was 4.34%.

***(e) Sensitivity analysis***

For financial instruments held, the Westech Subsidiaries have used a sensitivity analysis technique that measures the change in the fair value and cash flows of the Westech Subsidiaries' financial instruments for hypothetical changes in relevant market risk variables.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets.

The sensitivity of profit or loss and equity due to changes in the relevant risk variables as at 30 June 2007 are set out below.

*Interest rate sensitivity analysis:*

If interest rates have been 0.5% basis point higher / lower and all other variables were held constant, the Westech Subsidiaries':

- Loss for the year ended 30 June 2007 would increase / decrease by AUS$4,000 (2006: increase / decrease by AUS$725,000, 2005: increase / decrease by AUS$504,000); and
- There will be no impact on other equity reserves (2006: AUS$nil, 2005: AUS$nil).

Interest rate sensitivity analysis has been performed on a net basis excluding the impact interest rate fluctuations on cash and cash equivalents.

***(f) Fair value of financial assets and financial liabilities***

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

**4. Capital risk management**

The Westech Subsidiaries' objectives when managing capital are to safeguard the Westech Subsidiaries' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Westech Subsidiaries monitor their capital structure and may issue new shares or sell assets to reduce debt in order to maintain or adjust the capital structure.

**5. Segment information**

*Business segments*

The Westech Subsidiaries' activities are concerned with gold production. The Board of Directors manages the business as a single business segment.

*Geographical segments*

The Westech Subsidiaries' activities are all concentrated in the Asia-Pacific region.

**6. Loss for the year**

Loss for the year has been arrived at after charging/(crediting):

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Net foreign exchange losses / (gains) | 1,157 | 932 | (2,936) |
| Depreciation of property, plant and equipment | 26,324 | 9,937 | 24,672 |
| Amortisation of intangible assets | — | 38 | — |
| Impairment of property, plant and equipment | — | — | 20,444 |
| Cost of inventories recognised as an expense | 61,850 | 39,090 | 17,020 |
| Staff costs | 22,714 | 22,091 | 23,970 |
| Debt waiver to related company | — | — | 16,302 |

## 7. Financial income

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Interest on loan from Emperor Mines Limited | 4,058 | 4,041 | 1,527 |
| Bank interest | 26 | 13 | 6 |
| | 4,084 | 4,054 | 1,533 |

Investment revenue is earned on loans and receivables (including cash and bank balances).

## 8. Other gains and losses

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Change in fair value of derivative liabilities outstanding at year end and classified as held for trading | 2,553 | (31,396) | 2,504 |

## 9. Finance expenses

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Interest on bank loans and overdrafts | 51 | — | 1 |
| Interest on secured loan | 911 | 1,136 | 1,398 |
| Interest on loan to ultimate parent company | 7,774 | 9,838 | 5,247 |
| Lease finance | 6 | 14 | — |
| Foreign exchange loss/(gain) | 1,157 | 932 | (2,936) |
| | 9,899 | 11,920 | 3,710 |

## 10. Taxation

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Current tax credit | (88) | — | — |
| Deferred tax charge | — | — | — |
| | (88) | — | — |

Corporation tax is calculated at 30%-31% depending on the tax jurisdiction (2006: 30%-31% and 2005: 30%-31%) of the estimated assessable profit/loss for the year.

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Loss before tax | (34,106) | (74,411) | (68,788) |
| Tax at corporation tax rate of 31% (2006: 31% and 2005: 31%) | (10,573) | (23,067) | (21,324) |
| Effect of expenses that are not deductible in determining taxable profit | 777 | 9,365 | (2,816) |
| Effect of depreciation in excess of capital allowances not recognised | 6,959 | 4,308 | 7,093 |
| Effect of unused tax losses not recognised | 3,035 | 9,394 | 17,047 |
| Effect of previously unrecognised and unused tax losses now utilised | (286) | — | — |
| Tax credit for the year | (88) | — | — |

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses / credits can be utilised.

The Directors believe that the Westech Subsidiaries have substantial carried forward losses available. However, the Fiji Islands Revenue & Customs Authority have issued assessments totalling F$11.5million against one of the subsidiary companies. The Company does not believe any amounts are payable and is vigorously defending the claim. No amounts have been provided in the accounts in respect of this claim. Given the material uncertainty in regards to the quantum of available losses, the Directors have not provided an estimate of the losses for the purposes of these accounts. Deferred tax arising on accelerated capital allowances have been offset against available tax losses.

**11. Intangible assets**

| | *Exploration AUS$'000* |
|---|---|
| **Cost or valuation** | |
| At 1 July 2004 | 21,198 |
| Exchange movements | (870) |
| At 30 June 2005 | 20,328 |
| Additions | 38 |
| Exchange movements | (285) |
| At 30 June 2006 | 20,081 |
| Additions | 5,946 |
| Exchange movements | (956) |
| At 30 June 2007 | 25,071 |
| **Accumulated amortisation** | |
| At 1 July 2004 | (20,958) |
| Exchange movements | 861 |
| At 30 June 2005 | (20,097) |
| Charge for year | (38) |
| Exchange movements | 285 |
| At 30 June 2006 | (19,850) |
| Exchange movements | 804 |
| At 30 June 2007 | (19,046) |
| **Net book value** | |
| At 30 June 2007 | 6,025 |
| At 30 June 2006 | 231 |
| At 30 June 2005 | 231 |

## 12. Property, plant and equipment

| | *Freehold & leasehold land AUS$'000* | *Mine properties & development AUS$'000* | *Mine buildings, plant & equipment AUS$'000* | *Total AUS$'000* |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 July 2004 | 1,939 | 50,797 | 75,089 | 127,825 |
| Additions | — | 7,783 | 4,694 | 12,477 |
| Disposals | — | — | (113) | (113) |
| Transfers | — | 769 | (769) | — |
| Exchange movements | (80) | (2,123) | (3,097) | (5,300) |
| At 30 June 2005 | 1,859 | 57,226 | 75,804 | 134,889 |
| Additions | — | 9,327 | 4,713 | 14,040 |
| Disposals | — | — | (80) | (80) |
| Transfers | — | 1,222 | (1,222) | — |
| Exchange movements | (26) | (849) | (1,083) | (1,958) |
| At 30 June 2006 | 1,833 | 66,926 | 78,132 | 146,891 |
| Additions | — | 13,977 | 2,522 | 16,499 |
| Transfers | — | 18,382 | (18,382) | — |
| Exchange movements | (74) | (3,537) | (2,744) | (6,355) |
| At 30 June 2007 | 1,759 | 95,748 | 59,528 | 157,035 |
| **Accumulated depreciation** | | | | |
| At 1 July 2004 | — | (24,192) | (37,514) | (61,706) |
| Charge for year | — | (21,222) | (5,102) | (26,324) |
| Depreciation on disposals | — | — | 51 | 51 |
| Exchange movements | — | 1,083 | 1,558 | 2,641 |
| At 30 June 2005 | — | (44,331) | (41,007) | (85,338) |
| Charge for year | — | (4,689) | (5,248) | (9,937) |
| Exchange movements | — | 645 | 593 | 1,238 |
| At 30 June 2006 | — | (48,375) | (45,662) | (94,037) |
| Charge for year | — | (19,514) | (5,158) | (24,672) |
| Impairment loss | — | (20,444) | — | (20,444) |
| Transfers | — | (10,670) | 10,670 | — |
| Exchange movements | — | 3,255 | 1,687 | 4,942 |
| At 30 June 2007 | — | (95,748) | (38,463) | (134,211) |
| **Net book value** | | | | |
| At 30 June 2007 | 1,759 | — | 21,065 | 22,824 |
| At 30 June 2006 | 1,833 | 18,551 | 32,470 | 52,854 |
| At 30 June 2005 | 1,859 | 12,895 | 34,797 | 49,551 |

The net book amount of assets held under hire purchase agreements and finance leases was AUS$nil (2006: AUS$399,000, 2005: AUS$434,000). The depreciation charge on these assets was AUS$nil (2006: AUS$136,000, 2005: AUS$56,000).

At 30 June 2007, had the mine properties been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been AUS$nil (2006: AUS$102,811,000, 2005: AUS$100,847,000).

## 13. Inventories

| | *2005 AUS$'000* | *2006 AUS$'000* | *2007 AUS$'000* |
|---|---|---|---|
| Consumable stores (including insurance spares) | 6,471 | 6,116 | 5,905 |
| Provision for stock obsolescence | (1,721) | (1,732) | (2,316) |
| | 4,750 | 4,384 | 3,589 |
| Work in progress and ore stocks | 2,912 | 4,218 | 390 |
| | 7,662 | 8,602 | 3,979 |

## 14. Trade and other receivables

| | *2005 AUS$'000* | *2006 AUS$'000* | *2007 AUS$'000* |
|---|---|---|---|
| Current: | | | |
| Trade receivables | 753 | — | — |
| Other receivables | 3,166 | 1,284 | 971 |
| Allowance for doubtful debts | (75) | (10) | (9) |
| | 3,091 | 1,274 | 962 |
| | 3,844 | 1,274 | 962 |
| Non-current: | | | |
| Other receivables | 77,743 | 73,385 | 3,941 |

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

Non-current other receivables primarily relate to amounts due from Emperor Mines Limited, the former parent company.

As there are no trade receivables as at 30 June 2007 and no amounts are considered past due.

## 15. Called up share capital

| | *2005 2006 & 2007 AUS$'000* |
|---|---|
| **Authorised share capital** | |
| 68,608,810 Ordinary shares of AUS$1each | 68,609 |
| 10,010,000 Ordinary shares of Fijian $1 each | 8,129 |
| 8,000,000 Ordinary shares of Fijian $0.5 each | 3,248 |
| | 79,986 |
| **Issued share capital** | |
| 68,608,810 Ordinary shares of AUS$1 each | 68,609 |
| 1,010,002 Ordinary shares of Fijian $1 each | 820 |
| 8,000,000 Ordinary shares of Fijian $0.5 each | 3,248 |
| | 72,677 |

## 16. Trade and other payables

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Current: | | | |
| Trade payables | 10,071 | 5,406 | 11,028 |
| Other payables | 3,185 | 3,530 | 2,921 |
| Employee benefits | 2,449 | 3,599 | 2,492 |
| | 15,705 | 12,535 | 16,441 |
| Non-current: | | | |
| Other payables | 138 | 124 | — |

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

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

Other payables (current) include amounts due to Emperor Mines Limited, the former parent company of AUS$785,000 (2006: AUS$791,000, 2005: AUS$1,388,000).

## 17. Borrowing

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Current: | | | |
| Secured loan | 15,861 | 2,075 | — |
| Finance lease liabilities | 88 | 79 | — |
| | 15,949 | 2,154 | — |
| Non-current: | | | |
| Secured loan | — | 11,388 | — |
| Unsecured loan | 166,567 | 208,844 | 4,678 |
| Finance lease liabilities | 154 | 162 | — |
| | 166,721 | 220,394 | 4,678 |

The borrowings include secured liabilities (including finance lease liabilities) in a total amount of AUS$nil (2006: AUS$13,704,000; 2005: AUS$16,103,000).

The other principal features of the Westech Subsidiaries' borrowings are as follows:

*Secured borrowings:*

(a) The secured borrowings are from Australia and New Zealand Banking Group Limited ("ANZ"). The loan was secured as follows:

- a first registered deed of charge over all present and future assets and undertakings of the Westech Subsidiaries other than excluded assets (SPL's 1283, 1296, 1418, 1360, 1411 and CX 626 and all the shares in Tuvatu Gold Mining Company Limited);
- a first registered mortgage over all freehold and leasehold land;
- a first registered mortgage over Special Site Rights (SSR) 6,7,8 and Special Mining Leases (SPL 54, 55 and 56); and
- a first registered Bill of Sale over its motor vehicles.

(b) In 2005 and 2006, Emperor Mines Limited, as guarantor, had given ANZ the following undertaking:

- its DSCR will be greater than or equal to 1.30;
- its LLCR will be greater than or equal to 1.50;
- its adjusted gearing ratio will be no greater than 1.10; and

- its market capitalisation will be greater than or equal to AUS$250 million.

(c) Repayment of the loan balance is bi-annual repayments of US$1,850,000 with a final payment of $900,000. Interest is charged on the loan at the London Inter Bank Offered Rate (LIBOR) plus margin of 2.5%.

(d) In 2007, the facilities provided by ANZ to Emperor Mines Limited and its subsidiaries were repaid and the facility limits cancelled and all securities provided by Emperor Mines Limited and its subsidiaries to ANZ in support of the facilities have been released.

*Unsecured borrowings:*

(a) Unsecured borrowings comprise an amount of AUS$737,000 (2006: AUS$204,938,000, 2005: AUS$162,776,000) due from Emperor Mines Limited and an amount of AUS$3,941,000 (2006: AUS$3,906,000, 2005: AUS$3,791,000) due from Sovereign Insurance Company Limited.

(b) Interest is charged at a variable rate of interest, which averaged 8% at 30 June 2007 (2006: 8%, 2005: 8%). The terms of repayment are at the discretion of the lender.

(c) During the year ended 30 June 2006, Emperor Mines Limited loaned the Westech Subsidiaries AUS$11,370,000. Interest was charged at the rate of 9.2% and unpaid interest amounting to AUS$887,000 was capitalised. The loan was repaid during the year ended 30 June 2007.

*Finance lease liabilities:*

| | *Minimum lease payments* | | | *Present value of minimum lease payments* | | |
|---|---|---|---|---|---|---|
| | *2005 AUS $'000* | *2006 AUS $'000* | *2007 AUS $'000* | *2005 AUS $'000* | *2006 AUS $'000* | *2007 AUS $'000* |
| Amounts payable under finance leases: | | | | | | |
| Within one year | 101 | 92 | — | 88 | 79 | — |
| In the second to fifth years inclusive | 168 | 173 | — | 154 | 162 | — |
| After five years | — | — | — | — | — | — |
| | 269 | 265 | — | 242 | 241 | — |
| Less: future finance charges | (27) | (24) | — | | | |
| Present value of lease obligations | 242 | 241 | — | | | |
| Amount due for settlement within 12 months (shown under current liabilities) | | | | 88 | 79 | — |
| Amount due for settlement after 12 months | | | | 154 | 162 | — |

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates nil% (2006: 5.8%, 2005: 2.5%).

## 18. Provisions

| | *Mine rehabilitation provision AUS$'000* |
|---|---|
| At 30 June 2005 | 134 |
| Additional provision in year | 130 |
| At 30 June 2006 | 264 |
| Additional provision in year | 54 |
| At 30 June 2007 | 318 |

The provision of mine rehabilitation represents management's best estimate of the future rehabilitation and restoration cost relating to the mine closure.

## 19. Derivative financial instruments

| | *2005* *AUS$'000* | *2006* *AUS$'000* | *2007* *AUS$'000* |
|---|---|---|---|
| Forward commodity contracts | 4,452 | 35,371 | — |
| Interest rate swap | — | 476 | — |
| | 4,452 | 35,847 | — |

*Commodity contracts*

The Westech Subsidiaries enter into forward commodity contracts in order to hedge a proportion of forecast gold production. All forward contracts were novated with effect from the date of acquisition of the Westech Subsidiaries on 28 March 2007.

At 30 June 2006, the Westech Subsidiaries committed to delivering 145,695 ounces of gold under forward sales contracts at an average price of US$452.70 per ounce to 31 December 2008.

At 30 June 2006, the net unrealised mark to market loss relating to these contracts was AUS$5,167,000 on a total open commodity position of 145,695 ounces (2005: unrealised commodity loss of AUS$2,237,000).

## 20. Parent undertaking

The immediate parent undertaking of the Westech Subsidiaries is Westech Gold Pty Limited.

The ultimate parent undertaking of the Westech Subsidiaries is Red Lion Management Limited, a company registered in Canada.

Prior to 28 March 2007, the parent undertaking of the Westech Subsidiaries was Emperor Mines Limited.

## 21. Contingent liabilities

The Fiji Islands Revenue & Customs Authority has issued taxation assessments against one of the Westech Subsidiary companies in the amount of F$11,133,000. The Directors do not believe any amounts are payable and are vigorously defending the claim. No amount has been provided in the accounts in respect of this claim.

The Westech Subsidiaries are a plaintiff in several litigations with respect to potential claims of creditors, workers compensation and industrial action. The Directors believe these litigations will not have a material effect on the aggregated financial information.

The assets of the Westech Subsidiaries have been used as security for a F$640,000 bond issued to the Westech Subsidiary's former owner, Emperor Gold Limited.

## 22. Subsequent events

(a) Westech Gold Limited is in the final stages of entering a scheme of arrangement with creditors that were owed a total of F$8,810,000 as at 31 December 2007.

On legal advice, a proposed compromise between Westech Gold Limited and its creditors ("Proposed Scheme") under section 208 of the Companies Act (Fiji) has been planned. The intention is to register the Scheme of Arrangement with the High Court to ensure all creditors abide by the arrangement and to prevent any winding-up actions from being taken.

In order to obtain support for the Proposed Scheme, a letter was written addressed to each of the known creditors outlining the Proposed Scheme requesting them to respond with an indication as to whether they would support the Proposed Scheme.

The letter forwarded to creditors indicated the intention of Westech Gold Limited to pay to all creditors a 10% instalment of the total outstanding liabilities commencing on 7 December 2007. Further, the balance of the outstanding liabilities would be paid in four equal instalments on 31 March 2008, 30 June 2008, 30 September 2008 and 31 December 2008.

No further action has been advanced from any creditor since payment was made (although no notification has been received of any action being withdrawn entirely).

Given the level of support for the Proposed Scheme, Westech Gold Limited intends to apply to the High Court through counsel, to have the Proposed Scheme registered.

(b) Westech Gold Pty Limited has entered into a Deed with the Government of Fiji which provides concessions with respect to royalties, power supply and various taxes. The Deed also requires Westech Gold Pty Limited to contribute F$6.0million to a Rehabilitation Trust Fund to provide for the remediation of the Vatakoula community as a result of the mine activities.

(c) On 21 February 2008, Westech Gold Limited entered into an agreement with the Fiji Islands Revenue and Customs Authority (''FIRCA'') to pay FIRCA certain amounts out of revenue as a credit against the taxation assessments of F$11,133,000 detailed in note 21 above. Such payments to FIRCA will be made with effect from 21 February 2008.

**23. Nature of financial information**

The aggregated financial information presented above does not constitute Statutory Accounts for the three years ended 30 June 2007.

## Part III (E)

# PRO FORMA STATEMENT OF NET ASSETS

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is an unaudited *pro forma* statement of consolidated net assets of the Company, which has been prepared on the basis of the financial information on the Company at 31 August 2007 as adjusted for the acquisition of 80% of the issued share capital of Viso Gero International Inc. ("VGI") by the Company and the Placing, as set out in the notes below. The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, will not represent the actual financial position of the Group at the date of Admission.

| | *The Company adjusted (Note 1)* £'000 | *VGI adjusted (Note 2)* £'000 | *Acquisition of VGI (Note 5)* £'000 | *Placing proceeds (Note 6)* £'000 | *Pro forma net assets* £'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | 1,213 | — | 29,561 | — | 30,774 |
| Property, plant and equipment | 435 | 9,814 | — | — | 10,249 |
| Investments | 4,650 | — | (4,250) | — | 400 |
| Other receivables | — | 1,695 | — | — | 1,695 |
| | 6,298 | 11,509 | 25,311 | — | 43,118 |
| **Current assets** | | | | | |
| Inventories | — | 1,711 | — | — | 1,711 |
| Trade and other receivables | 57 | 414 | — | — | 471 |
| Cash and cash equivalents | 2,035 | 2,975 | (903) | 3,931 | 8,038 |
| | 2,092 | 5,100 | (903) | 3,931 | 10,220 |
| **Total assets** | 8,390 | 16,609 | 24,408 | 3,931 | 53,338 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Convertible loan | 89 | — | — | — | 89 |
| Borrowings | — | 2,012 | — | — | 2,012 |
| Provisions | — | 137 | — | — | 137 |
| | 89 | 2,149 | — | — | 2,238 |
| **Current liabilities** | | | | | |
| Trade and other payables | 300 | 7,071 | — | — | 7,371 |
| | 300 | 7,071 | — | — | 7,371 |
| **Total liabilities** | 389 | 9,220 | — | — | 9,609 |
| **NET ASSETS** | 8,001 | 7,389 | 24,408 | 3,931 | 43,729 |

## NOTES TO THE PRO FORMA FINANCIAL INFORMATION

1. On 28 September 2007, the Company increased its holding in VGI by 7.5% to 20% for cash consideration of £1,750,000. The investment was funded by the issue of 250,000,000 new Ordinary shares of £0.001 each at a placing price of £0.015 per share.

   The net assets of the Company at 31 August 2007 have been extracted from Part III (A) of the AIM admission document dated 13 March 2008 (''the Admission Document'') and adjusted for the above transaction as follows:

| | *The Company Part III (A) £'000* | *Share issue £'000* | *The Company adjusted £'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 1,213 | — | 1,213 |
| Property, plant and equipment | 435 | — | 435 |
| Investments | 2,900 | 1,750 | 4,650 |
| | 4,548 | 1,750 | 6,298 |
| **Current assets** | | | |
| Trade and other receivables | 57 | — | 57 |
| Cash and cash equivalents | 35 | 2,000 | 2,035 |
| | 92 | 2,000 | 2,092 |
| **Total assets** | 4,640 | 3,750 | 8,390 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Convertible loan | 89 | — | 89 |
| | 89 | — | 89 |
| **Current liabilities** | | | |
| Trade and other payables | 300 | — | 300 |
| | 300 | — | 300 |
| **Total liabilities** | 389 | — | 389 |
| **NET ASSETS** | 4,251 | 3,750 | 8,001 |

   No account has been taken of the trading results of the Company since 31 August 2007.

2. Under the terms of a Memorandum of Understanding dated 28 June 2007, VGI, through its ultimate parent company Red Lion Management Ltd, agreed to convert AUS$6,900,000 (£2,967,000) of convertible loan notes into a 94% equity interest in Westech Gold Pty Limited (''Westech''), the holding company of Westech Australia Pty Ltd, Westech Finance Pty Ltd, Emperor Gold Mining Company Limited, Koula Mining Company Limited and Jubilee Gold Mining Co. Ltd (the ''Westech Subsidiaries''). This conversion took place on 19 July 2007 with VGI acquiring 47 ordinary shares in Westech.

The adjusted net assets of VGI at 15 July 2007 as outlined in note 3 have been adjusted to reflect the consolidation of the adjusted net assets of Westech at 30 June 2007 as extracted from note 4 as follows:

| | *VGI adjusted (Note 3) AUS$'000* | *Westech adjusted (Note 4) AUS$'000* | *Consolidation adjustments AUS$'000* | *VGI adjusted AUS$'000* | *VGI Adjusted £'000* |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | — | 6,025 | (6,025) | — | — |
| Property, plant and equipment | — | 22,824 | — | 22,824 | 9,814 |
| Investments | 6,900 | — | (6,900) | — | — |
| Other receivables | — | 3,941 | — | 3,941 | 1,695 |
| | 6,900 | 32,790 | (12,925) | 26,765 | 11,509 |
| **Current assets** | | | | | |
| Inventories | — | 3,979 | — | 3,979 | 1,711 |
| Trade and other receivables | — | 962 | — | 962 | 414 |
| Cash and cash equivalents | — | 6,918 | — | 6,918 | 2,975 |
| | — | 11,859 | — | 11,859 | 5,100 |
| **Total assets** | 6,900 | 44,649 | (12,925) | 38,624 | 16,609 |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | — | 4,678 | — | 4,678 | 2,012 |
| Provisions | — | 318 | — | 318 | 137 |
| | — | 4,996 | — | 4,996 | 2,149 |
| **Current liabilities** | | | | | |
| Trade and other payables | 3 | 16,441 | — | 16,444 | 7,071 |
| | 3 | 16,441 | — | 16,444 | 7,071 |
| **Total liabilities** | 3 | 21,437 | — | 21,440 | 9,220 |
| **NET ASSETS** | 6,897 | 23,212 | (12,925) | 17,184 | 7,389 |

Negative goodwill arising on consolidation of AUS$9,256,000 (£3,980,000) has been written off against reserves.

No account has been taken of the trading results of Westech or the Westech Subsidiaries since 30 June 2007 or of VGI since 15 July 2007. Balances have been translated from Australian Dollars to British Sterling at a rate of £0.43 to AUS$1.

3. The net assets of VGI at 15 July 2007 have been extracted from Part III (B) of the Admission Document and adjusted for the conversion of AUS$6,900,000 (£2,967,000) of convertible loan notes into a 94% equity interest in Westech as follows:

| | *VGI Part III (B) AUS$'000* | *Loan note conversion AUS$'000* | *VGI adjusted AUS$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments | — | 6,900 | 6,900 |
| | — | 6,900 | 6,900 |
| **Current assets** | | | |
| Convertible loan notes | 6,900 | (6,900) | — |
| | 6,900 | (6,900) | — |
| **Total assets** | 6,900 | — | 6,900 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 3 | — | 3 |
| | 3 | — | 3 |
| **Total liabilities** | 3 | — | 3 |
| **NET ASSETS** | 6,897 | — | 6,897 |

4. On 19 July 2007, Westech issued 47 ordinary shares with a nominal value of AUS$1 per share to VGI for AUS$6,900,000 (£2,967,000). The net assets of Westech as at 30 June 2007 have been extracted from Part III (C) of the Admission Document and adjusted as follows:

| | *Westech Part III (C) AUS$'000* | *Consideration for loan notes AUS$'000* | *Westech adjusted AUS$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 6,025 | — | 6,025 |
| Property, plant and equipment | 22,824 | — | 22,824 |
| Other receivables | 3,941 | — | 3,941 |
| | 32,790 | — | 32,790 |
| **Current assets** | | | |
| Inventories | 3,979 | — | 3,979 |
| Trade and other receivables | 962 | — | 962 |
| Cash and cash equivalents | 18 | 6,900 | 6,918 |
| | 4,959 | 6,900 | 11,859 |
| **Total assets** | 37,749 | 6,900 | 44,649 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 4,678 | — | 4,678 |
| Provisions | 318 | — | 318 |
| | 4,996 | — | 4,996 |
| **Current liabilities** | | | |
| Trade and other payables | 16,441 | — | 16,441 |
| | 16,441 | — | 16,441 |
| **Total liabilities** | 21,437 | — | 21,437 |
| **NET ASSETS** | 16,312 | 6,900 | 23,212 |

5. On 14 December 2007, the Company entered into a conditional agreement to acquire the remaining 80% of VGI for the issue of 477,633,333 new Ordinary shares of £0.001 pence each at £0.06 per share plus a payment of AUS$2,100,000 (£903,000).

   The Directors consider that the fair value of the net assets of Westech as at 30 June 2007 did not differ materially to the carrying value of the net assets at that date. The difference between the consideration paid and the Group's interest in the current value of the net assets acquired is initially recorded within intangible assets.

   IFRS 3 "Business Combinations" requires the identification and recognition of specific intangible assets to be recorded at fair value at the date of acquisition of the company comprising a business combination. In preparing the *pro forma* financial information the Directors have not determined the fair value of intangible assets acquired. Pro forma goodwill on acquisition amounted to £29,561,000 as at 31 August 2007.

6. The estimated net proceeds of the Placing are £3,931,000, calculated on the basis that the Company issues 77,816,666 shares of £0.001 each at £0.06 per share and that the estimated transaction expenses amount to £738,000. These transaction costs will be taken to the share premium reserve.

MAZARS

The Directors and Proposed Directors
River Diamonds plc
Carmelite
50 Victoria Embankment
London
EC4Y 0LS

W H Ireland Limited
24 Martin Lane
London
EC4R 0DR

13 March 2008

Dear Sirs

**RIVER DIAMONDS PLC – PRO FORMA FINANCIAL INFORMATION**

We report on the *pro forma* statement of net assets (the "*pro forma* financial information") set out in Part III (E) of the AIM admission document dated 13 March 2008 ("the Admission Document") of River Diamonds plc ("the Company"), which has been prepared on the basis described in the notes set out herein, for illustrative purposes only, to provide information about how the Placing of 77,816,666 new Ordinary shares and acquisition of Viso Gero International Inc. ("VGI") might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing its consolidated financial statements as at and for the period ended 31 August 2007. This report is required by guidance issued by the London Stock Exchange with respect to the AIM market and is given for the purpose of complying with that guidance issued by the London Stock Exchange and for no other purpose.

**Responsibilities**

It is the responsibility of the Directors of the Company to prepare the *pro forma* financial information in accordance with Schedule Two of the AIM Rules. It is our responsibility to form an opinion on the financial information as to the proper compilation of the *pro forma* financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *pro forma* financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* financial information with the Directors of the Company.

We planned and performed our work 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 *pro forma* financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion

(a) the *pro forma* financial information has been properly compiled on the basis stated therein; and

(b) such a basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Mazars LLP**

# PART IV

# COMPETENT PERSON'S REPORT

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**River Diamonds plc – Competent Person's Report** 13 March 2008

The Directors

River Diamonds plc
Carmelite
50 Embankment
Blackfriars
EC4Y 0LS

and

The Directors

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

and

The Directors
Hichens Harrison & Co plc
Bell Court House
11 Blomfield Street
London
EC2M1LB

Dear Sirs,

The CSA Group Limited ("CSA") has prepared this independent report ("the CSA Report") at the request of River Diamonds plc ("River Diamonds"). The CSA Report has been prepared to provide an independent geological, mining and process assessment of River Diamonds projects in Fiji, Sierra

Leone and Brazil, in preparation for the proposed application for readmission to trading on the AIM ("AIM") of London Stock Exchange plc (the "London Stock Exchange").

The principal authors of this CSA Report were, Clayton Reeves, Nerys Walters, Dexter Ferreira, Michael Anthony and John Wearmouth for the Vatukoula Gold Mine in Fiji, Edward Slowey for the Panguma Prospect in Sierra Leone and Nerys Walters for the Rio Novo Prospect in Brazil.

- Mr C. Reeves has over 10 years of experience in the mining industry, initially with operational experience at a number of gold mines in South Africa, and later as a consultant. He has extensive experience of mine design, feasibility studies and cost modelling over a wide spectrum of commodities. Mr Reeves has done independent reports for the AIM market and is a member of the South African Institute of Mining and Metallurgy.
- Miss N. Walters is a geologist with over 5 years of experience within the extractive industries. Initially she worked as a mine and project geologist in Western Australia, later as a consultant. Miss Walters has exploration and production experience, and has participated in Competent Persons reports and Due Diligence reports. She has also undertaken exploration planning and project management work for exploration projects on a number of commodities. Nerys is a fellow of the Geological Society of London.
- Mr D. Ferreira is a senior geostatistician and mining engineer with over 15 years experience in project evaluation internationally, including extensive involvement with mineral projects throughout South America and Africa. He is a member of the South African Council for Natural Scientific Professions, and qualifies as an ***Expert, Competent Person and Qualified Person*** as defined in National Instrument 43-101 and the JORC Code respectively.
- Mr M. Anthony is a graduate chemical engineer and a Fellow of the Institute of Materials, Minerals and Mining and the Minerals Engineering Society. Michael has in excess of 35 years of relevant experience in mineral processing. His career started in the Copper belt, followed by substantial consultant experience worldwide in a diverse number of commodities.

- Mr J. Wearmouth is an environmental consultant with experience in due diligence work worldwide having performed environmental due diligence and audit work of projects in Peru, Bolivia, The Philippines, Egypt, Bangladesh, Pakistan and Sri Lanka. He has a good understanding of the potential environmental liabilities that are of importance to potential investors including environmental permitting and potential liabilities relating to groundwater, seawater or air pollution.
- Mr. E. (Ed) Slowey BSc, PGeo (No.023), EurGeol (No. 057) is a Senior Geologist responsible for project management within the CSA Group, including Independent Review, Valuation and Due Diligence, and has over 30 years experience in mining and exploration, covering base metals, precious metals and diamonds, in Europe, Africa, Asia and America.

CSA has previously completed Independent Reports and Valuations, for listings on the London, Dublin, Vancouver, Copenhagen, Luxembourg and Australian Stock Exchanges. The CSA Report is signed on behalf of CSA by Mr. John Cole-Baker, Director. Mr. Cole-Baker is a Chartered Engineer with over 35 years of experience, including over 15 years of experience in the mineral exploration industry.

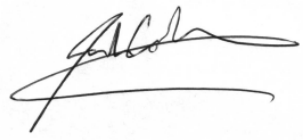
The CSA Report is based on 1) information supplied by River Diamonds; 2) CSA's extensive knowledge of the associated geology and mines; 3) site visits and data gathering visits to the permits and mines held by River Diamonds. All data held by River Diamonds was released to CSA for review.

CSA reviewed source data where possible but has relied on the accuracy of data as reported by previous companies. All requests for information to the employees of River Diamonds were addressed immediately where possible and a candid approach to all queries was in evidence throughout the review.

Full legal verification of license documents was not undertaken. At no time during the course of preparation of The CSA Report did CSA become aware of either withholding of information or of the changing of records to influence the conclusion of The CSA Report. CSA has endeavored to ensure

that no error of fact is contained within the CSA report. Any such error is not intentional and is not a deliberate effort to mislead.

Yours faithfully,



J. Cole-Baker for and on behalf of
CSA Consulting International Limited

# AN INDEPENDENT COMPETENT PERSONS REPORT FOR RIVER DIAMONDS PLC COVERING THE VATUKOULA GOLD MINE IN FIJI, THE PANGUMA PROSPECT IN SIERRA LEONE AND THE RIO NOVO GOLD PROSPECT IN BRAZIL

March 2008

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## Executive Summary

At the request of the directors of River Diamonds Plc ('River Diamonds'), CSA Consulting International ('CSA') has prepared a Competent Person's Report on the Vatukoula Gold Mine on Viti Levu Island in Fiji, the Panguma prospect in east central Sierra Leone and the Rio Novo area in Brazil. The Vatukoula Gold Mine is an operating mine of which River Diamonds plc currently indirectly owns 19% and is buying the remaining 81% of the asset. The Panguma prospect is being explored by River Diamonds plc for kimberlite-hosted diamonds and the Rio Novo area is being explored by River Diamonds plc for gold. CSA visited the sites in September and October 2007 to review the results of exploration work completed to date and the operations and infrastructure at Vatukoula Gold Mine.

The transaction to acquire the remaining 81% of the Vatukoula Gold Mine constitutes a reverse takeover under the AIM rules, requiring, amongst other things, the preparation and publication of a Re-admission Document containing information on the enlarged company, and the re-admission of the enlarged company to trading AIM. This report has been prepared for inclusion in the Re-Admission Document.

**Since CSA's site visit to the Panguma prospect in Sierra Leone, the exploration licence for the prospect has expired (on 1 March 2008). An application for an extension of the licence for one year has been submitted and the outcome is being awaited. At the request of the directors of River Diamonds, CSA has included information in this report on the Panguma prospect for illustrative purposes.**

River Diamonds has provided CSA with written representation that no new information or data has been acquired which may materially impact our opinions in this report.

CSA confirms it is independent of both River Diamonds and of any of the assets covered in this report.

## Vatukoula Gold Mine, Fiji

### Property Description and Location

Fiji is comprised of two main islands, Viti Levu and Vanua Levu, with many smaller islands surrounding that. The Vatukoula Gold Mine is located in the northern part of the island of Viti Levu. Vatukoula Gold mine is also known as the Emperor Gold mine, named after the company that founded the mine and ran it throughout the majority of its working life. The mine is located within the Tavua Basin, situated within the Tavua volcano.

### Mining Authorisation

CSA has had sight of the Special Mining Leases, Special Site Rights and Special Prospecting Licenses which relate to the Vatukoula Gold Mine. CSA cannot opine on the validity of these leases rights and licenses, as it is not qualified to do so.

## Accessibility, Climate, Local Resources, Infrastructure and Physiography

Vatukoula Gold Mine is serviced by good roads from Nandi. The mine has been working for approximately 70 years and therefore has an experienced, well trained work force. The mine has access to water and has its own diesel generators to provide power.

Fiji has a mild tropical climate, rain fall occurs all year around.

## Geological setting of the outer Melanesian Arc and Fiji Islands

The Fijian Islands are located within a prominent offset of convergent boundaries between the Pacific and Indo-Australasian tectonic plates. Development of the islands follows a complex history relating to a reversal of arc polarity within the area resulting in volcanism, this was then affected by plate movements and rotational transform faulting.

The oldest rocks that make up the Fijian islands are Eocene to early Oligocene in age. Rocks are commonly of a volcanic origin. Geology is dominated in the north of the main island by the Ba Volcanic Group. The Tavua Volcano forms part of this group.

The Tavua Volcano is a shield volcano with a diameter of 40km. The volcano is situated along the Viti Levu Lineament. It was formed by sub-aqueous lava extrusions grading upwards into sub-aerial aa flows and volcaniclastic rocks. The Tavua Caldera is located within the centre of the Tavua Volcano; it is filled with younger more intermediate rocks.

## Vatukoula Mine Geology

The mine is hosted within the Absarokite (basaltic) rocks of the Tavua Volcano, except for the R1 area which is hosted in the younger Turtle Pool Formation.

Mineralisation is hosted within flatmakes, steep shears and shatter zones. Flatmakes are shallow to moderate dipping (45º) mineralised fractures. They represent oblique thrust faults formed within the upper 1km of the crust within an evolving hydrothermal system. Steep shears have a dip of greater than 45º, mineralisation occurs spanning the intersection with a flatmake. Shatter zones are zones of intersection between one or more flatmakes with two or more major faults or faulted dykes.

Mineralisation is hosted within quartz carbonate veins, which have complex multistage growth histories. Mineralisation is bound within the veins with very little wall rock alteration.

The Main Ore Bodies are the Prince/Dolphin flatmake, Matanagata flatmake, 2000N flatmake and 166N flatmake. In addition to flatmake mineralisation there is the R1 area and Steep Structures that relate to the flatmakes.

## Exploration

The deposit was discovered in 1932 by Bill Borthwick. Exploration work throughout the basin area has been undertaken since discovery. Two targets are identified by Vatukoula geological staff as current interests.

Near mine targets reviewing ore body extensions are also planned for the near future, to maintain the resource and reserve base.

**Grade Control**

Grade control is undertaken on a daily basis with face grades being monitored for economic viability.

**Geological Conclusions**

The Vatukoula Gold Mine is located within a large scale Epithermal mineralised system which may still be developing at depth, rock temperature measurements at depth would investigate this further. The mine focuses on shallow dipping laterally continuous flatmake structures related to compressional thrust faults. Mineralisation is commonly associated with these structures and at intersections with other steeper structures in the mine area. Mineralisation has been formed by the fault valve process, where fluids pump through faults forming mineral concentrations. The current staff have a good grasp of the geology and the challenges that face them.

Near mine drilling supports the possibility of extensions on the existing ore bodies. In addition well planned exploration of the mine and surrounding areas which could discover new deposits of the same type. However an emphasis on long term target development must be maintained to ensure that depleted resources are replaced with new resources.

The mine currently needs to source well trained professional staff to support the core group that they already have. They are dealing with a vast amount of historical data as well as a large day to day mine. Surpac training should be mandatory for all geological employees.

It may benefit the mine to change their sample processing procedure, currently production and exploration samples are dealt with in different ways; they should both be processed using the exploration method which sees a split after the full sample is pulverised. The current method splits the production samples prior to pulverisation, which may increase the risk of fundamental sampling error, leading to bias in the results.

No oriented drilling has been recorded for surface or underground drilling on site. The deposit has a strong structural control and oriented core drilling would benefit geological understanding and ore body modelling greatly.

Currently the geological department does not run a regular QAQC check on the mine lab. A systematic QAQC sampling campaign should be planned and maintained to ensure data integrity.

Current grade control practises see daily face grades being calculated by a length weighted average for each sample line and then a log average for the face, it may be more statistically accurate to calculate using an area weighted average for the face grade, which would be based upon the area that each sample covered not just a width in one sample line effecting a four meter stretch of face. This would be especially beneficial in areas where the flatmakes pinch and swell.

## Geological Recommendations

- Mine development drilling and exploration drilling must be maintained at a rate that will maintain resources.
- All samples should be processed at the mine lab following the exploration samples procedure to reduce conditional bias.
- A broader range of standards should be sourced and used by the lab and the geological department.
- The geological department should undertake systematic QAQC sampling within core sample batches.
- The geological department should consider inserting blank samples after expected high grade intervals within production sample batches.
- Consider using area weighted average face grades.
- Oriented drilling should be integrated into exploration plans, especially for areas such as the R1 area which is structurally complex.

## Resources and Reserves

The resource and reserve estimate presented in the Table below is compliant with JORC definitions and guidelines for the reporting of resources and has been audited by Dexter Ferreira, who is a competent person under the JORC code for the estimation of such a resource.

The Vatukoula Gold Mine concessions contain ore reserves and resources that will support a 525,000 t/a mining operation for a minimum period of nine years. A targeted drilling campaign would plausibly yield resources that well exceed the resource figures to date with grades high enough to withstand a 10 per cent dilution, at zero grade, and still be converted into reserves.

| Category | Gross | | | Net Attributable | | | Operator |
|---|---|---|---|---|---|---|---|
| | Tonnes (Million) | Grade Au (oz/t) | Contained Metal Au (millions of ozs) | Tonnes (Million) | Grade Au (oz/t) | Contained Metal Au (millions of ozs) | |
| **Mineral Reserves** | | | | | | | Westech Gold Pty |
| Proved | 1.23 | 12.30 | 0.49 | 0.23 | 12.30 | 0.09 | |
| Probable | 1.11 | 10.50 | 0.37 | 0.21 | 10.50 | 0.07 | |
| Depletion | (0.08) | 12.30 | (0.03) | (0.02) | 12.30 | (0.01) | |
| **Sub-Total** | **2.26** | **11.41** | **0.83** | **0.43** | **11.41** | **0.16** | |
| **Mineral Resources** | | | | | | | |
| **Vatukoula Underground** | | | | | | | |
| Measured | 3.87 | 16.99 | 2.11 | 0.74 | 16.99 | 0.40 | |
| Indicated | 3.24 | 11.72 | 1.22 | 0.62 | 11.72 | 0.23 | |
| Inferred | 4.63 | 10.77 | 1.61 | 0.88 | 10.77 | 0.30 | |
| Depletion | (0.08) | 16.99 | (0.04) | (0.02) | 16.99 | (0.01) | |
| **Sub-Total** | **11.66** | **13.06** | **4.90** | **2.22** | **13.06** | **0.93** | |
| **Vatukoula Tailings** | | | | | | | |
| Measured | 4.49 | 1.50 | 0.22 | 0.85 | 1.50 | 0.04 | |
| Indicated | 0.69 | 1.30 | 0.03 | 0.13 | 1.30 | 0.01 | |
| Inferred | | | | | | | |
| **Sub-Total** | **5.18** | **1.47** | **0.25** | **0.98** | **1.47** | **0.05** | |
| **Total** | **16.84** | **9.49** | **5.15** | **3.20** | **9.49** | **0.98** | |

Note: Gross are 100% of the resources and reserves which also reflects the resources and reserves of River Diamonds after acquiring the remaining 81% of the mine. Net attributable are the resources and reserves currently indirectly attributable to River Diamonds.

*Source: VGM/CSA*

## Discussion on Depletion of Reserves

It should be noted that the last Resource and Reserve estimates were stated as of June 2006. Since these Resources and Reserves were calculated, 83,087 tonnes of ore have been mine at Vatukoula Gold Mine. Of these ore tonnes mined, 81,666 tonnes were depleted from Resource/Reserves while 1,420 tonnes were not in reserve (NIR). The depleted Resources and Reserves have been included in the table above and are stated in this document, and therefore the resulting Reserves and Resources estimates shown are CSA's estimate as of the date of this document.

## Production Plan

The nine year plan involves the extraction of ore beginning in December 2007 and the treatment of underground ore commencing in March 2008 with a 2007/08 (year one) throughput of 129kt/a, rising to 525kt/a from year two. The average Mill Feed grade of the ore over the nine years is 7.80g/t Au and the planned recovery is 88%. 53.4kt of low grade stockpiled ore at a recovered grade of 0.8g/t Au is planned to be treated between March 2008 and January 2009. From May 2008 until August 2008, it is also planned to treat 84kt of low grade tailings with a recoverable grade of 0.53g/t Au.

The mill feed ore shown in the nine-year plan will come from the current ore reserves and inferred resources. Due to reduced working costs and increased gold prices and the obvious continuity of the mineralised bodies, both along strike and down dip, there is high confidence that the reserve tonnes will increase once additional exploration is commenced. The plan anticipates a mill feed consisting of blended ore derived mainly from four of the Mining Areas (Smith Shaft, Decline, R1/Cayzer and Philip Shaft) with June 2006 Proven and Probable reserves at 2,337,000 tonnes containing metal grades of 11.4 g/t Au. These reserves are contained in the following structures: 166N structures with Proven and Probable reserves of 194,000 tonnes at a grade of 9.7g/t Au; 2000N structures with Proven and Probable reserves of 263,000 tonnes at a grade of 8.9g/t; Matanagata with Proven and Probable reserves of 277,000 at a grade of 12.9g/t; Prince Dolphin with Proven and Probable reserves of 873,000 tonnes at 12.3g/t; Prince William structures with Proven and Probable reserves of 339,000 tonnes at a grade of 12.7g/t; R1 structures with Proven and Probable reserves of 155,000 tonnes at a grade of 9.8g/t; other flatmakes and structures with Proven and Probable reserves of 114,000 tonnes at a grade of 8.6g/t. The reserves are also complimented by ore in remnant stope pillars with Proven and Probable reserves of 122,000 tonnes at a grade of 9.2g/t. These reserves have however been depleted by 81,666 tonnes since the 2006 estimate was completed resulting in a current proven and probable reserve of 2,255,334 tonnes. Some tonnage from the inferred resource category, approximately 2.07 million tonnes, is required over and above tonnage from the Proven and Probable reserve categories to execute the current nine-year plan, but as mentioned above, there is very little risk in this as historically up to 30% of annual production can be mined from areas outside the resource and reserve boundaries.

## Process Plant

Since 1933, approximately seven million ounces of gold and over two million ounces of silver have been recovered from the treatment of around 22.5 million tonnes of ore.

In the last 10 years of full operation the plant has processed on average 560,000 tonnes per annum at a mined grade of 7.8 grammes per tonne of gold producing 122.1 thousand ounces of gold per annum.

The plant comprises a crushing circuit, flotation, roasting and calcine cyanidation circuit and tailings cyanidation. The gold bullion produced is around 65% gold and 30-35% silver. The highest recovery achieved was just over 90%, the lowest 80%.

The internal and external condition of the plant and buildings is poor, in part due to the suddenness of the shutdown and a consequent lack of clean-up and general plant tidying.

The plant has reasonable infrastructure in terms of water, power supply and roadways.

**Process Plant Conclusions**

The following conclusions are drawn from the review.

- The process plant circuit is appropriate for the treatment of the underground ore. In excess of 700,000 t/a ore of a similar grade could be treated. An overall recovery of 88% should be achievable.

- Technical and cost performance of the plant are limited by ore variability, the disposition of the plant, the age of much of the equipment, inadequate process control and, if not rectified, the lack of experienced mill management personnel.

- There is no reason to expect a decline from previous levels of technical performance. Indeed, if the opportunity is taken to refurbish the mill in an optimum fashion and train staff appropriately, the opportunity exists for achieving an overall recovery of 90% on underground ore treatment, as achieved for short periods in the past. A key factor in achieving this is the prompt appointment of a high quality metallurgical manager.

- Process costs are likely to increase from the recent historical level of US$20.87/t ore milled. This is predicated both by the higher costs from the later mill operations and by the inevitable increase in maintenance costs of a plant containing much old equipment.

- HSE and environmental standards achievable should remain as at previous levels. No significant reduction in roaster emissions is likely to be economically justifiable within the operating plan proposed.

- The condition of the plant and current management and staffing levels are such that three months will be required to have the plants ready for normal operations. A capital cost of approaching US$1 M may be necessary to achieve this if the plant is to be refurbished to a reasonable standard.

- The economics of enacting the low grade ore and, in particular, tailings re-treatment which currently form part of the development plan (albeit a small part of the plan) currently do not appear to be viable. It is strongly recommended that these be revisited and proven to be viable before they are enacted. There is some evidence that heap leaching may be an option for

treatment of low-grade ore and tailings, although this needs to be validated. Undertaking underground ore treatment only will allow for throughput to be comfortably achieved at optimum technical performance.

**Environment**

Fiji lacks at present any specific environmental legislation or regulation.

Primarily the impact of the mine on the environment consists of emissions of $SO_2$ from the roaster stack, noise emissions from the power station and emissions to water from various sources.

The mine has an Environmental Management System (EMS) and an Environmental Management Plan (EMP). The EMS was established based on ISO 14001 standards. The EMP was last up dated in 2003.

Except for the concentrations of copper and arsenic in decant water and emissions of $SO_2$ (and possibly arsenic) from the roaster stack, the mine conforms with the Equator Principles.

**Discounted Cash Flow**

The net present value of the reserves at the mine (100% basis) is given in the table below for a range of gold prices and discount rates.

| US$ (millions) | | Gold Price US$/oz | | |
|---|---|---|---|---|
| | | 750 | 850 | 950 |
| Discount Rate | 8% | US$ 108.5 | US$ 169.5 | US$ 230.6 |
| | 10% | US$ 100.1 | US$ 157.2 | US$ 214.3 |
| | 12% | US$ 92.6 | US$ 146.1 | US$ 199.6 |

**CSA Comments and Conclusion**

The Vatukoula Gold Mine presents understandable and predictable variables relating to Geology, Mining, Mineral Processing and Operations Management. The challenges relating to commencement of operations are understood and the potential risks have been identified. CSA believes significant further upside with regard to the potential additional resources exists and an exploration programme and updated resources estimate could further enhance the value of the project in the future. CSA also believes that further upside exists with regards to labour and general mining costs which could also enhance the value of the project in the future.

## Panguma Diamond Project, Sierra Leone

**Since CSA's site visit to the Panguma prospect in Sierra Leone, the exploration licence for the prospect has expired (on 1 March 2008). An application for an extension of the licence for one year has been submitted and the outcome is being awaited. At the request of the directors of River Diamonds, CSA has included information in this report on the Panguma prospect for illustrative purposes.**

### Sierra Leone - Recent History and Political Status

Following a destructive rebellion through much of the 1990's parliamentary democracy was restored in Sierra Leone in 2002 and a new round of presidential and parliamentary elections in August/September 2007 led to a peaceful transition of power to the main opposition party.

### Topography, Climate and Infrastructure

Sierra Leone is situated on the west coast of Africa, having elevations generally ranging from 300m to 600m, and sharing borders with Guinea and Liberia. Infrastructure has improved slowly but steadily since the end of the rebellion, with the extension of the paved road system and mobile phone coverage now available over most of the country.

### Regional Geological Setting and Mineralisation

Precambrian rocks (mainly Archaean) underlie about 75 percent of the country and typically comprise granite-greenstone terrain. The granitoids represent the host unit for the later diamond-bearing kimberlite intrusions, believed to be of Cretaceous age. Diamondiferous kimberlite dykes and pipes, generally trending 070° - 074°, occur in eastern Sierra Leone, notably at Koidu and Tongo/Panguma. Erosion of diamondiferous kimberlites has resulted in the transportation and deposition of diamonds in widespread alluvial deposits.

### History of Diamond Exploration and Development

Alluvial diamond mining accounts for nearly half of Sierra Leone's exports. The country is renowned for the quality and size of its diamonds. By 1997, diamond recovery was seriously disrupted by rebel activity, with most of the diamondiferous areas being overrun. Since January 2002 government control of the diamond-producing areas was re-established and production rose to 668,000ct in 2005. In 2004 Koidu Holdings Ltd commenced hard rock mining on the kimberlite pipes at Koidu and there has been a resurgence of interest by foreign investors in diamond exploration.

### Panguma Exploration History

Exploration Licence EXPL 1/06 covering 5,400 hectares over the Panguma prospect, was issued on 1st March 2006. Prior to the work undertaken by River Diamonds, the Panguma kimberlites, part of the Tongo dyke system, had never been commercially explored. An alluvial diamond rush took place from 1956 that made Panguma one of the main diamond centres in Sierra Leone. Tongo diamonds are among the highest value in the world, with up to 95% being of gem quality. The Geological Survey undertook exploration in the 1960's, locating six dykes at surface and drill testing to 200m depth.

**River Diamonds Exploration - Mapping**

River Diamonds completed a programme of geological mapping of the Panguma kimberlite dykes, commencing in 2006. Three main dykes/dyke systems have been identified to date, namely the Talama, Pandobu and Lalehun dykes, extending over an area of 6km x 3km within the Panguma licence area. The dykes are clearly part of the Tongo system.

Mapping of the east-northeast trending Talama and Lalehun (Johnson) kimberlite dyke systems demonstrated that they comprise a number of narrow semi-parallel dykes, forming en-echelon structures, with branching also evident. A complex pattern is interpreted at the Pandobu 'blow' where drilling has shown an apparent convergence of dykes.

**River Diamonds Exploration – Mini-Bulk Sampling**

A mini-bulk sampling programme was undertaken on several of the Panguma dykes. 16 samples, ranging in weight from 0.7 to 7.0 tonnes were washed on site and diamonds recovered were individually weighed and documented. Dykes/fissures ranged in width from 0.04 - 0.8m. Diamonds were recovered from 15 of the samples, with a maximum of 15 diamonds, totalling 1.83ct, being recorded from a single sample. The largest diamond recovered was 0.98ct and average grade for all the pits ranged from 0.07 – 2.61ct/t.

It was concluded that most of the kimberlite dykes and fissures within the Panguma area are diamondiferous and some contain relatively high diamond grades, comparable with those reported from similar mini-bulk sampling by Mano River Resources Inc./Petra Diamonds on the Lion dykes at Kono (0.5-0.8ct/t). However dyke/fissure widths at Panguma are generally narrower. It also appears that the Panguma dykes may thin and branch towards the southwest.

**River Diamonds Exploration – Core Drilling**

The kimberlite at Pandobu in the northeast corner of the Panguma licence was discovered and extensively worked to a depth of about 15m by artisanal diamond miners in the period 2004-2006. The appearance of the workings suggests a circular feature about 25m in diameter that was interpreted as a small pipe or 'blow'. River Diamonds undertook a core drilling programme to check the continuity, morphology and grade of the interpreted Pandobu 'blow' at depth. Five holes, totalling 859.85m were drilled beneath the artisanal pit, four of which intersected kimberlite. The longest intercept was 21.35m, which may represent an oblique section through a dyke. Kimberlite sections in drill core were split and one half dispatched for analysis, but this work has not yet been completed.

It was concluded from the drilling programme that, rather than identifying a clear 'blow' with significant width and vertical extent, the Pandobu occurrence may represent a northeast-trending dyke or dyke convergence zone, with narrow subsidiary cross-cutting fissures.

**Panguma - Conclusions**

- Sierra Leone appears to have stabilised politically and has a favourable mining law. New bedrock diamond discoveries, as well as the high value

of Sierra Leone diamonds, combine to make the country a prime target for diamond exploration.

- Mapping by River Diamonds has demonstrated that a number of the kimberlite dyke systems located at Panguma have a strike extent up to 4-5km.
- The mini-bulk sampling programme confirms that of the most of the Panguma dykes are diamondiferous, with strongly anomalous values within the widest reported (composite) dyke at 0.8m.
- Some of the other dykes/fissures sampled also contain interesting grades up to 0.77ct/t, although dykes are narrower and may splay and pinch towards the southwest.
- Results from the River Diamonds mini-bulk sampling programme bear comparison with similar work reported by Mano River and partners from the Lion dykes at Kono and the Tongo dyke system, although the narrow width of the dykes at Panguma can present a challenge to economic evaluation and development.
- Given the narrow dyke width the proposed collection of a bulk sample of up to 1,000 tonnes will require shaft sinking and underground mining on one or more dykes.
- The drilling programme at Pandobu confirmed a kimberlite occurrence, possibly a dyke convergence zone, including an (apparently oblique) intersection of over 21m in width. Analysis of kimberlite drill core intersections for diamond content is essential to permit full evaluation of this interesting occurrence.

## Rio Novo Area, Brazil

### Property Description and Location

Rio Novo area is located within the Jardim De Ouro area of Pará state, Brazil. The four areas of interest cover 30,000 Ha located within the Tapajós gold province.

### Geological Setting

Brazil is comprised of a number of Precambrian crystalline shields separated by Phanerozoic coverings. Brazil has been formed by a complex history controlled by collision and separations relating to supercontinental movement through history.

Rio Novo area is located within the Tapajós gold province. This province encompasses 100,000 $Km^2$ in south west Pará state. It is hosted by Archaean-Proterozoic aged Brazilian shields. Alluvial gold deposits are found throughout the area. Gold mineralisation is controlled by the crustal scale Tocantinzinho shear zone, a north west – south east striking shear zone which runs for 100's of kilometres. This shear zone passes through the Rio Novo area, resulting in structural lineations and stress fracturing which provide fluid pathways for mineralisation.

Three dominant rock types are observed within the Rio Novo area, each has been affected by the Tocantinzinho shear zone. The Parauari and Malinquinha intrusive suites and the Iriri Group.

These rocks are all related to syn/post-orogenic activity in a magmatic arc setting, relating to subduction and collision of neighbouring plates, they are of igneous of volcaniclastic origin.

**Mineralisation Types**

Mineralisation is dominated by sulphide rich quartz veins. The dominant sulphides being pyrite, chalcopyrite, arsenopyrite and visible gold.

**Exploration History**

Artisanal mining in Brazil has been active since 1700's. Rio Tinto reportedly undertook exploration across the Tapajós province in the 1990's. River Diamonds undertook a geological review in 2006.

River Diamonds have undertaken very preliminary exploration, reviewing historical workings with limited auger and trench sampling.

**Adjacent Properties**

Rio Novo area is bordered to the north by Jaguar mining, who are reportedly exploring for gold. Serabi Mining's Palito mine is directly along strike to the east. The Palito mine has a planned production for 2007 of 45,000 to 50,000 Oz of gold. To the south is the Sao Chicõ mine, which is exploiting primary gold.

**Interpretation and Conclusions**

- The Rio Novo claims are situated within the Tapajós gold province.
- The claims are situated within the Tocantinzinho shear zone, a crustal scale shear zone that controls gold mineralisation within the area.
- The claims have a great number of artisanal workings, both historic and present on the property. Exploiting both the alluvial resources within the river valleys and weathered mineralised vein structures.
- The claims are along strike from Serabi Mineraçaó's gold mine.
- Vein orientations and types are similar to those found at the Palito mine.

It is CSA's opinion that the area has significant gold potential; River Diamonds should undertake well planned exploration across the area to identify possible targets for further exploration.

**Recommendations**

CSA recommends that River Diamonds acquires good satellite images for the area, probably Quickbird images that offer high resolution and a quick collection period at a low cost.

Rio Tinto has undertaken regional exploration of the area, access to their information would be valuable to the company.

Aerial geophysics has been flown, but very little data about what was flown, when and by whom was available. This information should be sourced and reviewed.

All known artisanal workings should be located and a GPS reading should be made the nature of the deposit should be made, either sediment or vein hosted, this could be performed without the aid of a geologist. This would lead on to trenching and mapping of vein sites as part of later exploration.

Once this and any other relevant information is available a full desk study should be undertaken by an exploration geologist, to provide a targeted exploration plan for the area.

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## 1. PURPOSE OF THE DOCUMENT

At the request of the directors of River Diamonds Plc ('River Diamonds'), CSA Consulting International ('CSACI') has prepared a Competent Person's Report on the Panguma prospect in east central Sierra Leone, the Rio Novo prospect in Para State, Brazil and the Vatukoula Gold Mine in Fiji. The Panguma prospect, which is being explored by River Diamonds for kimberlite-hosted diamonds was visited by CSACI in September 2007 to review the results of exploration work completed to date. The Rio Novo Project which is being explored for gold by River Diamonds was visited by CSA in September 2007 to review the work performed to date. The Vatukoula Gold mine in Fiji, which was until recently exploited for gold was visited by CSACI in October 2007 for a full site review. The following report details the findings of these visits, including any recommendations for improvement and future work that may benefit the company.

Mr Edward Slowey (Geology) undertook the Visit to Sierra Leone. Ms. Nerys Walters (Geology) undertook the trip to Brazil. Mr. Clayton Reeves (Mining Engineer), Mr. Michael Anthony (Metallurgy), Mr. John Wearmouth (Environment), Mr. Dexter Ferreira (Resource Geologist) and Ms. Nerys Walters (Geology) from the CSACI Group, carried out work on the Vatukoula Gold Mine project. All tenements considered in this report are held and controlled by River Diamonds or its subsidiaries, except Fiji where the tenements are held by Westech Gold PLC.

The transaction to acquire the remaining 81% of the Vatukoula Gold Mine constitutes a reverse takeover under the AIM rules, requiring, amongst other things, the preparation and publication of a Re-admission Document containing information on the enlarged company, and the re-admission of the enlarged company to trading AIM. This report has been prepared for inclusion ion the Re-Admission Document.

**Since CSACI's site visit to the Panguma prospect in Sierra Leone, the exploration licence for the prospect has expired (on 1 March 2008). An application for an extension of the licence for one year has been submitted and the outcome is being awaited. At the request of the directors of River Diamonds, CSA has included information in this report on the Panguma prospect for illustrative purposes.**

## 2. INTRODUCTION

River Diamonds plc is a UK based mining and exploration company with gold and diamond projects in Fiji, Sierra Leone, and Brazil. The company's shares are traded on the London Stock Exchange's (LSE) Alternative Investment Market (AIM). The company was incorporated on the 1st of March 2004 for the purpose of exploring and developing diamond interests. August 26th 2004 saw the company list on AIM on the LSE.

# 3. VATUKOULA GOLD MINE FIJI

## 3.1 INTRODUCTION

### 3.1.1 Background

River Diamonds plc, a company incorporated in London, England entered into a conditional sale and purchase agreement to acquire the remaining 80% of Viso Gero International Inc. ("VGI") not already held by it from Viso Gero Global Inc and which contemplates that VGI will acquire the remaining 6% of Westech Gold Pty Ltd on or before the completion of the acquisition. Therefore, subject to completion of the Acquisitions, River Diamonds will own 100% of VGI and will indirectly, through Westech Gold Pty Ltd and its indirect subsidiaries, hold a 100% interest in the ' Vatukoula' gold mine (formerly known as the Emperor Gold Mine) in Fiji and associated assets, rights and entitlements. The relevant asset to this report is the Vatukoula Gold mining operation. The Vatukoula mining operations include 100 per cent ownership of 3 Special Mining Leases and 3 Special Site Rights. The Special Mining Leases cover 1,254.91 hectares, while the Special Site Rights cover 68.75 hectares. Located on the Vatukoula Special Mining Leases, and included in the assets, is an existing 525,000 tonnes per annum ("t/a") mine and an existing 700,000 t/a gold plant. The Special Mining Leases are located within the Tavua shield volcano (see Figure 7: Simplified Geological Map of the Tavua Volcano).

Gold bullion is currently produced at the Vatukoula gold plant containing appreciable amounts of payable Ag. The Vatukoula Gold Mine contains 2.26 million tonnes of Proven and Probable ore reserves, recoverable by conventional underground mining techniques. Together with the mineral resources and coupled with the fact that up to 30% of annual mined tonnes are not in resource or reserve, they are sufficient for a 525kt/a mining and beneficiation facility for nine years.

### 3.1.2 Review Procedures

A visit to the Vatukoula Gold Mine by a CSACI team was undertaken during October 2007. The Director of Westech Gold Pty Ltd (Westech), Mr. Brian Wesson, presented an overview of the tenements and the project specifics at the mine. The overview was followed by field visits to the various surface and underground working areas of the mine, led by Mr. Brian Wesson and the authors accompanied by mine production personnel, geologists, gold plant personnel and accountants. The material reviewed by CSA included reports, financial documents, geological plans, mine plans, ventilation plans, sections, assay logs and administrative documents provided by Vatukoula Gold Mine staff. Much of the following information has been extracted directly from geological reports, technical reports and financial documents following verification of the original data by CSA.

## 3.2 VATUKOULA MINING PROPERTIES

### 3.2.1 Description and Location

The Vatukoula Gold mine is located some 10 km inland from the town of Tavua, situated on the northern coast of the island of Viti Levu, the republic of Fiji's largest island. The interior of Viti Levu is generally rugged, poorly accessed and sparsely

inhabited. Closer to the ocean, flat, fertile land predominates, accounting for the tendency for the outer part of the island to be more developed and densely populated than the inner portion.

Fiji has 322 islands, over a hundred of them inhabited. It lies midway between Tahiti and Australia, 1,700km due north of New Zealand in the South Pacific Ocean. It comprises two main Islands, Viti Levu and Vanua Levu plus many smaller islands. Viti Levu covers an area of 10,388 km² and is about 146 km from north to south and 106 km east to west. (See Appendix F: Location and Regions of Fiji). The population is mixed with indigenous Melanesian Fijians in a majority. Indo-Fijians descended from Indian indentured labourers account for 40 percent. Polynesians, Chinese and Europeans make up the rest. The majority of the population of 800,000 reside on the outer fringes of these larger islands. Fiji's main exports are sugar, garments, gold, timber, molasses, coconuts and oil.

Fiji has undergone four coups since 1987. The last was undertaken by Fiji's military commander, Commander Frank Bainimarama. He assumed executive power in December 2006, appointing Jona Senilagakali as interim prime minister. In January 2007 he succeeded Mr Senilagakali as prime minister. This has resulted in criticism by Fiji's neighbours, especially New Zealand. However the country is generally peaceful and no effects of the coup were seen on the visit to the Vatukoula Gold Mine.

The Vatukoula Gold Mine is surrounded by several small villages, collectively named Vatukoula. Vatukoula Village and Gold mine lie within the SW corner of the Tavua basin, a major topographic feature some 12km across, situated in the centre of the Tavua volcano. Vatukoulas location is shown in Figure 1.


**Figure 1: Map of the Northern Coast of Fiji Showing the Location of the Vatukoula Village.**

### 3.2.2 Description of Vatukoula Special Mining Leases

CSA has had sight of the Special Mining Leases, Special Site Rights and Special Prospecting Licenses which relate to the Vatukoula Gold Mine. CSA cannot opine on the validity of these leases, rights and licenses, as it is not qualified to do so.

The original Vatukoula Gold Mine property consisted of 3 Special Mining Leases totalling 1,254.91 hectares. The deed and all related documentation for the property were viewed by CSA. It shows that Westech Gold Plc have rights to the area in question. The deed between the Fijian Government and Westech affirms that the Special Mining Leases (SML) 54, 55 and 56 and Special Site Rites (SSR) 6, 7 and 8 are currently valid and subsisting. The SSR's expired between 1990 and 1994, however Vatukoula Mine management has informed CSA that an agreement for renewal has been reached in principle and that the risk of non renewal is remote. The expiry of the SSRs between 1990 and 1994 did not prevent the mine from continuing to operate. All land under SML 54 and 56, excluding approximately 50 ha, are owned by Westech Gold Pty Ltd under freehold title. The majority of SML 55 is owned by the Nosomo landowners. The remainder of SML 55 is crown freehold. All land subject to Vatukoula SML's is either freehold or Crown freehold.

Table 1 details the mineral rights distribution at Vatukoula Gold Mine; Figure 2 shows the location of the Vatukoula Gold Mine assets on Viti Levu, Figure 3 shows the 3 Special Mining Leases 54, 55 and 56 and Figure 4 shows the freehold land owned by Westech Gold Pty Ltd. (Also see Appendix F: Current mining tenements of Fiji)

**Table 1: Mineral Rights and Special Site Rights Distribution Fiji**

| Asset | Holder Mineral Rights/Special Site Right | Interest (%) | Status | License Expiry date | License area (ha) | Comments |
|---|---|---|---|---|---|---|
| 1. SML54 Fiji | Westech Gold Ltd | 100% | Production | 21 March 2025 | 610.76 | Producing Mine |
| 2. SML55 Fiji | Westech Gold Ltd | 100% | Production | 22 March 2025 | 395.88 | Producing Mine |
| 3. SML56 Fiji | Westech Gold Ltd | 100% | Production | 21 March 2025 | 248.27 | Producing Mine |
| 4. SSR 6 Fiji | Westech Gold Ltd | 100% | In Use | 21 March 1990 – Currently under application | N/A | Water Extraction |
| 5. SSR 7 Fiji | Westech Gold Ltd | 100% | In Use | 30 September 1994 – Currently under application | 67.00 | Tailings Dam |
| 6. SSR 8 Fiji | Westech Gold Ltd | 100% | In Use | 30 September 1994 – Currently under application | 1.70 | Piping Passageway |

Currently River Diamonds plc indirectly owns 19% of Westech Gold Ltd and thus also 19% of the above tabled Special Mining Leases and Special Site Rites.

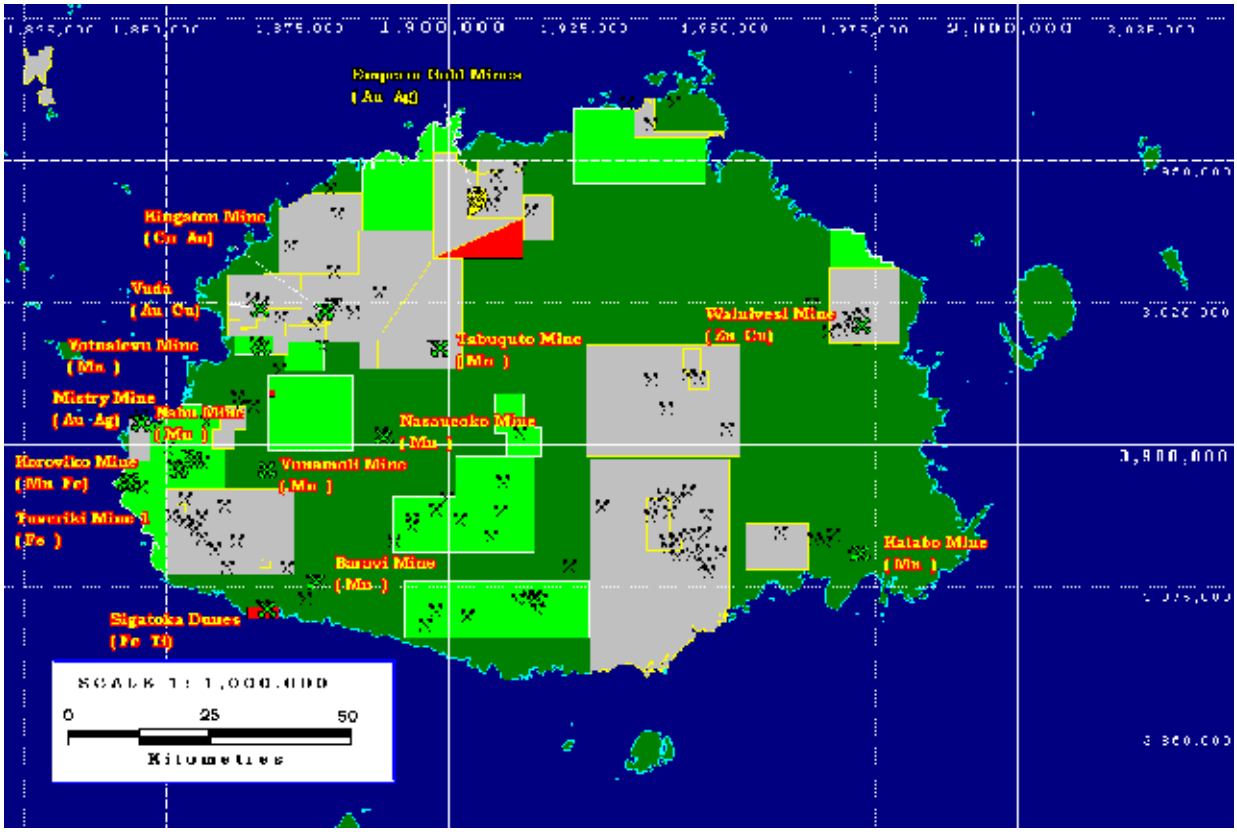



**Figure 2: Map of Viti Levu Showing the Location of the Vatukoula (Emperor) Gold Mine**

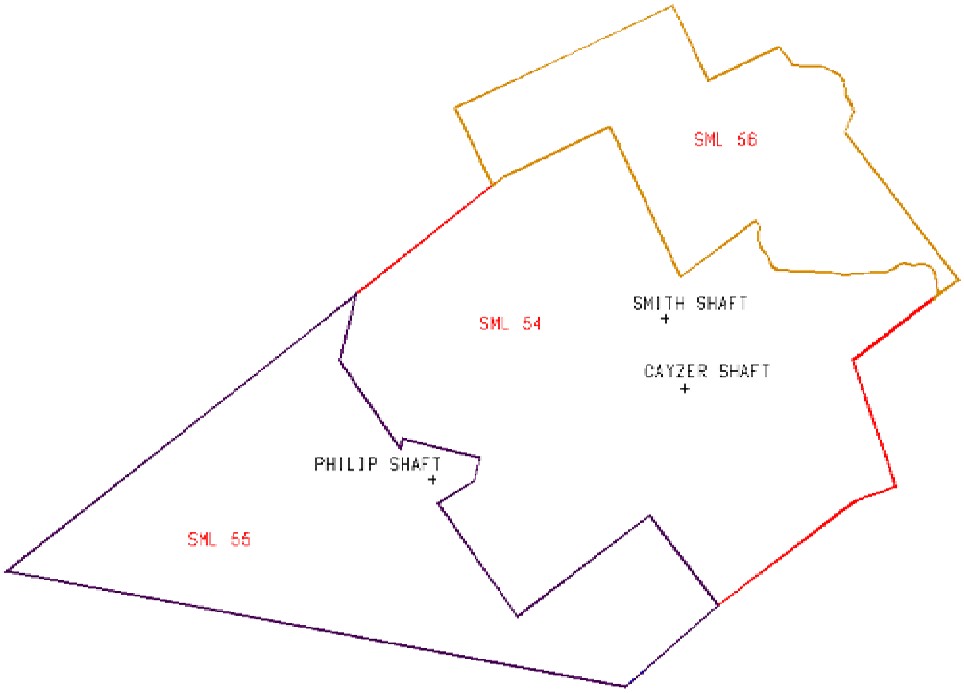



**Figure 3: Map Showing Special Mining Leases 54, 55 and 56 as Depicted by the Yellow Area in Figure 2.**

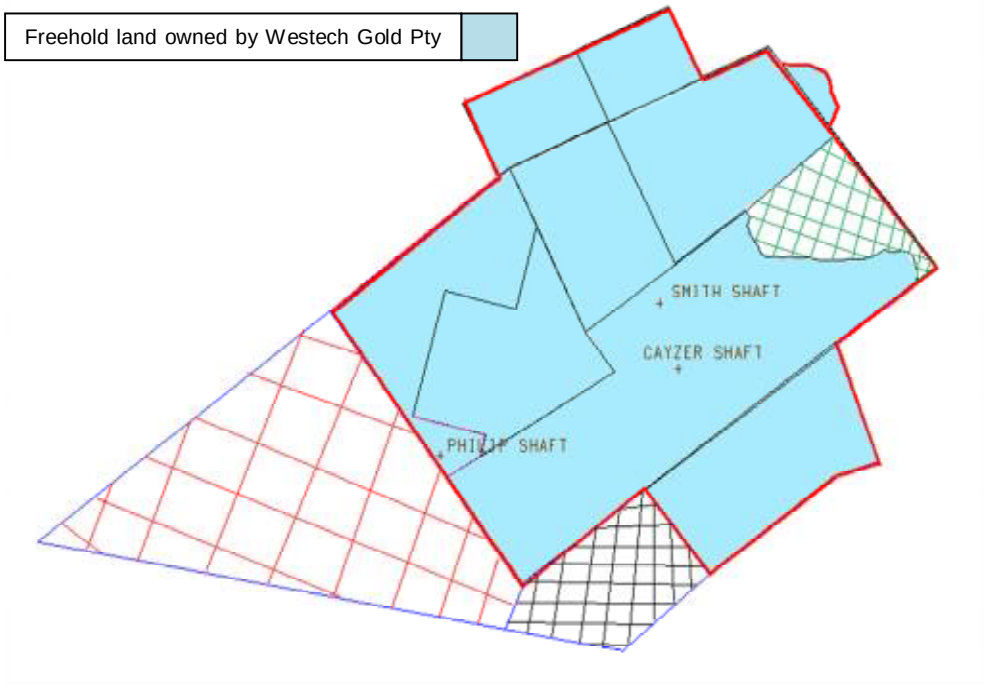



**Figure 4: Map Showing the Extent of the Freehold Land within the Three SML's Owned by Westech Gold Pty Ltd.**

### 3.2.3 Ownership History

Gold specks were found in the alluvial deposits at Nasivi River during the gold rush period in Fiji at the turn of the last century. Persistent prospecting by William Borthwick up the Nasivi River was rewarded when he discovered payable gold in Lololevu Creek on 5 November 1932. A small gold rush followed but by 1936 most of the field was controlled by three companies: Emperor Gold Mining Co. Ltd (Emperor) (operating to present day); Loloma (Fiji) Gold Mines NL and Dolphin Mines Ltd. Emperor took complete control of mining operations in 1956.

In 1983 a joint-venture partnership was formed between Emperor and Western Mining Corporation of Australia (Western Mining). This deal allowed Western Mining a 20% ownership of the current Vatukoula Gold mine workings (SML54). A further gold lode was found south of Vatukoula Village and this was opened in 1986 (SML 55) with Emperor and Western Mining each having equal ownership of the Nasomo joint venture. Western Mining was the manager for both operations. In 1991 Western Mining Corporation sold their equity back to Emperor who resumed management.

Up to 1992, mining consisted of low grade open pits, with previously mined stockpiles of low grade ore. The low grade ore quality was supplemented by small tonnages of high grade underground ore from the Prince William orebody mined at Philip shaft.

Durban Roodepoort Deep Ltd (DRD) became share holders of Emperor in 2004.

DRD attempted a takeover and finally took majority shareholding of Emperor in early 2006.

An extensive three month review of the Vatukoula Gold mine was completed in early December 2006 following the arrival of the new management team in August 2006. The results of the review concluded that continuation of the then current mine plan was no longer economically viable and recommended the immediate cessation of current mining and milling activities and to embark upon a thorough and exhaustive exploration program. This was envisaged to take 12 to 18 months followed by the completion of a bankable feasibility study inclusive of a detailed forward looking life of mine development and mining plan. Hence on 5 December 2006 the mine was placed on care and maintenance. The management of the Vatukoula Gold mine had been communicating with the interim Fijian Government in relation to the future of the mine during December 2006, however on 6 January 2007, members of the military forces of Fiji, claiming to be acting under orders from senior commanders in Suva, entered parts of the Vatukoula Gold mine. The management of the Vatukoula Gold mine held meetings with members of the Fijian Government in Suva to clarify the situation in which control of the operation was to be directed through military personnel. After ongoing discussions with the Fijian Government, several conditions precedent and subsequently were placed on Emperor in order for it to retain its mining and exploration rights. In Emperor's view, these encumbrances were untenable and eliminated any economic benefit that could be derived through future exploration and therefore Emperor actively considered a divestment of the Fijian assets.

In March 2007 Emperor announced that it had signed an agreement to sell all its Fijian assets, including the Vatukoula Gold mine, to Westech Gold Pty Limited (Westech), a private company incorporated in Australia. Under the agreement, Emperor sold 100% of its shares in its Australian subsidiaries (Emperor Finance Ltd and Emperor Australia Ltd) which together held a 100% interest in the Fijian subsidiary companies which directly own the mining rights and associated assets of the Vatukoula Gold Mine. The sale was completed on 28 March 2007.The deed between Westech and the Fijian Government was signed on the 10$^{th}$ of August 2007.

In July 2007 River Diamonds entered into an agreement to subscribe for 12.5% of the share capital of VGI for a cash consideration of £2.5 million. Following completion of the subscription by River Diamonds, VGI owned by converting certain secured loans, a 94% equity interest in the capital of Westech Gold Pty Ltd ("Westech") which, through its wholly owned direct and indirect subsidiaries, owns the mining rights and associated assets of the Emperor Gold Mine in Fiji, also known as the Vatukoula Gold Mine. The funds injected by River Diamonds were used for working capital requirements to bring the mine back into production.

In October 2007 River Diamonds increased its' stake in VGI, to 20% for a cash consideration of £1.75 million. In December 2007 River Diamonds entered into a conditional sale and purchase agreement to acquire the remaining share capital of Viso Gero International Inc. Therefore, subject to completion of the acquisition, River Diamonds will own 100% of VGI and will indirectly, through Westech and its indirect subsidiaries, hold a 100% interest in the Vatukoula gold mine assets, rights and entitlements.

Brian Wesson, currently a director and a 6% shareholder of Westech Gold Ltd, will become a member of the senior management of River Diamonds plc as a result of this acquisition.

### 3.2.4 Mining Authorisations and Permits

Fiji does not require specific environmental permits for mines, with all mining related activities being licensed, as required, by the Mineral Resources Department (MRD). The Vatukoula Gold Mine is the only large scale mine currently operating in the country. Environmental conditions are largely determined by the terms of the mining lease and special site rights. Any issues are addressed on an advisory basis in conjunction with regular visits by mines inspectors, when joint sampling is conducted.

The actual primary permits that are required and are all currently maintained, include:

1) Special Site Right No. 6, for the abstraction of water from the Nasivi River for use in the plant, mine and village, expired on the 21 March 1990 and is currently under application.
2) Special Site Right No. 7, for the Toko tailings dam, expired on the 30 September 1990 and is currently under application.
3) Special Site Right No. 8, for the Toko tailings dam, expired on the 21 September 1990 and is currently under application.
4) Explosive licence (storage and purchase). This licence is currently in good standing and allows for the possession and storage of high explosives and detonators on the mine property.

### 3.2.5 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Vatukoula Gold Mine was an active mine for over 70 years, it has been on care and maintenance since late 2006. It is well serviced by sealed roads from Nadi, an international airport and Suva the capital of Fiji. It is a one and a half hour drive (50km) north-east from Nadi to the Vatukoula Gold Mine on reasonably well maintained, single lane, sealed roads. Within the Tavua Basin, access is by an extensive series of sealed roads, dirt roads and tracks, the condition of which are strongly dependent on the amount of recent rainfall.

The Fijian Climate is of a mild tropical nature; rain can be expected any time of the year. The driest months are between April and October and are considered to be Fiji's winter period. Heavy rain tends to fall on the south-east or windward side of the islands resulting in dense tropical forest cover. The trade winds also have the effect of cooling the Islands down as they blow across them. Average temperatures range between 31ºC and 29ºC. The western portions of the main islands are sheltered and have a well marked dry season favourable for crops such as sugar cane.

Vatukoula village and gold mine lie within the south-west corner of the Tavua Basin, a major topographic feature some 12km across, situated in the centre of the Tavua Volcano.

Most of the Tavua Basin is drained by the Nasivi River which flows through the mine area. Water to supply the mine, gold plant, power plant and local township is pumped from the Nasivi River to an intermediate reservoir and pump station from where it is supplied to the various areas. A well trained work force is available from the Vatukoula Village and surrounding areas. The mine produces its own power by way of 20.5MW diesel generation power plant.

### 3.2.6 CSA Comments

CSA did not complete a full legal due diligence as part of this report. CSA did however view the deed signed between the government of Fiji and Westech Gold plc. CSA also viewed the Special Mining Licences and Special Site Rights issued to the Vatukoula Gold Mine.

## 3.3 GEOLOGY

### 3.3.1 Geological Setting of the Outer Melanesian Arc and the Fijian Islands

The Fijian islands are located within a prominent offset of the convergent boundary between the Pacific and Indo-Australasian tectonic plates. Within a zone of diffuse spreading and transform faulting allowing for the movement of the east facing Tonga arc-trench system and the west facing Vanuatu arc-trench system, as demonstrated in Figure 5 below.

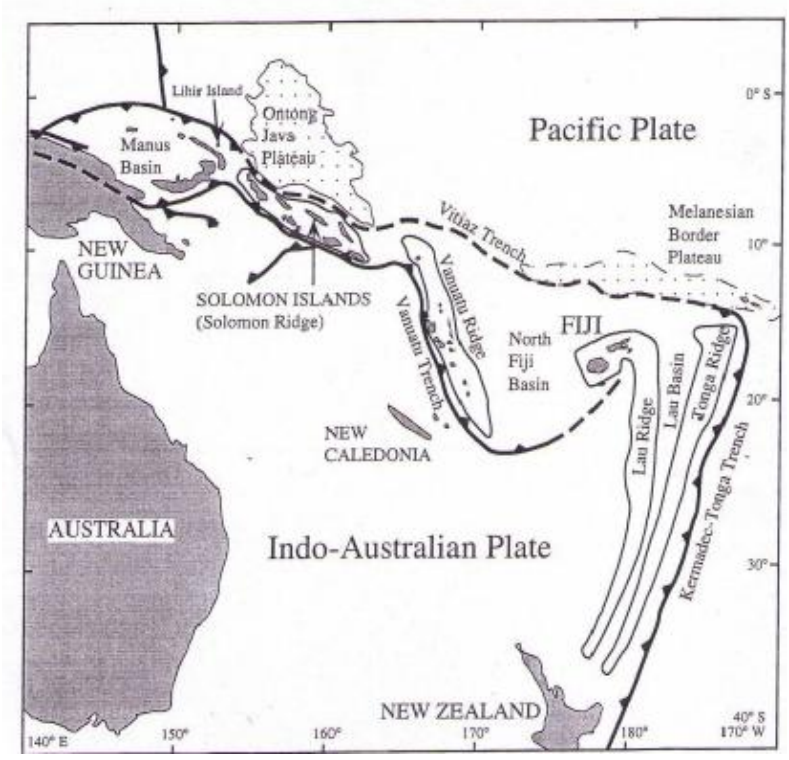



**Figure 5: Map Showing the Location of the Fijian Island Chain in the Outer Melanesian Arc**

Vanuatu, Fiji and Tonga were once all part of the Vitiaz Arc, which is related to an extinct west dipping subduction zone that was once linked the Tonga trench, located at the eastern margin of the Solomon Island Arc. This subduction zone is thought to have been active in the early Eocene to mid Miocene. Subduction was halted by the collision of anomalously thick oceanic crust of the Melanesian Border Plateau immediately north of Fiji and the Ontong Java Plateau north of the Solomon Islands. Collision of these platforms occurred between 10-7.5 Ma and terminated subduction along the Vitiaz Trench and resulted in a reversal of arc polarity north of Fiji along the Vanuatu segment of the arc, establishing a new trench west of the Vanuatu Arc. Related volcanism began to reflect this subduction in the Pliocene, between 8-5.5

Ma. Fragmentation of the arc north of Fiji formed a transverse rift, which matured into a transform zone as back arc spreading allowed the Vanuatu and Tonga Arcs to diverge; this formed the North Fiji and later Lau Basins. The north part of the Lau Ridge underwent anticlockwise rotation after 5.5Ma forming what is now known as the Fiji Plateau. Left lateral transform movement in the inter arc area between the North Tonga Ridge and the South Vanuatu Trench occurred between the Fiji Fracture Zone (FFZ) and the Hunter Fracture Zone (HFZ) both being the Loci for recent earthquake activity. Related fracture zones lie sub-parallel to the FFZ, such as the Vitu Levu Lineament, which has controlled the distribution of upper Miocene to early Pliocene volcanic centres of the Ba Volcanic Group. This is demonstrated in Figure 6 below.

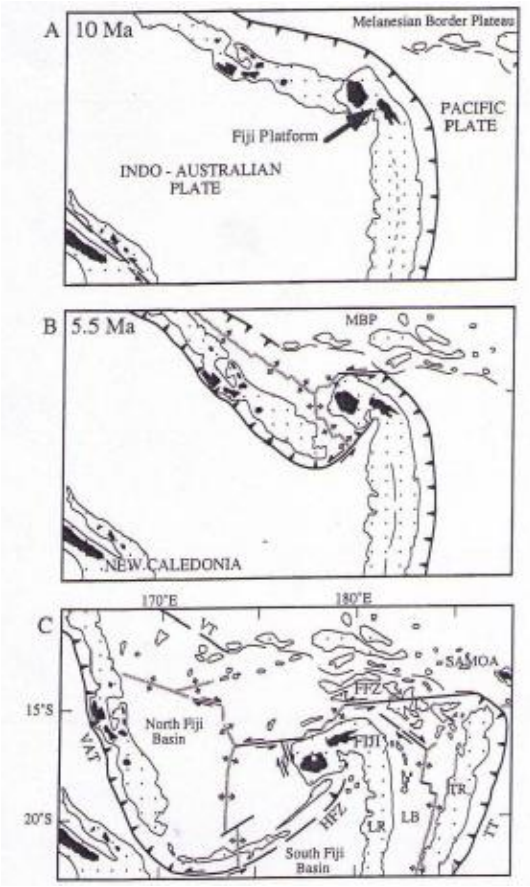



**Figure 6: Plate Scale Evolution of the Outer Melanesian Arc, Including the Fijian Islands, A = Approximately 10Ma, B = Approximately 5.5Ma, C = Present Day Plate Boundaries**

### 3.3.2 Fijian Geology

The oldest rocks on Fiji are of a late Eocene to early Oligocene age, representing the only geological remains of the extinct Vitiaz Arc. Overlying these are late Miocene to early Pliocene shoshonitic volcanics. Of particular importance is the Ba volcanic group which dominates the north half of Viti Levu. At its base the Vatukoro greywacke can be found, which is overlain and intruded into by the mainly mafic (basaltic) shoshonitic volcanic rocks and lesser calk-alkaline volcanic rocks. These rock types are all structurally dominated by the east-north-east trending Viti Levu Lineament. Along this lineament the Tavua Volcano can be found, the largest volcano in Fiji.

### 3.3.2.1 Tavua Volcano Geology

The Tavua Volcano is a shield volcano with a diameter of 40 Km. It is situated north of a prominent break in the regional magnetic pattern caused by the east-north-east trending Viti Levu Lineament. The base of the volcano has been tilted 10º to the north exposing sandstones and siltstones of the 1,200m thick Vatukoro Greywacke. The base of the volcano is made up of sub-aqueous absarokite pillow lava flows, it is exposed at approximately 1,000 m, indicating significant post–volcanic uplift. The flows grade upwards into sub-aerial aa flows and lesser airfall tuff and tuff breccia. Volcanic conglomerates and debris flows are common on the flanks.

The greater than 200m thick sub-aerial flows are dominated by absarokite (basalt) with lesser plagioclase rich absarokite (trachybasalt), and shoshonite (augite andesite) flows. The compositions range between absarokite, with abundant clinopyroxene phenocrysts and lesser or subordinate magnetite and plagioclase. Increased plagioclase content results in a plagioclase absarokite, moving into shoshonite once plagioclase content exceeds clinopyroxene. Banakite represents the end member, a more evolved lava with more than 2% biotite, abundant plagioclase and potassium feldspar and minor clinopyroxene and magnetite.

All the lavas have a groundmass dominated by plagioclase, potassium feldspar, minor clinopyroxene and magnetite. Potassium feldspar content increases as the rocks become more intermediate.

The central portion of the Tavua Volcano hosts the Tavua Caldera. An elliptical 7 by 5.5 km subsidence structure related to the 13km diameter Tavua basin. The caldera is infilled by rocks of the Turtle Pool and Morrison Pool Formations, comprised of shoshonite and banakite rocks respectively.

The faulted boundary between the Turtle Pool Formation and the pre-caldera mafic strata is referred to as the caldera contact; it represents a significant zone of subsidence which occurred repeatedly from the Tavua Basin, in towards the centre of the caldera. In the centre of the caldera a younger caldera structure is located within which the Morrisons Pool Formation is located.

Approximately 3km of caldera subsidence has occurred followed by down sagging. This movement has been accommodated by normal faulting on ring and radial faults; many occur peripherally to the caldera contact, juxtaposing absarokite and absarokite. A simplified geological map of the Tavua Volcano is provided in Figure 7.

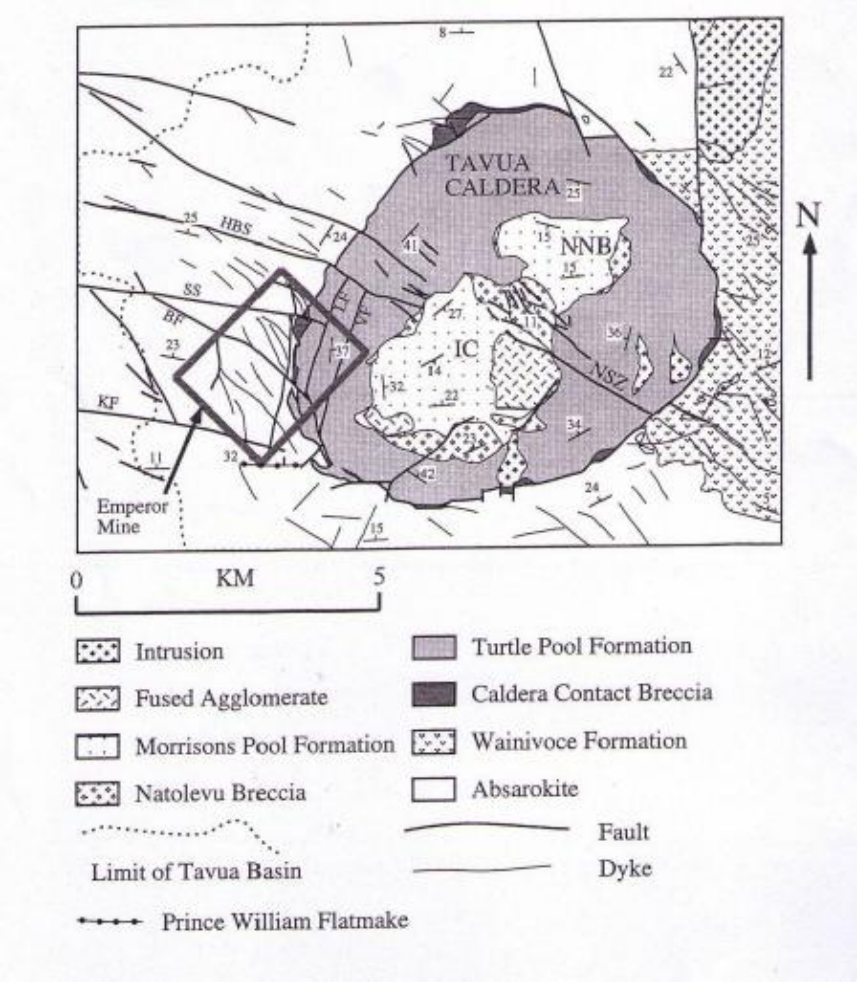



**Figure 7: Simplified Geological Map of the Tavua Volcano; IC= Inner Caldera, NNB = Natolevu North Basin, NSZ = Nasivi Shear Zone, HBS = Homeward Bound Shear, SS = Shatter Shear, BF = Brewster Fault, KF = Koromakawa Fault, LF = Lololevu Fault, VF = Vunisina Fault**

### 3.3.2.2 Caldera Stratigraphy

Caldera Contact Breccia (CCBX)
A heterolithic avalanche breccia containing clasts up to 3m, approximately 100m thick. Found at the caldera contact juxtaposed with pre-caldera stratigraphy along steep normal faults in a step pattern.

Turtle Pool Formation (TPF)
The Turtle Pool Formation lies conformably over the CCBX, it is comprised of shoshonitic lava flows interbedded with lacustrine sandstones, siltstones, lapilli and tuff. It dips at 30-50º towards the caldera centre. The upper portions represent sub-aerial deposits.

Natolevu Breccia
A heterolithic avalanche breccia which reaches thicknesses greater than 400m. This formation is located around the inner caldera margin.

Morrisons Pool Formation (MPF)
This formation overlies the Natolevu Breccia. It is comprised of banakite lava flows, tuff breccias (ignimbrites), lesser lacustrine sandstones and siltstones. Lava flows

vary in thickness between 5-50m, ignimbrite flows between 2-10m, lacustrine sediments dominate the Natolevu North Basin.

The central caldera is sediment poor, with lava flows being sub-aerial in nature. Dips of up to 32º towards the caldera centre have been recorded throughout, they have been steepened by post depositional sag.

A fused agglomerate is located on the eastern margin of the Central Caldera, it is thought to represent the volcanic vent relating to the youngest phase of volcanism within the complex.

#### 3.3.2.3 Minor Intrusive Rocks

Monzonite stocks or plugs out-crop and sub-crop outside the eastern margin of the caldera, along the trend of the Nasivi Shear Zone. They are the sub-volcanic equivalents of the caldera shoshonites and banakites.

Abundant dykes occur within the pre-caldera stratigraphy, a lesser number within the caldera itself. Equivalent compositions to all lava types are observed, most strike oblique to the caldera margins, ring dykes are rare. No absarokite dykes are present within the caldera, no shoshonite dykes are present within the inner caldera. Monzonite dykes are cut by shoshonite and banakite dykes but not absarokite dykes.

Large sills can be found within both the underlying sediments and the volcanic sequence.

#### 3.3.2.4 Tavua Volcanic Structure

The local fault pattern is dominated by through going regional faults relating to the Viti Levu Lineament and ring faults associated with the Tavua Caldera. West-north-west, north-west, north-north-east and east-west orientations dominate.

The most prominent is the west-north-west Nasivi Shear Zone which was active throughout caldera formation. Groups of en-echelon faults occur including the Homeward Bound Shear and the Shatter Shear, both prominent structures within the Vatukoula Gold Mine sequence.

The Vatukoula Gold Mine is situated at a pronounced intersection of regional through going faults and ring faults of the caldera margin, within a zone of intense faulting and fracturing.

#### 3.3.2.5 Tavua Basin Mineralisation

The basin is host to a number of mineral deposits related to various eruptive phases. Porphyry style mineralisation is hosted at the centre of the basin along the Nasivi Shear Zone with epithermal mineralisation occurring at the margin of the basin. Epithermal mineralisation is found at the western margin of the caldera, this includes the Vatukoula Gold Mine and northern exploration targets.

### 3.3.3 Vatukoula Mine Geology

#### 3.3.3.1 Stratigraphy

Pre-caldera stratigraphy is dominated by aa lava flows, which vary between 2 -12 m in thickness and are of absarokite composition. They are interspersed with tuff and tuff breccias with range between 0.5-20m in thickness. These lava flows are variably oxidised, containing autoclastic breccias. No correlation between flows has been made in the mine stratigraphy.

#### 3.3.3.2 Minor Intrusions

The mine sequence is intruded into by thin, less than 3m wide, basalt-augite-andesite and biotite-andesite dykes. Rare monzonite dykes of a similar age to the augite-andesite dykes occur in the Crown area. They are considered to be the intrusive phase of the Turtle Pool and Morrisons Pool Formations. Basalt dykes are rare. andesite dykes are laterally continuous (greater than 2km) with a dominant strike of north or north-west, and a steep dip towards the east. The margins are commonly faulted and offset.

#### 3.3.3.3 Steep Faults

Steep faults vary in width between 0.05-2 m wide with varying proportions of fault breccia, gouge and foliated cataclasite. There are 3 main geometric groups:

N-NNE Strike
These structures are very steep, east dipping ring faults. Included in this group are the Hanging Wall Shear, Dolphin Shear, 3200W Shear, 2900W Shear, President Shear, 260E Shear, Caldera Footwall Shear, Gold Lode Shear, Vunisina Fault and Lololevu Fault.

NW Strike
These structures dip steeply to the north, they include the Homeward Bound Shear, Shatter Shear and the north-north-east dipping Koromakawa Fault.

### 3.3.4 Mineralisation Types

Gold Mineralisation at the Vatukoula Gold Mine is hosted within three main structures; flatmakes, steep shears and shatter shears.

#### 3.3.4.1 Flatmakes

Flatmakes are shallow to moderately dipping (~45º) structures that have a lateral extent of between 100m – 1km. They are structurally composite, 0.1-5m wide fracture fault sets, with numerous splits on the meso and mine scale. They are often cut and displaced by dykes of all ages.

Flatmakes are aerially oblique thrust faults with greater than 3 metres displacement. They are thought to have formed in the upper 1km of the crust within an evolving hydrothermal (epithermal) system. They are bound within tilted blocks of host rock that are controlled by normal ring and radial faults. Commonly they are located along tuff horizons, bound within zones of comparable dip.

Flatmakes are estimated to have occurred at 3.9Ma during epithermal gold mineralisation. They are a result of vertical extension formed to accommodate complex stress conditions within the area related to arc scale tectonics.

#### 3.3.4.2 Steep Shears

Steep shears have dips greater than 45º, they are categorised as faults and fractures commonly developed along the margins of or within andesite dykes. Mineralisation occurs in a shallow plunging zone spanning the intersection with a mineralised flatmake.

#### 3.3.4.3 Shatter Zones

Shatter zones are formed by broad zones of complex steep faulting and close spaced (sheeted) flat fracture composites. They occur at the intersection of one or more flatmakes with two or more major faults or faulted dykes. The largest shatter, the Emperor Shatter formed at the intersection of the Hanging Wall Shear, Shatter Shear, Prince Flatmake and the Diadem Dyke.

#### 3.3.4.4 Mineralisation Style

Vatukoula Gold Mine mineralisation is hosted within veins that range between 0.3-10 cm in width. They have a complex multi stage growth textures, medium – coarse grained quartz, fine grained saccharoidal quartz, hydraulic vein breccias and vugs are common.

Wall rock alteration occurs with an inner zone of 20cm width each side of the vein, containing quartz, andaluria, carbonate, pyrite, illite, roscoelite, illite-smectite clay and chloride assemblages, resulting in epithermal lode alteration. This is superimposed over low temperature propylitic alteration, containing chlorite, carbonate and minor quartz. A simplified vein cross section is provided in Figure 8.

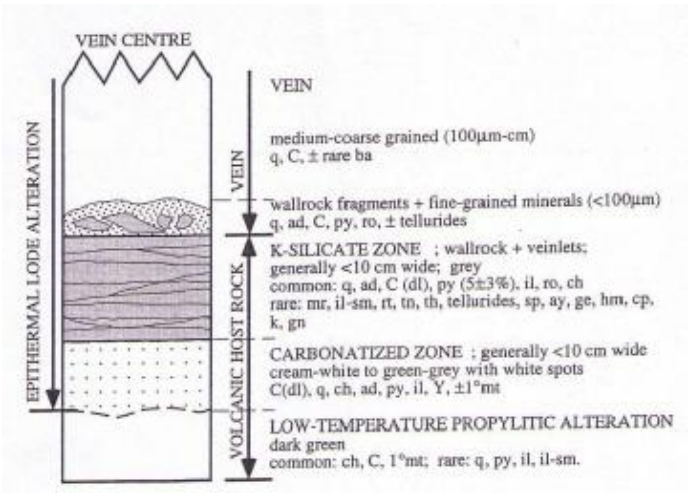



**Figure 8: A Simplified Cross Section of Vatukoula Gold Mine Typical Mineralised Vein, Including Wall Rock Alteration**

Ore mineralisation is contained mainly within the vein, with a thin boundary of wall rock alteration. Typical vein mineralogy is gold in pyrite, gold – silver tellurides (sylvanite, petzite, krennerite, calaverite and rare free gold) with accessory pyrite, marcasite, arsenopyrite, tennantite, tetrahedrite, tellurium and base metal sulphides.

Each mineralisation type was formed in some part by the hydrothermal fault valve mechanism. The fault valve mechanism is a cyclical process dealing with the opening and resealing of faults by high fluid pressure gradients. These events occur at the base of the seismogenic zone within the crust and are linked to earthquakes. Raised fluid pressures have the effect of reducing normal stress acting upon a fault to the effective stress; which can lead to failure. The fluid sources in this instance would likely be from the introduction of Tavua volcanism and related igneous intrusions into a fluid saturated crust. Fluid driving forces are thought to be head, changes in pore pressure, over pressured fluid reservoirs, and vertical variations in fluid density. Major crustal shear zones such as the Viti Levu Lineament, are considered to act as fluid conduits feeding the areas by joining to intrinsic and secondary permeability.

#### 3.3.4.5 Main Ore Bodies

Prince/Dolphin Flatmake
The Prince/Dolphin Flatmake is a major source of ore at the Vatukoula Gold Mine. It retains a large proportion of the current resource. Formed within a single structure that dips at 30$^{o}$ towards the caldera it is intersected by the Brewster fault, with Dolphin to the west and Prince to the east.

Matanagata Flatmake
The Matanagata Flatmake is deeper than the Prince/Dolphin Flatmake. It is a similar structure with a similar orientation and is mined via Smith Shaft. Matanagata Main is separated from Matanagata East by the Musungata Fault. Matanagata North-East is separated from Matanagata Main by the Homeward Bound Fault. Matanagata West extends for approximately 900m west towards the Brewster West exploration target.

2000N Flatmake
This structure dips towards the caldera basin and strikes parallel to the caldera margin. Mineralisation is strongest where the body flattens out and at intersections with steep structures (including the Gold Cross and Crown Shears). Variable grades have been encountered. It lies stratigraphically above the Matanagata and below the Prince/Dolphin Flatmakes.

166N Flatmake
This structure occurs 150m into the hanging wall of the Prince/Dolphin Flatmake. Grades are variable.

R1 Area
The R1 Area comprises a complex group of mineralised structures containing high to very high grades, average grades being 16g/t Au. It is distinct from all the other mineralised areas as it is hosted within the younger caldera infill andesites of the Turtle Pool Formation, which have undergone greater wall rock alteration than the pre-caldera basaltic host rocks. It is accessed by the Cayzer Shaft. There are both shallow dipping veins and steep structures with various orientations, making it very difficult to interpret. The main identified structures are the Kava Flatmake, UFZ Structure, Crown Cross Structure, Vonu Flatmake and the Pakapaka Structure.

Steep Structures
Some steep structures can be exploited in their own right, these include Sam Sorby, Crown Main, Vunivalu and Crown Cross Structures.

A Group of north-east trending faults including the Brewster, Dominion, Musunagata and Homeward Bound Faults are weakly mineralised, except for shatter areas and contacts with flatmakes, which result in high grade mineralisation.

The above Structures are demonstrated in Figure 9.

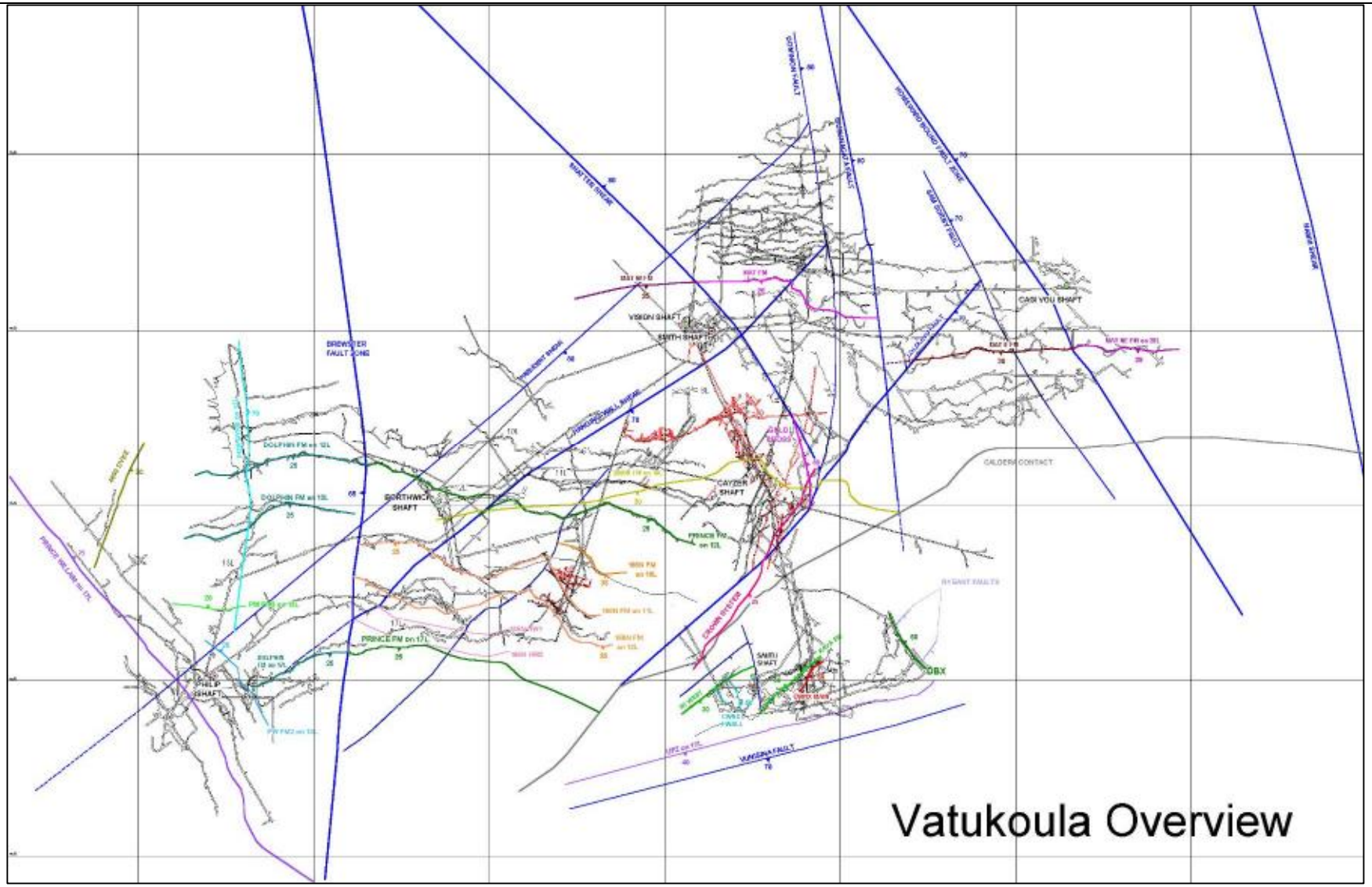



**Figure 9: Vatukoula Gold Mine Overview From 2006**

### 3.3.5 Exploration History

The first recorded exploration activity in the Tavua basin was regional magnetic surveys, flown in 1954

Geological mapping and definition of nomenclature was undertaken in the 1960's.

The Geological survey of Fiji in conjunction with Emperor undertook a broad scale arsenic in soil survey in the Tavua Basin during the mid 1960's. This was hindered by a single element limitation and a high detection limit.

Barringer Research undertook testing using electro-magnetic, magnetic and resistivity methods in 1972. This was followed in 1973 by further test with inverse polarisation, electromagnetic, magnetic and spontaneous potential methods on the Homeward Bound Area, along with inverse polarity at Waikatakata, Waikubukubu, Rabulu and Big Hill.

In 1975-76 a drainage reconnaissance survey was undertaken by Emperor, Australian Anglo-American Ltd and Mt Isa Mines Ltd. They explored the Tavua Basin, targeting shallow porphyry type mineralisation. They analysed for gold, copper, lead and zinc. They did not however fully test the basin area.

Redefinition of the Nomenclature occurred in the 80's.

1981 saw aeromagnetic surveys being flown over the Tavua Basin area.

No information on exploration activities was available between 1981 and 1997. However CSACI believes that substantial exploration work was carried out on the Tavua Volcano area including near mine exploration to increase resource and reserve estimates.

In 1997 surface exploration focussed on the Matanagata structure resulting in an increased resource, exploration was also carried out on the area east of the mine. Drilling was undertaken to define extensions of the Prince/Dolphin ore bodies. Re-modelling of the hanging wall area of the Prince William South East Flatmake resulted in the discovery of the Edward Flatmake. Underground drilling is detailed in Table 2.

**Table 2: Underground Diamond Drilling Distribution 1997**

| Mine Area | Metres drilled |
|---|---|
| Smith | 7,312 |
| Cayzer | 4,058 |
| Decline | 5,908 |
| Prince | 597 |
| R1 | 1,175 |
| Philip | 2,866 |
| **Total** | **21,916** |

In 1998 one surface hole was drilled investigating mineralisation within the 1670W/Imperial Dykes. No significant mineralisation was intersected.

In 1998 underground diamond drilling was reduced to 300 metres per week. Table 3 details their distribution.

**Table 3: Underground Diamond Drilling Distribution 1998**

| Mine Area | Metres Drilled |
|---|---|
| Smith | 3,080 |
| Cayzer/Prince | 3,464 |
| Decline | 3,541 |
| R1 | 5,358 |
| Philip | 2,595 |
| **Total** | **18,038** |

The resource above the 16 level in R1 was reduced due to poor drilling results. Diamond drilling for the 2000N Flatmake area below the 16 level was successful and resulted in an increase in resource. The drilling on the Matanagata Flatmake Main and East ore bodies is ongoing. The Edward Flatmake drilling did not intersect any high grades, which were expected, development of this area was suspended pending further drilling.

Regional exploration was limited to compilation and evaluation of existing data leading to new exploration models.

In 1999 surface drilling totalled 4,319 metres, investigating the down dip extension of the Matanagata and 2000N Flatmakes. Mineralisation was not observed, as it was cut off by a monzonite intrusion. The down dip extension of the Prince Deeps Flatmake was also drilled. Table 4 details some significant assays recovered from this drilling.

**Table 4: Significant Assays from Diamond Drilling, 1999**

| Width (m) | Grade (g/t) |
|---|---|
| 2.35 | 88.16 |
| 0.54 | 217.00 |
| 0.26 | 6.65 |
| 0.49 | 59.75 |
| 0.44 | 39.50 |

Underground drilling focussed on deep drilling below the Prince Flatmake, good results were recovered from drilling of the Matanagata East Flatmake, although it was hindered by lack of development. Good intervals were intersected in the vicinity of the Dolphin Flatmake. Underground drilling totalled 18,038m, surface drilling totalled 142m.

In 2000 a total of 14,064m of drilling was performed, focussing on the 166N Flatmake, the North Dipper Flatmake, Kava Flatmake, Crown Cross Shear, and Matanagata East definition.

Surface drilling totalled 8,191m by the end of the year. Drilling of the Vatukoula Deeps area was suspended, with the focus of drilling shifting on to the Matanagata East and North areas.

An exploration target review was undertaken by Corbett and Nethery in 2001, this review names the following targets: Basala, Matanagata East, Vatukoula Deeps and the inner caldera area.

In 2002 exploration was directed towards long term targets. Table 5 details the distribution of the underground drilling at Vatukoula Gold Mine.

**Table 5: Underground Diamond Drilling Distribution 2002**

| Mine Area | Metres |
|---|---|
| Smith | 8,559 |
| Decline | 6,107 |
| R1/Cayzer | 7,898 |
| Philip | 4,905 |
| **Total** | **27,469** |

Surface drilling totalled 6,353m including work on the Basala prospect where no significant mineralisation was intersected. A review of data was undertaken. Soil sampling between the Nasivi River and the Basala project took place looking for possible analogies of R1 mineralisation.

No information was available on mine development in 2003. Surface drilling totalled 1,774m, focussing on the Basala project and extensions of the Prince William Flatmake. Geochemical surveys were undertaken around the southern caldera margin. An aerial magnetic survey was flown along with aerial photographs of the Tavua Volcano area resulting in target identification.

In 2004 surface drilling totalled 2,588m, focussing on the Brewster West structure. The structure was intersected, however no interesting mineralisation was observed. This year saw reductions in underground development drilling.

In 2005 24,142m of underground drilling was undertaken, focussing on the Gold Cross Structure, the 55 Shatter and the 2000N Flatmake. Exploration in the R1 and Cayzer area yielded poor results.

Surface drilling totalled 1,305m focussing on Matanagata North East area. No other exploration was undertaken.

No surface exploration was undertaken in 2006 and no details of underground drilling were available for this period.

### 3.3.6 Planned Exploration

No exploration has been undertaken by the current owners as the future of the mine was uncertain and no money was available for further exploration work, the mine is not currently producing. Significant exploration plans have been made and are detailed below, Figure 10 demonstrates their location within the Tavua Basin.

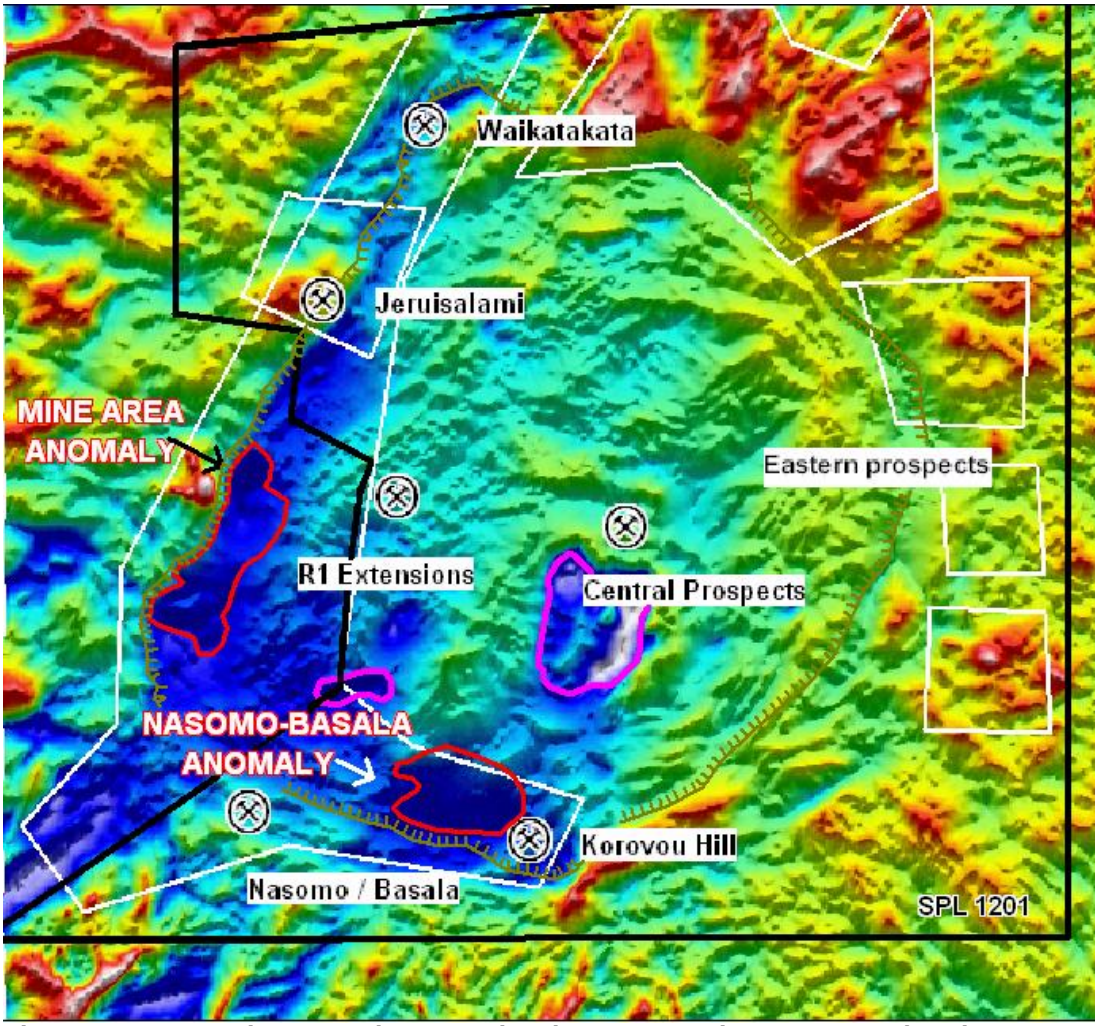



**Figure 10: Magnetic Anomaly Map Showing Past and Present Exploration Targets Within and Surrounding the Tavua Basin**

Near Mine Exploration

As part of the planned restart substantial near mine and development exploration has been planned. Firstly near mine exploration must be undertaken to investigate mineralisation along strike and down dip of existing ore bodies. The planned pattern of drilling in the next few years is as follows.

The 166North area should undergo drilling into virgin ground to investigate the 166N and the Prince Flatmake and footwall structures. This drilling should be performed by LM size diamond rig from current development drives. Drilling should be undertaken in three phases; all holes will be a maximum of 500m length. The first phase targets the area of planned decline development, 13 holes are planned for 2,830m. The second phase targets the down dip extents of the above mentioned ore bodies, 11 holes are planned for 2,470m and the third phase explores below 15 level, 13 holes are planned for 2,830m.

In May – June 2008 drilling of the 2000North is planned. All development is in place in this area, but rehabilitation of the areas is required before drilling commences. Drilling of the Prince down dip extension is also expected to begin in May 2008.

After the mine has been running for 18 months drilling of the Prince Deeps area should begin. Drill site development is planned to access the drill locations. This drilling should see seven holes for 2,350m being completed.

Once all planned near mine drilling is completed exploration in the Basala target is planned for late 2008 early 2009. Basala is an east-west trending north dipping structure mapped at surface 2.3km east-south-east of the projected surface outcrop of the Prince William Flatmake. It is interpreted as a parallel feature. Recent exploration has identified a geochemical soil anomaly for gold, which sits on the caldera margin. It is a 200m area with an elevated soil gold grade of 0.25 ppm. A similar soil anomaly was observed above the R1 area. It is thought that this area is an analogy of the Prince William Flatmake. If this is correct then significant mineralisation may not be encountered until the depth of the 7 level in the mine. A drill programme should be planned to test for this mineralisation at depth.

The R1 area is open along strike, the east and west areas should be tested by drilling to verify the extent of the mineralisation in the area.

Matanagata North East area is thought to be a continuation of the Matanagata East Flatmake, across the Homeward Bound Fault. Nine surface and two underground holes have intersected mineralisation in the area; further drilling is required to better understand this area.

The Vatukoula Deeps area is located in the footwall of the Dolphin/Prince Flatmake. Both the 2000N and Matanagata Flatmakes can be laterally projected in to this area. Present data is too sparse to correlate, however good mineralised intercepts from surface holes have been found indicating a mineralised flatmake structure. Including the deepest mineralisation observed at Vatukoula Gold Mine, being 952m below surface collar.

The dolphin deeps area is believed to be a mineralised area located between the Brewster Fault and the Smith Shaft, below the Prince Flatmake. It is not adequately drilled but mineralised intervals have been located between the 13 and 22 level in this area.

Caldera Wide Exploration Target

The Nasomo magnetic target is a 1x2km magnetic low, located within a steep valley. Mineralisation in the Vatukoula Gold Mine often exhibits low magnetic signatures due to the mineralised process removing magnetic minerals from the rocks. However the raw data needs to be re-processed in this case to ensure that the valley topography has been accounted for.

Waikatakata area is on the northern caldera margin. Shallow mining was undertaken in the 1940's. Vatukoula Gold Mine has undertaken considerable exploration in this area, including diamond drilling in the early 90's that saw results of 1m at 95.4 g/t and 17m at 30.08 g/t. This exploration work needs to be reviewed and used to plan further exploration in the area.

#### 3.3.6.1 Sampling Method and Approach

Core sampling is undertaken only within and proximal to mineralised structures. Core is logged and sample intersections are marked. At least 10cm of barren rock is collected either side of a mineralised horizon. Minimum sample width is 15cm. Half core is cut by diamond saw and sent for assay at the mine laboratory. Core is only photographed if it is going to be disposed of, however disposed of core never

contains mineralised intersections. Historical core is disposed of first and half core of any samples are retained for later check logging or sampling.

Both BQ and NQ core diameters were observed on site. Core loss is recorded and is reported to be low.

#### 3.3.6.2 Sample Preparation, Analyses and Security

Samples are processed in two different ways, one method for exploration samples and one for production samples.

Pulverisation is carried out on 100% of an exploration sample, following crushing, whereas production samples are split at the initial crushing stage, leaving only 15% of the sample to be pulverised. This may result in fundamental sampling error leading to bias of production samples and problems with reconciliation between predicted grades and recovered grades. Detailed flow diagrams for both exploration and production samples are supplied in Appendix A.

### 3.3.7 Data Verification

The site lab undertakes rigorous QCQA protocols by way of internal duplicates and standards; one per sample batch. Where free gold is evident quartz washes of the pulverising crucibles are undertaken and are routinely assayed to check for smearing of free gold within the process. Flux blanks are used in exploration samples.

A range of standards used can be found in Table 6 below.

**Table 6: List of Standard Reference Values Used at the Vatukoula Gold Mine.**

| Standard number | Standard grade (g/t) |
|---|---|
| St1 | 1.33 |
| St2 | 2.74 |
| St3 | 6.27 |
| St4 | 13.65 |

It was noted that Standard reference material across the full grade range representative of the mine mineralisation was not in use, the high grades being insufficiently covered by these standards.

The lab undertakes check and duplicate sampling at ALS Chemex and Amdel in Brisbane Australia. It is the only lab in Fiji to undertake fire assaying and is therefore used by other local and international companies, these companies place their own QAQC samples and no complaints have been made. The lab does not hold any kind of nationally or internationally recognised accreditation.

Every 25$^{th}$ sample that undergoes fire assay is re-assayed on site. Flux blanks are placed within the process to check for impurities.

The fire assay machines are calibrated every batch, approximately 20 samples, with standard solutions made on site. These are compared to all the existing samples and purchased Spectralsol samples, which act as a bench mark for accuracy. A lab flow chart is supplied in Appendix A, for both exploration and production samples.

The geology department does not routinely place any separate QAQC samples, they rely upon the Vatukoula Gold Mine laboratories own internal checks. Spot checks are undertaken but with no regularity.

A manual data check was undertaken on 3 holes, Eu19.310, PU17.154 and E11.507. Logging was satisfactory; data entry from paper logs and assays sheets was good with a minimal amount of errors, less than 4%. Some errors on the database were observed; all were minor and did not occur within ore horizons. However the database at this time is not maintained to a good standard as no trained database administrator is on site. Only one hole that was checked had been loaded into the database and although it reported that the geology had been loaded only the assays could be found and manually checked.

### 3.3.8 Grade Control

Grade control sampling is undertaken on all active mine faces daily, by trained sample crews supervised by a grade control geologist.

Crews enter the stope and undertake a safety analysis, reviewing ground conditions and ground support placement. Once this is carried out and it is considered safe to work the crew measure the face advance with a tape measure from a survey point supplied by the survey department. The footwall and hangingwall contacts are marked on the face with paint, followed by any geological contacts including ore and waste boundaries. Sample lines are spaced 4 metres apart, starting at the top (up dip portion) of the working face and are oriented perpendicular to the mineralised contacts, giving true measurements of mineralisation thickness in the face. Each horizon, ore and waste, are measured along this line, providing interval widths and a total width. Channel samples are then collected down the sample line using a chisel and a hammer. Samples are only collected in mineralised horizons, barren waste rock is assigned a value of 0 g/t. Sample size is maintained at around 3kg, this is monitored by spot checks on sample weight by the geology department.

### 3.3.9 Dilution

Dilution is controlled by ground conditions within individual mineralised structures and the proximity to intersecting or offsetting structures. Most hangingwalls are reportedly linear and well defined. However splays and splits within the mineralisation can cause internal dilution which often cannot be omitted from the face. When splays are encountered the topmost one is followed to maintain a strong hangingwall contact and to reduce the likelihood of slab failures.

Stopes are designed to keep the hangingwall contact in the shoulder, often producing clean flat backs, however when the hanging wall contact is less well defined dilution occurs above the mineralisation due to overbreak.

### 3.3.10 Geological Conclusions

The Vatukoula Gold Mine is located within a large scale Epithermal mineralised system which may still be developing at depth. Rock temperature measurements at depth would investigate this further. The mine focuses on shallow dipping laterally continuous flatmake structures related to compressional thrust faults. Mineralisation is commonly associated with these structures and at intersections with other steeper structures in the mine area. Mineralisation has been formed by the fault valve

process, where fluids pump through faults forming mineral concentrations. The current staff have a good grasp of the geology and the challenges that face them.

Near mine drilling supports the possibility of extensions on the existing ore bodies. In addition well planned exploration of the mine and surrounding areas could discover new deposits of the same type. However an emphasis on long term target development must be maintained to ensure that depleted resources are replaced with new resources.

The mine currently needs to source well trained professional staff to support the existing core group. They are dealing with a vast amount of historical data as well as a large day to day mine. Surpac training should be mandatory for all geological employees.

It may benefit the mine to change their sample processing procedure. Currently production and exploration samples are dealt with in different ways; they should both be processed using the exploration method which sees a split after the full sample is pulverised. The current method splits the production samples prior to pulverisation, which increases conditional bias.

No oriented drilling has been recorded for surface or underground drilling on site. The deposit has a strong structural control and oriented core drilling would benefit geological understanding and ore body modelling greatly.

Currently the geology department does not run a regular QAQC check on the mine lab. A systematic QAQC sampling campaign should be planned and maintained to ensure data integrity.

Current grade control practises see daily face grades being calculated by a length weighted average for each sample line and then a log average for the face. It may be more statistically accurate to calculate using an area weighted average for the face grade, which would be based upon the area that each sample covered not just a width in one sample line affecting a four meter stretch of face. This would be especially beneficial in areas where the flatmakes pinch and swell.

### 3.3.11 Geological Recommendations

- Mine development drilling and exploration drilling must be maintained at a rate that will maintain resources.
- All samples should be processed at the mine lab following the exploration samples procedure to reduce fundamental sampling error and resulting bias.
- A broader range of standards should be sourced and used by the lab and the geology department.
- The geology department should undertake systematic QAQC sampling within core sample batches.
- The geology department should consider inserting blank samples after expected high grade intervals within production sample batches.
- Consider using area weighted average face grades.
- Oriented drilling should be integrated into exploration plans, especially for areas such as the R1 area which is structurally complex.

## 3.4 MINERAL RESOURCES AND RESERVES

### 3.4.1 Mineral Resources

The blocks of ground that contain the estimated resources are shown in Figure 11 below. On a shaft basis, the Matanagata (including Mat. North East, and Mat. East) resources can be accessed by the Smith shaft, the Decline accesses the 166N block, the Philip Shaft access the Prince Dolphin and Prince orebodies, whilst the Cayzer Shaft accesses the 2000N and R1 blocks of ground.

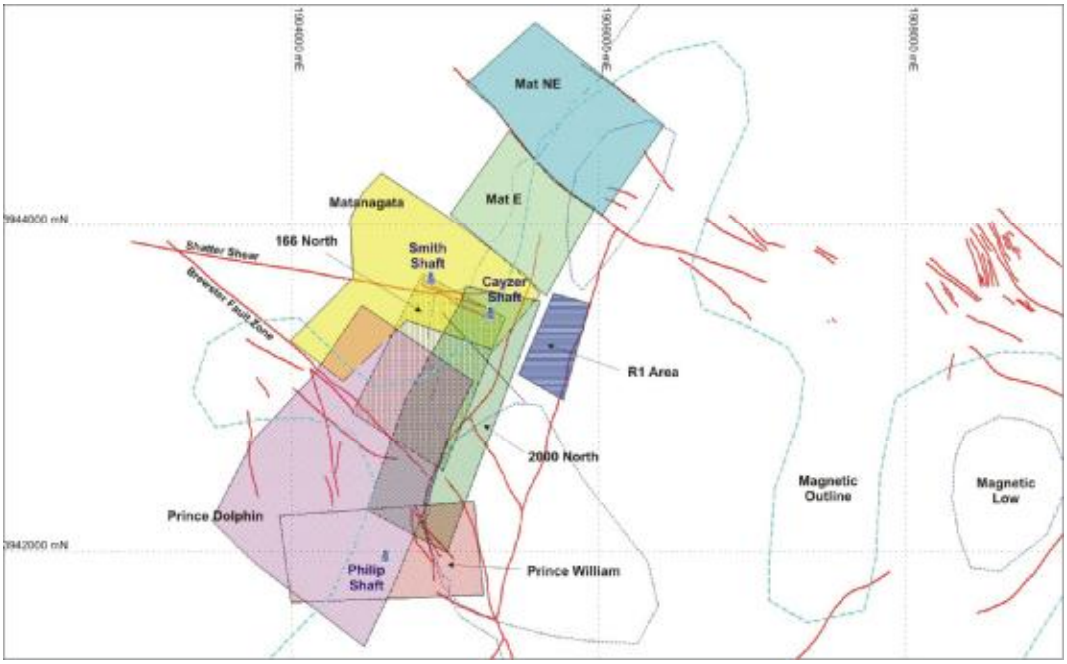



**Figure 11: Mineral Resource Location Map**

#### 3.4.1.1 Naïve Statistics

Naïve statistics were calculated on each orebody separately in log-transformed data. The statistics are shown in Table 7 below.

**Table 7: Naïve Statistics**

| Statistic | Dolphin | Prince William | | | | Matanagata | | | | 166N |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sub Zones | | | | | | | | | |
| | Below 12 L | PW FM1 | PW FM3 | PW HWSP | PW | Mat | Mat E | Mat W | Mat NE | FM |
| Number of Data | 36,655 | 2,035 | 762 | 4,663 | 981 | 24,322 | 14,363 | 574 | 4334 | 20217 |
| Maximum (g-m) | 4224.00 | 728.00 | 226.80 | 326.00 | 1438.00 | 6117.00 | 7671.30 | 99.84 | 2108.90 | 8549.60 |
| Mean (g – m) | 25.99 | 19.47 | 11.78 | 27.76 | 33.14 | 28.10 | 41.20 | 10.85 | 41.95 | 19.55 |
| Standard Deviation | 82.49 | 33.45 | 15.36 | 72.68 | 74.95 | 97.40 | 113.07 | 11.30 | 93.89 | 105.44 |
| Coeff. Of Variation | 3.17 | 1.72 | 1.33 | 2.62 | 2.26 | 3.46 | 2.74 | 1.01 | 2.24 | 5.39 |

#### 3.4.1.2 Sample Spacing

Drillhole data density ranges from 15m to 200m centres whereas channel samples from stopes are on a 4 x 4m grid. Channel samples from development drives are on a 2 x 2m grid.

### 3.4.1.3 Cutting Limits

Cutting limits were imposed on the data using cumulative frequency plots within GeoAccess™ software. This was done separately on each orebody in order to assess specific break points in the log-transformed cumulative frequency curves – typically the 95$^{th}$ percentile. The cutting limits imposed are shown in Table 8 below for each orebody.

**Table 8: Grade Cutting Thresholds**

| Structure | Sub Zones | Number of Original Data | Cutting Limit (g/t) | Percentile |
|---|---|---|---|---|
| 166N | FM | 20,217 | 80.00 | 98$^{th}$ |
| Matanagata | | 24,322 | 100.00 | 95$^{th}$ |
| | Mat E | 14,363 | 110.00 | 99$^{th}$ |
| | Mat W | 574 | 150.00 | 100$^{th}$ |
| | Mat NE | 4,334 | 100.00 | 91$^{st}$ |
| Prince Dolphin | (below 12 level) | 36,655 | 95.00 | 96$^{th}$ |
| Prince William | | 981 | 150.00 | 95$^{th}$ |
| | PW FM1 | 2035 | 75 | 97$^{th}$ |
| | PW FM3 | 762 | 60.00 | 98$^{th}$ |
| | PW HWSP | 4663 | 110.00 | 95$^{th}$ |

### 3.4.1.4 Methodology

Directional variography was performed on certain zones which contained sufficient data points (Prince Dolphin, 166N and Prince William). Variogram ranges vary from 6 to 12m for small scale structures and 17 to 70m for larger scale structures. Where insufficient data points were present, classical polygonal estimation techniques were utilized instead.

All estimations were performed on log-transformed data including geometric averaging. Each orebody was estimated and analyzed separately using log-transformed cumulative frequency plots. The assays were converted into accumulations (metre-grams; m-g) and where thinner than 1m, the grade is diluted to produce a minimum of 1m thick lode (mineralized zone) width. This latter factor is deemed necessary in order to produce a sensible tonnage figure due to the minimum mining width of 1m.

Mineral estimation was completed using classical polygonal techniques and ordinary kriging. Ordinary kriging was used on the Prince Dolphin, 166N, and Prince William areas using an octant search, whilst the polygonal method was utilized on the 2000N, Matanagata, R1 and other remaining areas. Both methods utilized both channel samples and diamond drillhole samples.

Search parameters utilized for the estimation of mineral resources were based on the variographic parameters modelled. The modelling parameters are shown in Table 9 below.

**Table 9: Variographic Parameters**

| Structure | Sub Zone | Azimuth | Nugget ($C_o$) | 1st Contrib. | 1st Range | 2nd Contrib. | 2nd Range | 3rd Contrib. | 3rd Range |
|---|---|---|---|---|---|---|---|---|---|
| 166N | - | 130° | 0.48 | 0.34 | 6.00 | 0.18 | 40.00 | 0.10 | 115.00 |
| 2000N | FM | 185° | 0.38 | 0.37 | 11.00 | 0.25 | 60.00 | - | - |
| | West FM | 185° | 0.38 | 0.37 | 11.00 | 0.25 | 60.00 | - | - |
| Matanagata | | 188° | 0.38 | 0.24 | 11.00 | 0.14 | 41.00 | 0.23 | 115.00 |
| | Mat E | 233° | 0.43 | 0.37 | 11.00 | 0.21 | 41.00 | 0.10 | 115.00 |
| | Mat W | 188° | 0.25 | 0.16 | 8.00 | 0.16 | 35.00 | - | - |
| | Mat NE | 150° | 0.40 | 0.34 | 10.00 | 0.26 | 70.00 | 0.10 | 115.00 |
| Prince Dolphin | | 215° | 0.50 | 0.32 | 6.00 | 0.11 | 17.00 | 0.07 | 83.00 |
| | Prince[1] | 215° | 0.52 | 0.31 | 7.00 | 0.10 | 25.00 | 0.07 | 90.00 |
| Prince William | | 212° | 0.46 | 0.30 | 9.00 | 0.14 | 48.00 | 0.10 | 115.00 |
| | PW FM1 | 200° | 0.43 | 0.41 | 12.00 | 0.16 | 44.00 | 0.10 | 115.00 |
| | PW FM3 | 215° | 0.46 | 0.36 | 7.00 | 0.18 | 34.00 | 0.10 | 115.00 |
| | PW HWSP | 205° | 0.45 | 0.43 | 10.00 | 0.22 | 41.00 | 0.10 | 115.00 |

Estimation was completed in three (3) separate runs. Each run incurs increasing search dimensions in all three directions (XYZ) in order to categorize the estimated resources into Measured (1st run), Indicated (2nd run) and Inferred (3rd run) resources; see Table 10 to Table 12.

**Table 10: Estimation Parameters – 1st Run**

| Structure | Sub Zone | Principal Direction | | Minor Direction | | Vertical Direction | |
|---|---|---|---|---|---|---|---|
| | | Metres | Azimuth | Metres | Azimuth | Metres | Azimuth |
| 166N | - | 20.00 | 130° | 8.00 | 40° | 4.00 | 40° |
| 2000N | FM | 35.00 | 185° | 14.00 | 95° | 7.00 | 95° |
| | West FM | 35.00 | 185° | 14.00 | 95° | 7.00 | 95° |
| Matanagata | | 20.00 | 188° | 8.00 | 98° | 4.00 | 98° |
| | Mat E | 20.00 | 233° | 10.00 | 143° | 4.00 | 143° |
| | Mat W | 20.00 | 188° | 8.00 | 98° | 4.00 | 98° |
| | Mat NE | 20.00 | 150° | 8.00 | 60° | 4.00 | 60° |
| Prince Dolphin | | 20.00 | 215° | 8.00 | 125° | 4.00 | 125° |
| | Prince | 20.00 | 215° | 8.00 | 125° | 4.00 | 125° |
| Prince William | | 20.00 | 212° | 8.00 | 122° | 4.00 | 122° |
| | PW FM1 | 20.00 | 200° | 10.00 | 110° | 4.00 | 110° |
| | PW FM3 | 20.00 | 215° | 12.00 | 125° | 4.00 | 125° |
| | PW HWSP | 20.00 | 205° | 8.00 | 115° | 4.00 | 115° |

**Table 11: Estimation Parameters – 2nd Run**

| Structure | Sub Zone | Principal Direction | | Minor Direction | | Vertical Direction | |
|---|---|---|---|---|---|---|---|
| | | Metres | Azimuth | Metres | Azimuth | Metres | Azimuth |
| 166N | - | 50.00 | 130° | 20.00 | 40° | 10.00 | 40° |
| 2000N | FM | 80.00 | 185° | 32.00 | 95° | 16.00 | 95° |
| | West FM | 80.00 | 185° | 32.00 | 95° | 16.00 | 95° |
| Matanagata | | 50.00 | 188° | 20.00 | 98° | 10.00 | 98° |
| | Mat E | 50.00 | 233° | 25.00 | 143° | 10.00 | 143° |
| | Mat W | 50.00 | 188° | 20.00 | 98° | 10.00 | 98° |
| | Mat NE | 50.00 | 150° | 20.00 | 60° | 10.00 | 60° |
| Prince Dolphin | | 50.00 | 215° | 20.00 | 125° | 11.00 | 125° |
| | Prince | 50.00 | 215° | 25.00 | 125° | 11.00 | 125° |
| Prince William | | 50.00 | 212° | 25.00 | 122° | 10.00 | 122° |
| | PW FM1 | 50.00 | 200° | 25.00 | 110° | 10.00 | 110° |
| | PW FM3 | 50.00 | 215° | 20.00 | 125° | 10.00 | 125° |
| | PW HWSP | 50.00 | 205° | 20.00 | 115° | 10.00 | 115° |

[1] Note that Prince and Prince Dolphin are the same orebodies; Dolphin is the western side of the Brewster Fault whilst Prince occurs on the eastern side.

**Table 12: Estimation Parameters – 3rd Run**

| Structure | Sub Zone | Principal Direction | | Minor Direction | | Vertical Direction | |
|---|---|---|---|---|---|---|---|
| | | Metres | Azimuth | Metres | Azimuth | Metres | Azimuth |
| 166N | - | 150.00 | 130° | 60.00 | 40° | 30.00 | 40° |
| 2000N | FM | 400.00 | 185° | 160.00 | 95° | 80.00 | 95° |
| | West FM | 400.00 | 185° | 160.00 | 95° | 80.00 | 95° |
| Matanagata | | 100.00 | 188° | 40.00 | 98° | 20.00 | 98° |
| | Mat E | 80.00 | 233° | 40.00 | 143° | 16.00 | 143° |
| | Mat W | 100.00 | 188° | 40.00 | 98° | 20.00 | 98° |
| | Mat NE | 100.00 | 150° | 40.00 | 60° | 20.00 | 60° |
| Prince Dolphin | | 80.00 | 215° | 40.00 | 125° | 20.00 | 125° |
| | Prince | 80.00 | 215° | 40.00 | 125° | 20.00 | 125° |
| Prince William | | 80.00 | 212° | 40.00 | 122° | 20.00 | 122° |
| | PW FM1 | 100.00 | 200° | 50.00 | 110° | 20.00 | 110° |
| | PW FM3 | 100.00 | 215° | 60.00 | 125° | 30.00 | 125° |
| | PW HWSP | 100.00 | 205° | 40.00 | 115° | 20.00 | 115° |

### 3.4.1.5 Classification

The classification of estimated mineral resources was based on changes in the estimation parameters. Estimated Measured Mineral Resources are those blocks which were estimated using the first range (most restrictive) of the modelled variogram; typically 20m in the principal direction of anisotropy with a minor range of 8 to 10m. Estimated Indicated Mineral Resources are those blocks which were estimated using the second range (less restrictive); typically 50m in the principal direction of anisotropy with a minor range of 20 to 25m. Estimated Inferred Mineral Resources are those blocks which were estimated using the third range (more relaxed) of the modelled variogram; typically 80 to 100m in the principal direction of anisotropy with a minor range of 40m.

### 3.4.1.6 Results

The mineral resources for both Measured and Indicated categories are shown in Table 13 and Table 14 below. The subtotal tallies the underground resources whilst the remnant stope and tailings resources (surface resources) are shown separately. The cut-off utilized is 4 metre-grams.

**Table 13: Measured Mineral Resources**

| Structure | Tonnage | Grade (g/t) | Ounces (ozs) |
|---|---|---|---|
| 166N | 219,000 | 14.00 | 98,572 |
| 2000N | 301,000 | 11.10 | 107,416 |
| Matanagata | 418,000 | 17.90 | 240,553 |
| Prince Dolphin | 1,467,000 | 20.00 | 943,281 |
| Prince William | 432,000 | 21.80 | 302,776 |
| R1 Structures | 130,000 | 16.00 | 66,872 |
| Other Flatmakes | 268,000 | 9.50 | 81,854 |
| Other Structures[2] | 244,000 | 10.60 | 83,153 |
| **Subtotal** | **3,479,000** | **17.21** | **1,924,476** |
| Remnant Stope Pillars[3] | 389,000 | 15.00 | 187,595 |
| Tailings | 4,492,000 | 1.50 | 216,627 |
| **Total** | **8,360,000** | **8.66** | **2,328,698** |

[2] Other structures grouping comprise Steep Structures and Shatter Structures.

[3] Remnant stope pillars comprise mineralized stope fill and remnant pillars.

**Table 14: Indicated Mineral Resources**

| Structure | Tonnage | Grade (g/t) | Ounces (ozs) |
|---|---|---|---|
| 166N | 178,000 | 12.50 | 71,534 |
| 2000N | 273,000 | 9.90 | 86,892 |
| Matanagata | 284,000 | 12.50 | 114,133 |
| Prince Dolphin | 623,000 | 18.20 | 364,536 |
| Prince William | 363,000 | 12.70 | 148,215 |
| R1 Structures | 394,000 | 10.30 | 130,471 |
| Other Flatmakes | 572,000 | 7.00 | 128,729 |
| Other Structures | 304,000 | 8.80 | 86,008 |
| **Subtotal** | **2,991,000** | **11.76** | **1,130,516** |
| Remnant Stope Pillars | 250,000 | 11.20 | 90,267 |
| Tailings | 690,000 | 1.30 | 28,839 |
| **Total** | **6,922,000** | **10.45** | **1,249,622** |

The total Measured and Indicated Mineral Resources are shown in Table 15 below.

**Table 15: Total Measured and Indicated Mineral Resources**

| Structure | Tonnage | Grade (g/t) | Ounces (ozs) |
|---|---|---|---|
| 166N | 397,000 | 13.33 | 170,106 |
| 2000N | 574,000 | 10.53 | 194,308 |
| Matanagata | 702,000 | 15.72 | 354,685 |
| Prince Dolphin | 2,090,000 | 19.46 | 1,307,817 |
| Prince William | 795,000 | 17.64 | 450,991 |
| R1 Structures | 524,000 | 11.71 | 197,343 |
| Other Flatmakes | 840,000 | 7.80 | 210,583 |
| Other Structures | 548,000 | 9.60 | 169,160 |
| Depletion | (81,666) | 16.99 | (44,609) |
| **Subtotal** | **6,388,334** | **14.66** | **3,010,384** |
| Remnant Stope Pillars | 639,000 | 13.52 | 277,862 |
| Tailings | 5,182,000 | 1.47 | 245,465 |
| **Total** | **12,209,334** | **9.47** | **3,533,711** |

Inferred Mineral Resources are shown separately in Table 16 below using a cut-off of 4 metre-grams.

**Table 16: Inferred Mineral Resources**

| Structure | Tonnage | Grade (g/t) | Ounces (ozs) |
|---|---|---|---|
| 166N | 565,000 | 12.90 | 234,325 |
| 2000N | 1,414,000 | 10.40 | 472,785 |
| Matanagata | 491,000 | 10.70 | 168,906 |
| Prince Dolphin | 456,000 | 17.30 | 253,625 |
| Prince William | 610,000 | 10.20 | 200,037 |
| R1 Structures | 212,000 | 11.80 | 80,426 |
| Other Flatmakes | 559,000 | 6.50 | 116,817 |
| Other Structures | 310,000 | 7.40 | 73,752 |
| **Subtotal** | **4,617,000** | **10.78** | **1,600,673** |
| Remnant Stope Pillars | 14,000 | 6.90 | 3,106 |
| Tailings | - | - | - |
| **Total** | **4,631,000** | **10.77** | **1,603,779** |

### 3.4.1.7 Resource Estimation Recommendations

- The relatively high coefficient of variation numbers (standard deviation / mean; σ/m); ranging from 1 to 5.4 suggest that the orebodies range from

being very variable to extremely variable. It is recommended that various estimation techniques be applied and tested against actual production figures.

- The calculation of cutting limits (trimming thresholds) should be done in greater detail other than just analyzing than changes in cumulative log-probability plots. Cumulative coefficient of variation plots should also be calculated and jumps or *breaks* in the data should be investigated in order to see if they coincide with changes in the probability curves. This is critical especially due to the inherent variability of the sampling data. It is also recommended that tabulation be made showing the number of affected data due to trimming.
- No work was provided substantiating the concatenation of the drillhole and channel sample database. Typically, these different types of data cannot be utilized together due to differences in their sampling nuggets. It is recommended that drillhole and channel samples be paired, on an orebody and Euclidean distance basis, and relative differences calculated, as well as quantile-quantile plots, in order to test for bias.
- No information was provided regarding the regularization of samples when an unbiased linear estimation technique was utilized. It is *assumed* that compositing took place prior to estimation using ordinary kriging (OK).
- No information was provided regarding the minimum and maximum number of informed octants, when using an octant search, minimum or maximum number of composites, when using ordinary kriging, nor the number of discretizing points required to inform an estimated block. Thus it remains unclear whether point, simple or block kriging was performed.
- No information was given regarding the validation of estimation parameters; naïve (estimated versus actual sample) and simple cross-validation (estimated block versus sample data used). No trend analysis was received and thus the trends inherent in the sampling data cannot be matched against those present in the estimated models. In addition, the final estimated means should be compared to the spatially declustered means of the cut and composited data in order to assess whether metal was created or too smoothed out. More work should be done in order to assess the robustness of the estimation parameters chosen.
- Resource estimation should not incorporate any modifying factor including minimum mining widths. Modifying factors should only be applied during the reserving exercise and, with respect to thin zones, grades diluted accordingly. The application of modifying factors during resource estimation makes it difficult to assess the percent conversion from resources to reserves.
- No data was provided regarding the categorization of the remnant stope pillars and the tailings (surface) resources.
- No reconciliation information was provided thus it was impossible to assess the robustness of the various estimation techniques applied to the various orebodies.

### 3.4.2 Ore Reserve Estimates

The Vatukoula Ore Reserve Estimates comprise portions of the Measured and Indicated Resources which are planned to be mined and on which appropriate mine planning and design work have been undertaken. The Reserves tonnages and grades at Vatukoula are derived from the Resources by the application of cut-off grades, practical stoping widths based on mining experience, mining dilution factors and extraction factors to allow for pillar and other losses. These factors vary from orebody to orebody. Mining dilution allowance is typically around 10% after allowing

for a minimum stoping width of 1.2m. Mining losses vary according to orebody geometry and mining method. The Vatukoula Ore Reserves as of 30 June 2006 are shown in Table 17.

**Table 17: Ore Reserve Estimate**

| Ore Reserves | Proved | | | Probable | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Structure | Tonnes | Au g/t | Au oz | Tonnes | Au g/t | Au oz | Tonnes | Au g/t | Au oz |
| 166N | 96,000 | 10.00 | 31,000 | 97,000 | 9.40 | 30,000 | 194,000 | 9.70 | 60,000 |
| 2000N | 140,000 | 9.40 | 42,000 | 124,000 | 8.40 | 34,000 | 263,000 | 8.90 | 76,000 |
| Matanagata | 153,000 | 13.80 | 68,000 | 125,000 | 11.80 | 47,000 | 277,000 | 12.90 | 115,000 |
| Prince Dolphin | 480,000 | 13.30 | 205,000 | 394,000 | 11.70 | 149,000 | 873,000 | 12.60 | 354,000 |
| Prince William | 190,000 | 14.40 | 88,000 | 149,000 | 10.50 | 50,000 | 339,000 | 12.70 | 138,000 |
| R1 Structures | 62,000 | 11.00 | 22,000 | 93,000 | 9.00 | 27,000 | 155,000 | 9.80 | 49,000 |
| Other Flatmakes | 24,000 | 8.40 | 6,000 | 8,000 | 8.90 | 2,000 | 32,000 | 8.50 | 9,000 |
| Other Structures | 40,000 | 8.30 | 11,000 | 42,000 | 8.80 | 12,000 | 82,000 | 8.60 | 22,000 |
| Remnant | 41,000 | 10.10 | 13,000 | 81,000 | 8.70 | 23,000 | 122,000 | 9.20 | 36,000 |
| Total Reserves (2006) | 1,226,000 | 12.35 | 486,000 | 1,113,000 | 10.41 | 374,000 | 2,337,000 | 11.43 | 859,000 |
| Depletion | | | | | | | (81,666) | 12.30 | (32,295) |
| Total Reserves (current) | | | | | | | 2,255,334 | 11.40 | 826,705 |

The resource and reserve estimate presented in Tables 15 and 16 above is compliant with JORC definitions and guidelines for the reporting of resources and has been audited by Dexter Ferreira, who is a competent person under the JORC code for the estimation of such a resource.

The methodology and classification procedures adopted by Emperor in the estimation of resources and reserves are generally reasonable. It appears that the estimates of dilution incorporated in the reserve estimates do not fully account for the dilution experienced in practice. The full reserve inventory should be re-calculated to reflect new reduced mining cost parameters and to also reflect higher gold prices. This re-calculation would have a positive and upward effect on the reserve inventory.

### 3.4.3 Discussion on Depletion of Reserves

It should be noted that the last Resource and Reserve estimates were stated as of June 2006. Since these Resources and Reserves were calculated, 83,087 tonnes of ore have been mine at Vatukoula Gold Mine. Of these ore tonnes mined, 81,666 tonnes were depleted from Resource/Reserves while 1,420 tonnes were not in reserve (NIR). The depleted Resources and Reserves are stated in this document. Resources and Reserves estimates shown are therefore CSA's estimate as at the date of this document.

## 3.5 PAST AND PRESENT MINING OPERATIONS

### 3.5.1 Description of Vatukoula Gold Mine Underground Workings

Production at Vatukoula Gold Mine is sourced from 4 mining sections that are named according to the shaft or drive access: Smith Shaft, Philip Shaft, R1/Cayzer Shaft and the Emperor Decline. The mine is an underground operation serviced by three vertical shafts and a decline. Historically, several mining methods have been used on the mine. Most of the known orebodies at Vatukoula Gold Mine are relatively narrow, flat dipping structures previously mined by room and pillar methods. They are now mined predominantly by conventional longwall stoping drilled by pneumatic handheld drills, although throughout the mine a number of other mining methods, such as sub-level stoping and caving, cut-and-fill, shrinkage stoping and up-dip mining, have also been practised. The remnants of room and pillar mining also constitute a resource which can be successfully exploited. All ground handling operations use trackless underground equipment.

There are several orebodies or lodes, of which Prince/Dolphin, Prince William, Matanagata, 2000N, 166N and the R1 Structures are the largest and are planned to supply the bulk of the mine's near future ore. These mining zones are accessed by two vertical shafts, the Smith Shaft (north) and the Philip Shaft (south). Access is also gained to the mine via a decline (Emperor Decline). These two shafts and the decline are utilised for access of men and materials and for ore and waste haulage. A third vertical shaft, Cayzer Shaft (central) is utilised for services reticulation and for pumping of fissure water to surface. Levels are driven at a 3.5m x 3.5m dimension on 40 m vertical level intervals. Reef drives are then developed at a 3.0m x 3.0m dimension on strike along the orebody plane. A 1.5m x 2.4m raise is then developed on dip from the strike drive to the strike drive on the level above. The mined ore is hauled by road or conveyor from the shafts to the process plant.

#### 3.5.1.1 Philip Shaft Mining Area

Philip Shaft services the southern part of the mine and provides access to Prince/Dolphin and Prince William lodes. The shaft was sunk in 1985 to a depth of 800m (20L). There is also a decline down to 18L.

#### 3.5.1.2 Decline Mining Area

The Emperor Decline was developed in 1985 to its current depth of 370m (12L). The Emperor Decline services the central part of the mine and provides access to the 166N lode.

#### 3.5.1.3 R1/Cayzer Mining Area

Cayzer Shaft was sunk from 8 level to 16 level in 1957 and then from surface to 8 level in 1961. The total depth of the shaft is 580m. There is also a decline down to a depth of 666m (19L). Cayzer Shaft is no longer used to convey men, materials or rock. The shaft is an access route for services that include electrical power, compressed air, service water and de-watering pump columns. The steep dipping R1 deeps structures and the 2000N lode are in the R1/Cayzer mining area.

### 3.5.1.4 Smith Shaft Mining Area

Smith Shaft services the northern part of the mine and provides access to the R1 Deeps structures, the 2000N and Matanagata East lodes. The shaft was sunk in 1941 and deepened in 1999 to 715m. There is also a decline down to 23 level at a depth of 800m.

### 3.5.2 Past Mining History

The Vatukoula Gold Mine (VGM) has operated from 1933 to December 2006, during which time some 22.5 million tons of ore have been mined at an average recovered grade of approximately 9.5g/t, producing some 6.9 million troy ounces (oz) of gold. Production figures from 1956 to 2007 state production of 4.59 million oz at an average recovered grade of 7.22 g/tonne Au. This material was mined from multiple ore lodes, each having its own particular metal grades.

The existing gold plant is rated at a maximum of 1.2 million t/a; with the highest historical value for a full year being 675,600 tonnes in 1997, as demonstrated in Table 18. The decline in production in the latter years (2006-2007) is attributed to the fact that production from all sections was stopped in April 2006 as a result of high operating costs making mining unprofitable. Philip Shaft production was gradually re-started in June 2006. Production finally ceased in December 2006.

**Table 18: Annual Mill Feed Production Vatukoula Gold Mine, 1956 to 2007**

| | | Head Grade | Recovered | |
|---|---|---|---|---|
| Decade/Year | Tonnes Milled | (g/t) | Grade (g/t) | Ounces (oz) |
| 1956 - 1965 | 2,228,300 | 12.63 | 11.63 | 833,200 |
| 1966 - 1975 | 3,211,700 | 9.97 | 9.06 | 935,900 |
| 1976 - 1985 | 2,933,500 | 5.69 | 4.51 | 424,900 |
| 1986 | 444,700 | 6.48 | 5.36 | 76,700 |
| 1987 | 515,100 | 6.96 | 5.74 | 95,100 |
| 1988 | 545,200 | 7.39 | 6.03 | 105,700 |
| 1989 | 569,100 | 9.24 | 7.68 | 140,500 |
| 1990 | 631,200 | 7.95 | 6.36 | 129,100 |
| 1991 | 530,400 | 7.48 | 6.29 | 107,300 |
| 1992 | 526,451 | 6.92 | 5.89 | 99,731 |
| 1993 | 557,438 | 7.00 | 5.90 | 105,713 |
| 1994 | 459,130 | 9.17 | 7.96 | 117,461 |
| 1995 | 575,288 | 7.69 | 6.82 | 126,086 |
| 1996 | 594,919 | 7.59 | 6.44 | 123,197 |
| 1997 | 675,612 | 6.68 | 5.61 | 121,780 |
| 1998 | 586,499 | 6.70 | 5.74 | 108,306 |
| 1999 | 509,242 | 8.77 | 7.62 | 124,811 |
| 2000 | 568,903 | 9.01 | 7.82 | 143,039 |
| 2001 | 520,575 | 7.71 | 6.79 | 113,589 |
| 2002 | 547,702 | 8.37 | 7.45 | 131,175 |
| 2003 | 529,611 | 7.56 | 6.73 | 114,642 |
| 2004 | 574,137 | 7.88 | 6.83 | 126,017 |
| 2005 | 525,221 | 7.13 | 6.16 | 104,033 |
| 2006 | 343,612 | 6.77 | 5.76 | 63,583 |
| 2007 | 116,777 | 8.39 | 7.17 | 26,910 |
| **Total** | **19,820,317** | | | **4,598,473** |
| **Average** | | **8.30** | **7.22** | |

***Source: A. Nand***

### 3.5.3 Geotechnical Considerations

The geotechnical problems that have been experienced to date are primarily due to the absence of mine design without consideration of the geotechnical incompetence of the host rock in which mining is taking place.

- The host rock in which all the mining is taking place is structurally weak with low material strengths as well as adversely influenced by numerous geological discontinuities.
- Poor siting of service excavations cause such infrastructure to fail prematurely due to stress interaction resulting from inadequate spacing.
- Excavation dimensions are excessive and thus diminish the effectiveness of any support system.
- The support system applied in the tunnels is inappropriate for this mining depth and rockmass. The resulting effect is tunnels not sustaining their integrity due to a lack of an active support system.
- Due to an absence of technical mine design specifications for stoping operations, numerous pillars left in-stope are failing/or have already failed, rendering those stopes hazardous for normal operation.
- There is an apparent need for strata control and hazard awareness training where mineworkers are taught how to identify geological anomalies, stress damage and quantify risks associated with such factors.

### 3.5.4 Current Mining Activity

When the site was visited in October 2007, there was no mill feed production originating from any areas of the mine. Production was sporadic and came mainly from clean-up operations. All ore produced was stockpiled in the mining areas. Most of the work happening in the production areas of the mine consisted of maintenance and production preparation activities of all production areas in the first 18 months of the mine production schedule.

During the site visit in October 2007, Mr. Clayton Reeves observed the Smith Shaft, R1/Cayzer, Emperor Decline and Philip Shaft mining areas. There was no production occurring in any part of the mine. Work occurring underground mainly consisted of dewatering and cementation operations, scaling and re-supporting operations, maintenance and installation of services to production areas in the 18 month schedule.

Since this visit, CSA has been informed by the company that mining had begun at the 166N structure producing 1,211 tonnes of ore at an average shaft head grade of 10.59g/t.

#### 3.5.4.1 Philip Shaft Mining Area

15 level Prince William stopes to be mined in the 18 month schedule were visited. The reef drive was extremely hot due to a lack of through ventilation as the raises have not been holed (broken through) into the level above yet. Tunnels were in reasonably good condition with localised scaling. The team then walked down the decline to 16 Level shaft station. It was noted that the shaft condition was clearly deteriorating due to the deterioration of the shaft pillar. The team then carried on down to 17 level to where dewatering of the shaft was underway. Surface and underground infrastructure was in a good condition.

#### 3.5.4.2 Decline Mining Area

During the site visit, a trip was taken down the decline to stopes in the 166N lode. A newly developed underground workshop was also inspected. Environmental conditions down the Emperor Decline were reasonable. General condition of the tunnel and stope excavations was reasonable considering that the mine has not been maintained for almost a year. There were localised hazardous areas due to falls of ground in the decline and the stopes which will need immediate attention to ensure a safe working environment.

#### 3.5.4.3 Smith Shaft and R1/Cayzer Mining Areas

The Smith Shaft and R1/Cayzer mining areas were also visited. The environmental conditions in the vicinity of the Smith Shaft were reasonable quickly getting much hotter and humid as one moves away from the shaft to the production areas. A stope that is planned to be re-started was visited. The physical conditions within the stope were good and the quality of support installation was good. Environmental conditions in the stope were hot with very low air velocities. The team then carried on down the decline to 19 level to the R1 deeps mining area. De-watering of the shaft was underway at the bottom of the decline. The bottom of the Sautu down cast ventilation shaft was also visited. Surface and underground infrastructure was in good condition.

### 3.5.5 Mining Methods

All future mining operations are designed using conventional labour intensive stoping methods; together with trackless ground handling and haulage followed by skip hoisting via the vertical shafts.

#### 3.5.5.1 Stoping Methods

It is anticipated that several stoping methods will be used at the Vatukoula Gold mining operations. At present a scattered breast stoping method using reef strike drives for access and ground handling is used for the narrow flatmakes such as Prince/Dolphin, 166N, 2000N and Matanagata areas. In the Philip Shaft area, where some stope hanging wall conditions are less competent a type of board and pillar method will most probably be used with the idea to attempt to leave low grade areas in the pillars. Shrinkage stoping will most probably be used in the steeper structures and cut and fill methods in the shatter zones.

***Longwall Breast Stoping***

Longwall mining applies to thin bedded deposits of uniform thickness and large horizontal extent. Typical deposits are represented by coal seams, potash layers, or conglomerate gold reefs mined in South Africa. Longwall mining applies to both hard and soft rock as the working area along the mining face can be artificially supported where the hanging wall tends to collapse.

The longwall mining method extracts ore along a straight front having a large longitudinal extension. The stoping area close to the face is kept open to provide space for personnel and mining equipment. The hanging wall may be allowed to subside at some distance behind the working face. Ore is drilled using hand-held

rockdrills. 1.2m holes are placed 70$^{o}$ to the face and blasted. The muck is cross scraped down the face to slusher gullies that are generally developed 10$^{o}$ above strike where it is scraped to the centre raise. It is then scraped either into orepasses or directly into strike drives. Following this, the ore is hauled to the shaft stations and hoisted out of the mine.

Development of longwall mines involves the excavation of a network of haulage drifts for access to production areas and transport of ore to shaft stations. Haulage drifts are usually arranged in regular patterns and excavated in the deposit itself. The distance between two adjacent haulage drifts determines the length of the longwall faces (see Appendix F). This method is a good choice for the lower dipping Vatukoula Gold mine flatmakes.

### *Shrinkage Stoping*

Shrinkage stoping is a flexible mining method for narrow orebodies that need no backfill during stoping. Successive horizontal slices of ore, usually about 3 m high, are taken along the length of a stope in a manner similar to cut-and-fill. The ore is removed from the stope through drawpoints or chutes spaced about every 7.5 m along strike at the bottom of the stope on the pertinent mining level. Just enough ore is left in place to provide a floor from which to work when taking the next cut. This requires considerable planning and co-ordination.

When the ore is blasted, it fills a space about 1.5 times the size of the space it filled as a solid mass. This is called swell and is an important factor in determining how much ore to draw from the bottom of the stope in order to maintain adequate working room. The broken ore is drawn down from chutes below, thus ‘shrinking’ the volume of broken ore in the stope.

The process is continued upward until the stope either reaches the next level or is stopped at a predetermined elevation. Horizontal crown pillars are left behind at the top of the stope.

Shrinkage stoping depends on gravity to keep the broken ore moving to the draw points, so it works only in steeply-dipping orebodies. There is no provision for support, so the wall rocks must be strong and competent (see Appendix F). This method is a good choice for the steep dipping Vatukoula Gold Mine structures.

### *Cut and Fill Mining Method*

Cut and fill stoping is ideal for an irregular shaped orebody with weak hanging wall rock and scattered mineralization in the orebody. It is a highly flexible method which allows for selective mining where low grade or waste can be left behind in the stopes. The cut and fill method and specifically horizontal cut and mining (as against the vertical drilling method), removes ore in horizontal slices, starting from the bottom undercut and advancing upwards. Ore is drilled and blasted, and muck is loaded and removed from the stope. When the stope has been mined out, voids are backfilled with hydraulic sand tailings or waste rock. The fill serves both to support the stope walls and provide a working platform for equipment when the next slice is mined.

Horizontal cut and fill mining only allows for relatively short advances to be taken in the stope which is advantageous for an irregular orebody. It does however dictate

that all faces in stopes will have to be examined by a geologist who will have the responsibility of marking off the limits of any blast due to poor mineralization, particularly near the contacts; the geologist will also advise when faces should or should not be opened up where swelling of the orebody is anticipated. However, this is not considered detrimental to the operation and such action must be seen to be an advantage for grade control (see Appendix F: *Typical Layout of a Cut and Fill Stope*,). This method is an obvious choice for Vatukoula Gold Mine shatter zone structures.

### 3.5.6 Mine Ventilation

The operation has three major upcast ventilation shafts at Vision, Borthwick and Cagi Vou, with a capacity of about 700 cubic metres per second ($m^3$/sec). The three operational shafts Smith Shaft, Philip Shaft and Cayzer Shaft, the decline and the Sautu Ventilation Shaft provide downcast airways. Auxiliary forced air mine ventilation by means of electric fans is required for development work and other blind headings.

Currently, due to the low number of places being worked underground and the lack of electrical power, only one surface fan is working at a time adding to the poor ventilation conditions underground.

Current environmental conditions in the mine are generally poor. Average wetbulb temperatures underground are above 33.0$^o$C wb. Air velocities are also low, in the region of 0.4 meters per second (m/s) with a work rate below 50%.

A refrigeration unit is located at Smith Shaft that services a bulk air cooler on 19 level, there is also a bulk air cooler on Philip Shaft 19 level. These systems are currently not operational but can be used to better the environmental conditions underground.

### 3.5.7 Hydrology and Underground Pumping

A large portion of the heat problems underground are caused by the inflow of hot fissure water (40$^o$C – 55$^o$C) into the working areas. Historically the mine attempted to control water intersections by pressure grouting the fissures. The mine has now started drilling dewatering holes on levels below production to draw down the water table ahead of mining and then grouting. This reduces the risk of uncontrolled water release and reduces temperatures when developing production levels. It is also more effective in controlling water inflow on the upper levels.

Heavy rain can cause an inflow of water and mud through the old working areas, resulting in occasional flooding. In 1997 cyclonic conditions caused flooding problems in the Prince Deeps and R1 development and resulted in a partial mine shutdown for a ten-day period. Since that event work was undertaken on surface and underground to restrict possible water flows to the underground workings and to contain flows on upper levels with barricades. In January 1999, a 1 in 100 year rainfall event occurred with only minimal impact on production.

Currently the mine is pumping approximately 164,000 cubic metres per month ($m^3$/month) of fissure water out of Philip Shaft and 210,000 $m^3$/month of fissure water from Cayzer Shaft. Fissure water pumped out of Philip Shaft is cooled by spraying

and released into the Nasivi River while that pumped from Cayzer Shaft is pumped into a tank and used in the plant with the excess being released into the Nasivi River.

Currently much work is being done underground to dewater working areas and refurbish intakes and return airways to improve the environmental conditions underground.

### 3.5.8 Safety

CSA did not carry out a full safety audit of the mine during the site visit. Safety statistics were reviewed and safety issues discussed with mine staff. The Vatukoula Gold Mine operation has always maintained an intensive safety programme for both the surface and underground. A well equipped training centre is responsible for the training and orientation of new workers. Historically, regular internal audits have been carried out to identify and rectify any serious hazards. Government Mines inspectors have visited the mine regularly in the past. It was noted during the October 2007 site visit that many areas underground were hazardous as a result of localized falls of ground, electrical installations that were not locked out, old areas not barricaded off amongst other things. This is understandable as the mine has been unused for over 10 months. Crews are however busy re-scaling and rehabilitating working headings and stopes in all areas in the 18 month production schedule. A strict safety programme and risk assessment will have to be carried out on all areas that are to be restarted. Table 19 below summarises the safety statistics for the Vatukoula Gold Mine over the last 7 years. The figures compare well with similar operations.

**Table 19: Vatukoula Gold Mine Historic Labour and Safety Statistics**

| Item | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| Number of Employees at end of period | 1737 | 1637 | 1818 | 1926 | 2003 | 1983 | 1837 |
| Fatalities | 1 | 0 | 0 | 0 | 0 | 3 | 2 |
| Lost time injuries | 10 | 18 | 17 | 15 | 19 | 10 | 9 |
| 12 month lost time injury frequency | 3.0 | 4.8 | 3.9 | 2.9 | 3.8 | 2.6 | 2.2 |

### 3.5.9 Mine Equipment

As the Vatukoula Gold Mine has been long established, it is adequately supplied with major equipment, consumables and materials. It is estimated that the current value of stores and equipment on the mine is approximately US$13 million. The major underground trackless vehicle fleet consists of 13 loaders, 10 trucks and 2 trackless drill rigs that are currently in full working order. The loaders and trucks have largely been replaced resulting in a trackless fleet with a long operating life. There are also 6 loaders and 2 trucks that are planned to be refurbished. At present, there is sufficient trackless mobile mining equipment to operate an approximate average of 40 000 tonnes per month (t/m) mining operation continuously. The current Trackless fleet can be seen below in Table 20.

**Table 20: Current Trackless Fleet at Vatukoula Gold Mine**

| **Parked on surface in working order** | | | | |
|---|---|---|---|---|
| **Item** | **Quantity** | **Make** | **Model** | **Description** |
| Trucks | 3 | EJC | EJC-416D | 12-tonne diesel dump truck |
| | 1 | EJC | EJC-417D | 12-tonne diesel dump truck |
| | 1 | Elmac | Elmac | 5-tonne diesel dump truck |
| Small loaders | 2 | Toro | 151D | Diesel loader (3.5 tonne) |
| Large loaders | 2 | Toro | Toro 006 | Diesel loader (6.7 tonne) |
| | 2 | EJC | EJC-130 | Diesel loader (5.9 tonne) |
| Jumbo drills | 1 | Tamrock | Jumbo | |
| | 1 | Secoma | Jumbo | |
| | | | | |
| | | | | |
| **Equipment currently in working order underground** | | | | |
| | | | | |
| **Item** | **Quantity** | **Make** | **Model** | **Description** |
| **Decline** | | | | |
| Trucks | 1 | EJC | EJC-416D | 12-tonne diesel dump truck |
| Large loaders | 1 | Toro | Toro 006 | Diesel loader (6.7 tonne) |
| | | | | |
| **Smith** | | | | |
| Small loaders | 1 | Toro | 151D | Diesel loader (3.5 tonne) |
| Large loaders | 1 | EJC | EJC-130 | Diesel loader (5.9 tonne) |
| | | | | |
| **Philip** | | | | |
| Small loaders | 1 | Toro | 151D | Diesel loader (3.5 tonne) |
| | | | | |
| **R1/Cayzer** | | | | |
| Trucks | 4 | EJC | EJC-20 | 20-tonne diesel dump truck |
| Small loaders | 1 | Toro | 151D | Diesel loader (3.5 tonne) |
| Large loaders | 2 | Toro | Toro 006 | Diesel loader (6.7 tonne) |

### 3.5.10 Infrastructure

The Vatukoula Gold Mine has been long established and is adequately supplied with required services and infrastructure. There is no shortage of office space, workshops and stores. The mine has a fully equipped training centre, emergency services centre and dispensary on site.

Electrical power for the plant, mine and village is supplied by a 20.5MW diesel power station which is part of the Vatukoula Gold Mine assets. The existing power plant operates with 13 diesel generators comprising of 7 old diesel generators and 6 newer units. At the time of the site visit only 2 of the 13 generators were working due to a lack of spare parts being available for maintenance. A shipment of spare parts did arrive on site during the site visit allowing maintenance of all the generator sets. It is expected that once production starts again, the power plant will operate at an average demand of about 8MW and a peak capacity of about 20MW. As the Fiji Electricity Authority (FEA) cannot provide sufficient electricity to cover the electrical demands of the mine, it has been agreed that the mine will be entitled to fuel concessions on automotive diesel oil or industrial diesel oil as long as the FEA is unable to provide for the required electrical demand of the mine.

Water for the plant is recovered from the plant thickeners, from mine dewatering from the R1/Cayzer and from the local Nasivi River, while water for the mine and village is recovered from the Nasivi River. On average, approximately 7.8M litres per day of process water will be drawn from the Nasivi River.

### 3.5.11 Human Resources

When CSA visited the site, the Vatukoula Gold Mine operations had a permanent skeleton labour force of 240 people. Since then the company has informed CSA that the labour force has increased to 450 people. The Vatukoula Gold Mine operations include the mining areas, the process plant complex, on-site offices for administration, supervision, geological and engineering services, mine planning, assaying, surface workshops, electrical power generation, stores, security and emergency and medical services. Historically, the mine carried a permanent labour force of 1,900 people plus more than 200 contractors. Emperor retrenched the entire workforce at the end of 2006. This will allow a full restructuring and necessary reduction of the labour force under the new management.

## 3.6 PROPOSED FUTURE PROGRAMME OF WORK

### 3.6.1 Overview

The Vatukoula Gold Mine contains documented ore reserves and resources that will support a 525,000 tonnes per annum (t/a) mining operation for a minimum period of nine years assuming a build up of two years before allowing for extensions and discovery of new resources. While the general geology of the Vatukoula Gold Mine area is well understood, the mineralisation is far from being fully defined. Away from the mine production areas, and at depth, exploration drilling is relatively sparse. Even within the producing areas, the structural complexity of the mine often results in mineralisation not being fully defined. A significant proportion of production each year comes from mineralisation outside of reserves, from resource areas not yet drilled up or planned to reserve level or from areas outside of resource boundaries, where mineralisation is identified during the course of development. This ore that is mined not in reserves or resources can be as high as 30%. This unusual situation, while illustrating the need for detailed infill drilling to fully define the areas planned for mining, also illustrates the significant potential for discovery of additional mineralisation beyond the current resource and reserve boundaries. This is based upon previous mining experience at Vatukoula Gold Mine, and on the assumption that exploration and development work continues in conjunction with the mining operations.

The nine-year plan has been laid out and reviewed along with all the related data. The Vatukoula Gold Mine's forecast estimates of the capital requirements for equipment and activities to increase the operations' production rate, the ongoing sustaining capital requirements, the operating costs, and a cash flow for the nine-year mine development and production programme have also been prepared. It is planned that the first year's underground mill feed ore will total 129,419 tonnes.

An average mill feed rate of 525,000t/a is planned for years two through nine. Metal grade control for the mill feed ore will be of prime importance and of highest priority. The minimisation of the dilution of ore with waste rock will be a top priority. Appropriate mining and development techniques to keep dilution to the lowest

economically practical level will be continued and, where necessary, new techniques developed. To monitor and control the grade control programme, a timely sampling and assay programme will be implemented as described earlier in this report. Grade control will require ongoing continuous management, supervisory and technical attention.

### 3.6.2 Production Plan

A production schedule for the Vatukoula Gold Mine is shown in Table 21. The nine year plan involves the extraction of ore beginning in December 2007 and the treatment of underground ore commencing in March 2008 with a 2007/08 (year one) throughput of 129kt/a, rising to 525kt/a from year two. The average Mill Feed grade of the ore over the nine years is 7.80g/t Au and the planned recovery is 88%. 53.4kt of low grade stockpiled ore at a recovered grade of 0.8g/t Au is planned to be treated between March 2008 and January 2009. From May 2008 until August 2008, it is also planned to treat 84kt of low grade tailings with a recoverable grade of 0.53g/t Au.

The mill feed ore shown in the nine-year plan will come from the current ore reserves and inferred resources. Due reduced working costs and increased gold prices and the obvious continuity of the mineralised bodies, both along strike and down dip, there is high confidence that the reserve tonnes will increase once additional exploration is commenced. The production plan has been reviewed by CSA and seems reasonable and realistic with respect to the build-up. The plan anticipates a mill feed consisting of blended ore derived mainly from four of the Mining Areas (Smith Shaft, Decline, R1/Cayzer and Philip Shaft) with June 2006 Proven and Probable Reserves at 2,337,000 tonnes containing metal grades of 11.4 g/t Au. These reserves are contained in the following structures: 166N structures with Proven and Probable Reserves of 194,000 tonnes at a grade of 9.7g/t Au; 2000N structures with Proven and Probable Reserves of 263,000 tonnes at a grade of 8.9g/t; Matanagata with Proven and Probable Reserves of 277,000 at a grade of 12.9g/t; Prince Dolphin with Proven and Probable Reserves of 873,000 tonnes at 12.3g/t; Prince William structures with Proven and Probable Reserves of 339,000 tonnes at a grade of 12.7g/t; R1 structures with Proven and Probable Reserves of 155,000 tonnes at a grade of 9.8g/t; other flatmakes and structures with Proven and Probable Reserves of 114,000 tonnes at a grade of 8.6g/t. The reserves are also complemented by ore in remnant stope pillars with Proven and Probable Reserves of 122,000 tonnes at a grade of 9.2g/t. These reserves have however been depleted by 81,666 tonnes since the 2006 estimate was completed resulting in a current proven and probable reserve of 2,255,334 tonnes. Some tonnage from the Inferred Resource category, approximately 2.26 million tonnes, is required over and above tonnage from the Proven and Probable Reserve categories to execute the current nine-year plan, but as mentioned above, there is very little risk in this as historically up to 30% of annual production can be mined from areas outside the resource and reserve boundaries.

**Table 21: Vatukoula Gold Mine Production Plan for Nine Years**

| Year | 2007/2008 | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | |
| Total Underground Production | | | | | | | | | | |
| Total Mill Feed Tonnes Mined | 129,419 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 4,328,064 |
| Total Mill Feed Tonnes Grade | 7.23 | 7.42 | 7.82 | 7.90 | 7.87 | 7.92 | 7.85 | 7.92 | 7.85 | 7.80 |
| Ounces Recovered | 26,480 | 110,225 | 116,118 | 117,306 | 116,860 | 117,603 | 116,563 | 117,603 | 116,563 | 955,323 |
| Low Grade Stockpile | | | | | | | | | | |
| Low Grade Stockpile Tonnes Treated | 15,469 | 37,898 | | | | | | | | 53,367 |
| Low Grade Stockpile Recovered Grade | 0.8 | 0.8 | | | | | | | | 0.80 |
| Ounces Recovered | 398 | 975 | | | | | | | | 1,373 |
| Tailings | | | | | | | | | | |
| Tailings Tonnes Treated | 42000 | 42000 | | | | | | | | 84,000 |
| Tailings Recovered Grade | 0.53 | 0.53 | | | | | | | | 0.53 |
| Ounces Recovered | 716 | 716 | | | | | | | | 1,431 |
| Mill Clean Up Gold Produced - Oz's | 800 | | | | | | | | | |
| Total | | | | | | | | | | |
| Total Tonnes Treated | 186,888 | 604,729 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 4,465,431 |
| Total Treated Tonnes Grade | 5.19 | 6.53 | 7.82 | 7.90 | 7.87 | 7.92 | 7.85 | 7.92 | 7.85 | 7.58 |
| Total Ounces Recovered | 28,394 | 111,916 | 116,118 | 117,306 | 116,860 | 117,603 | 116,563 | 117,603 | 116,563 | 958,927 |

*The mine plan includes tonnage from Inferred resources.*
Source: Vatukoula Gold Mine

### 3.6.3 Development Plan

A total of US$35,143,136 is forecast for initial and ongoing capital development at Vatukoula Gold Mine for a total of approximately 36,000 metres of total development. A large portion of these funds is designated for development of new resources and the conversion of Measured and Indicated Resources to Proven and Probable ore Reserves. Resources delineated in these zones have historically been upgraded to Reserves and subsequently mined.

### 3.6.4 Ventilation

The mine's target environmental conditions underground are as follows:

- Temperature – 30$^{o}$C Wb
- Air velocity – 0.6m/s
- Average work rate – 80%

There are several plans to improve the environmental conditions underground.
The plans to improve environmental conditions at Philip Shaft are as follows:

- Stripping and refurbishing old unused tunnels to act as dedicated return airways (RAW) and maintaining these RAW's to ensure no loss of ventilation.
- Improve intake airways from 18 Level, increase intake size if necessary and ensure no unnecessary ventilation loss.
- Improve Borthwick upcast Shaft capacity by stopping inflow of water into the shaft.
- Use Vision and Cagi Vou Shafts as parallel upcast shafts to Borthwick shaft.

- Ensure disciplined mining to ensure correct flow of air over the production stope panels.

The plans to improve environmental conditions at Philip Shaft and Cayzer/R1 are as follows:

- Stripping and refurbishing old unused tunnels to act as dedicated return airways (RAW) and maintaining these RAW's to ensure no loss of ventilation.
- Improve intake airways to Cayzer/R1 by sliping the Sautu Downcast Shaft from 18 level to the shaft bottom.
- Improve upcast shaft capacity by using Vision and Cagi Vou Shafts in parallel as for Philip Shaft.
- Ensure disciplined mining to ensure correct flow of air over the production stope panels.

The option also remains to utilise the refrigeration unit at Smith Shaft and the bulk air cooler on Philip Shaft 19 level.

### 3.6.5 Hydrology and Underground Pumping

The current pumping arrangements at Vatukoula Gold Mine are sufficient to cope with the pumping requirements for the increase in production and dewatering of underground working areas. Pumping of dirty water from mining operations will be done from Smith Shaft and Philip Shaft, while pumping of clean fissure water will be done from Philip Shaft and Cayzer Shaft.

Future plans to improve underground environmental conditions by improving dewatering procedures at Philip Shaft and R1/Cayzer are as follows:

- Pressure grout all diamond drill holes producing water from 17 level downwards to form a blanket in the old working areas on 18 level and above. This will minimise the backflow of water when pressure grouting the identified de-watering holes on 18 to 19 level.
- Identify and properly pressure grout de-watering holes on 18 level when water in the shaft has been completely pumped out.
- Cover drill to a distance not less than 30m all major development on the mine.
- Any water encountered will be pressure grouted before mining can commence.
- Future de-watering holes will be drilled one level below any production mining areas.

### 3.6.6 Mine Equipment

To achieve production of an average of 44,000 tonnes per month (t/m), all current trackless equipment on the mine must be in excellent working order. Some of this equipment is currently planned to be refurbished and along with the new equipment will be capable of handling the increase in production.

### 3.6.7 Power Production

The process plant, ventilation fans, water pumps and town ship are expected to require a base load of approximately 12MW at a production of 44,000 t/m. The existing power plant can provide the expected power requirements.

### 3.6.8 Human Resources

The manpower requirements for the 44,000 t/m operation are expected to be approximately 900. Other personnel, including external consultants, will be utilised as required. Accommodation for the entire workforce exists at the Vatukoula village (containing 160 staff houses) and surrounding areas. Mining has been an integral part of the economy in this area of Fiji for decades and manpower availability should be a relatively straightforward factor in the seven-year plan.

## 3.7 PROCESS PLANT

### 3.7.1 Background

Processing operations at Vatukoula Gold mine date back some seventy years, during which time approximately 7 million ounces (M oz) of gold (Au) and over 2 M oz of silver (Ag) have been recovered from the treatment of around 22.5 million tonnes (Mt) of ore from the local orebodies.

The flowsheet employed has seen a number of changes over the years and included at one stage a plant to recover tellurium. For over twenty years, however, the circuit design has been consistent and it is planned to base future operations on this configuration.

Since 1996 a number of upgrades and expansions have taken place, although much of the equipment pre-dates this time.

A list of publications describing historical operations is appended (Appendix B 12-15).

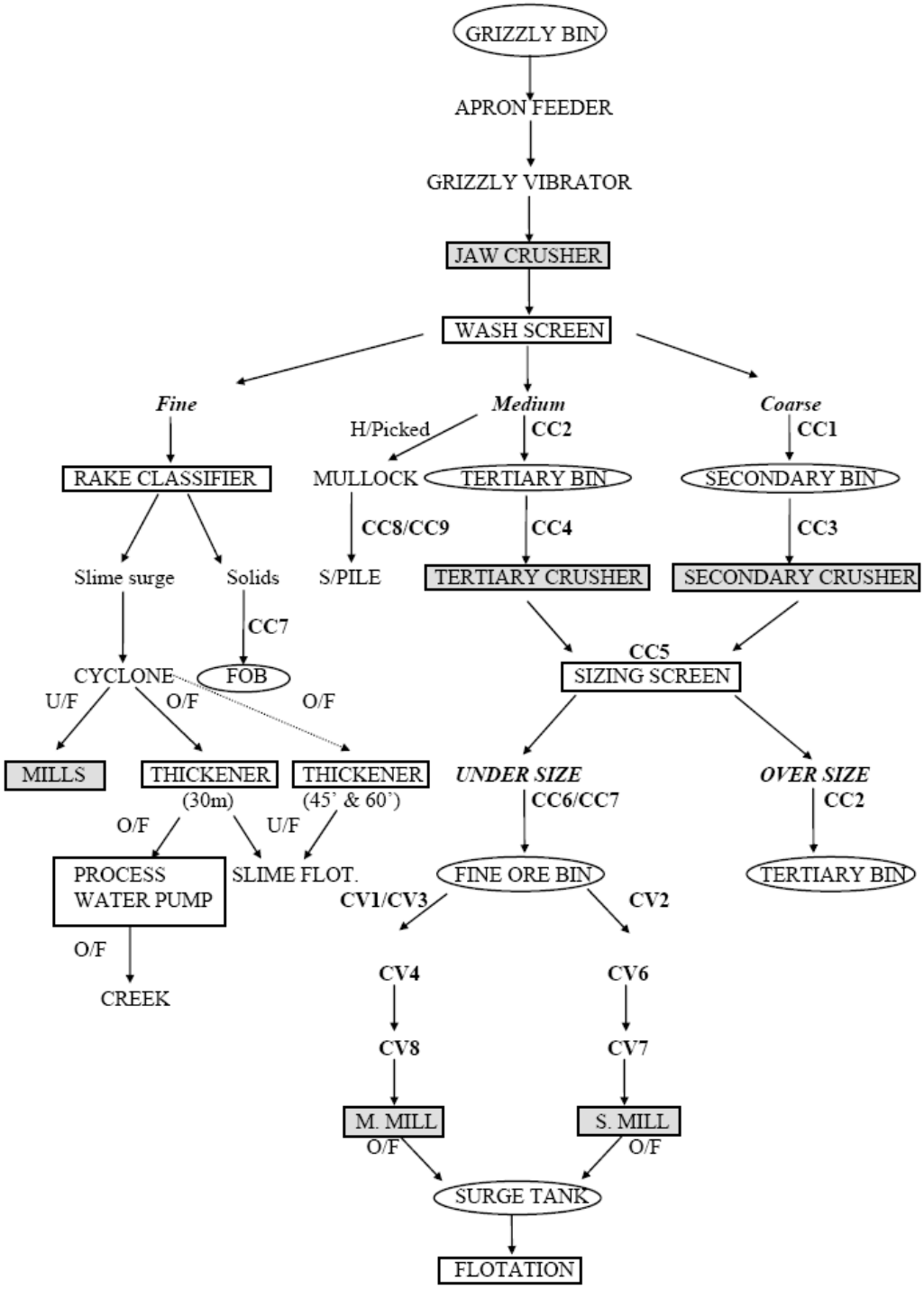
In the last ten years of full operations, the plant has processed on average 560,000t/a at a mined grade of 7.8 grammes per tonne (g/t) Au, producing 122.1 koz Au /a.

### 3.7.2 Process

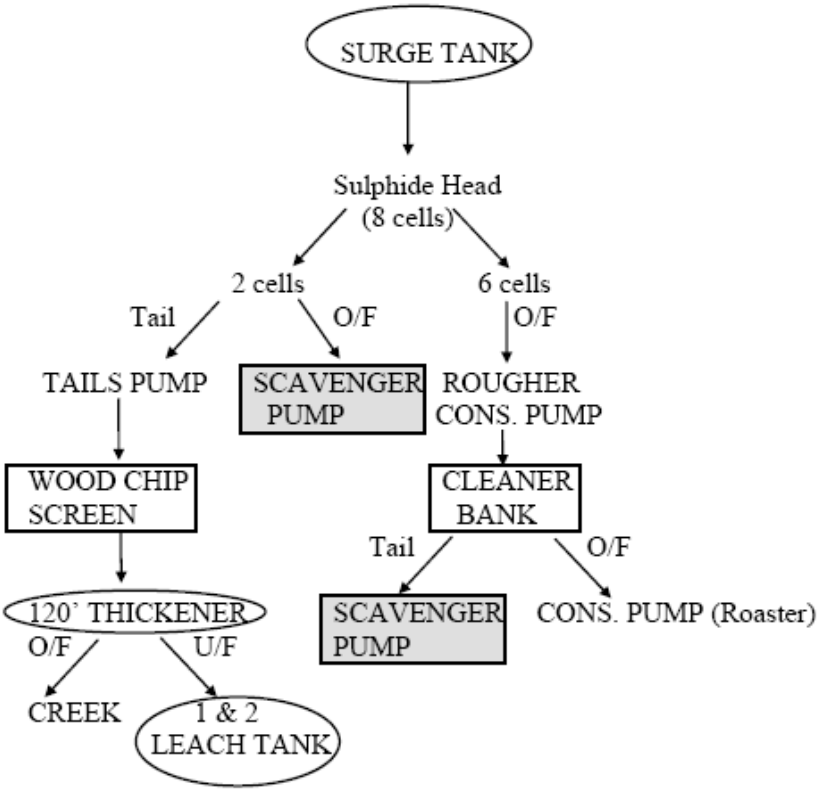
#### 3.7.2.1 Flowsheet

The last used (and next planned) flowsheet is shown in Figure 12.

**CRUSHING/GRINDING**

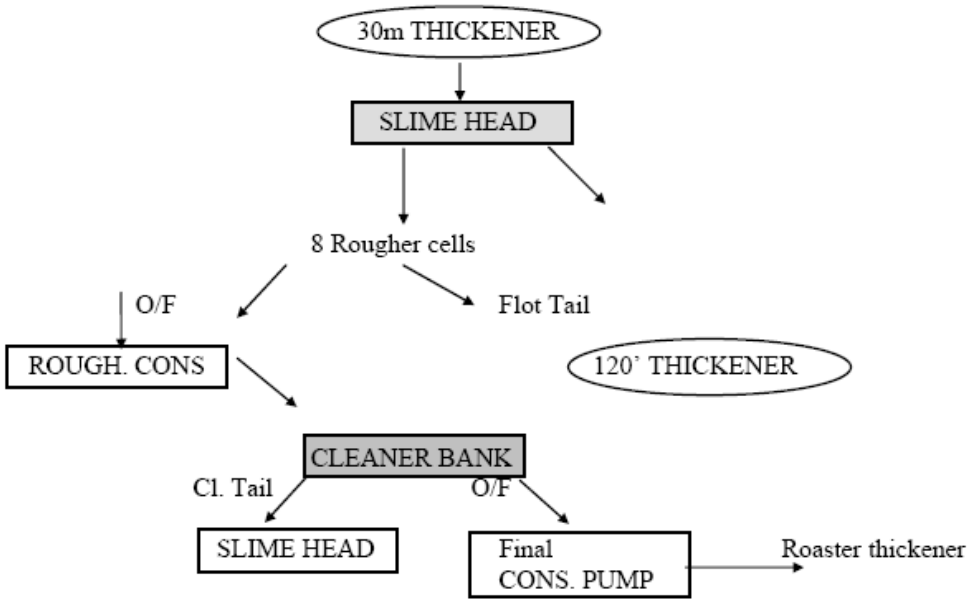


**SULPHIDE FLOTATION**

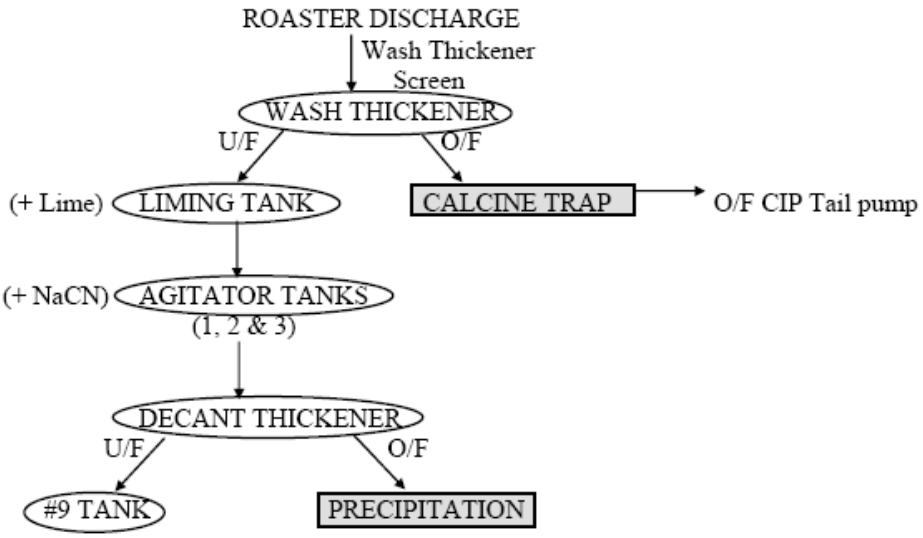



**NB: Scavenger pump o/f - back to sulphide head.**
**Scavenger pump cleaner Tail - back to cleaner bank**

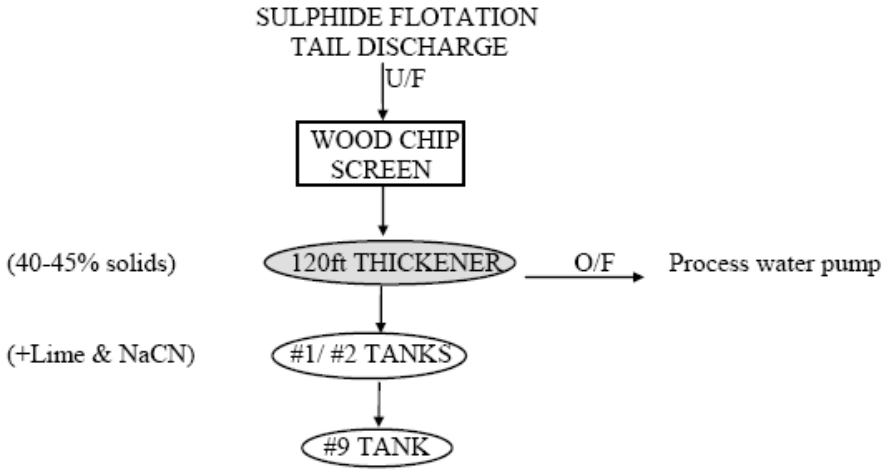
**SLIME FLOTATION**



## CALCINATION




## CYANIDATION



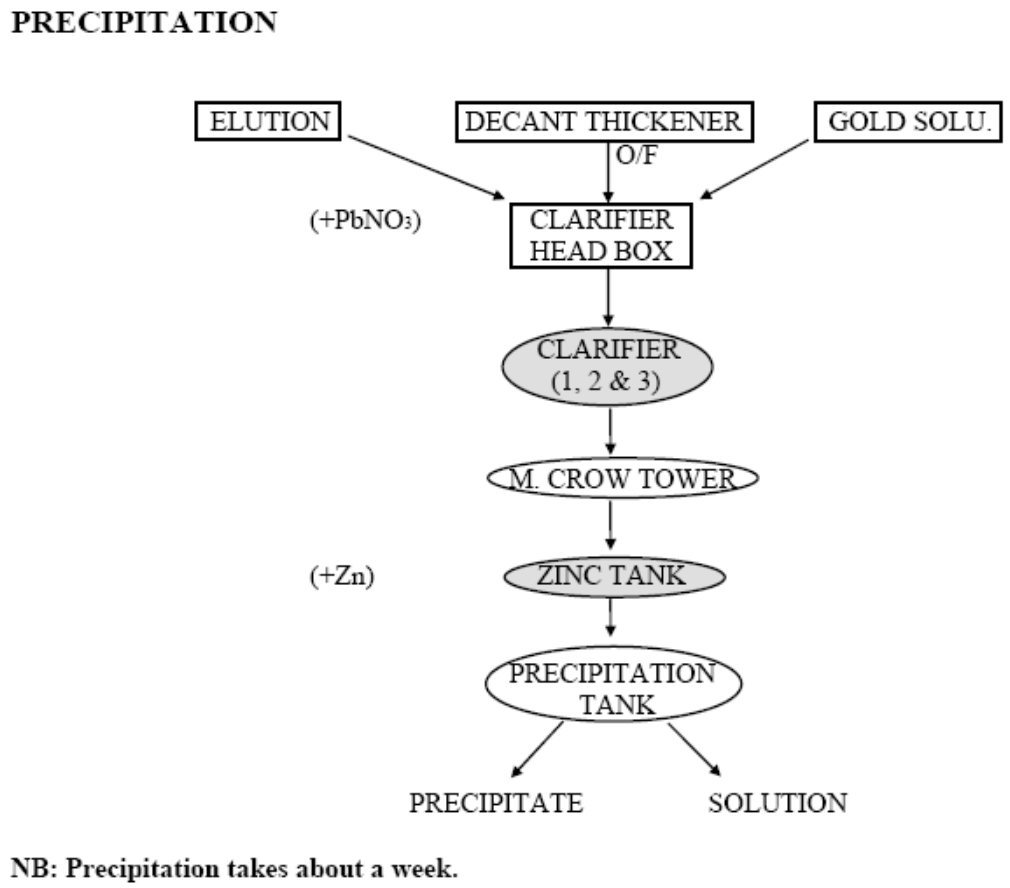



**Figure 12: The Last Used (and Next Planned) Flowsheet**

The circuit is described in the following section.

### 3.7.3 Description

The ore received may vary according to the mining area, but in recent years the gold has principally been in the pyrite, with some tellurides and minor free gold.

#### 3.7.3.1 Crushing

Ore is received from underground by trucks to a grizzly bin at the head of the primary crusher. Ore passes via an Apron feeder and Sekoma vibrating screen to a 110 kW Nordberg C100-B jaw crusher installed around 2000. The crusher has a nominal capacity of 150 t/h.

Ore is crushed and screened on a Shenk wash screen into three streams. Coarse ore (>40 millimetre (mm), < 80mm) passes to hand picking. Medium ore (<40 mm>8 mm) passes to the tertiary crusher bin. Fines (<8 mm) go to a rake classifier. This unit was manufactured by Crossle and Duffy and is a type D5P, of dimensions 26 feet (ft) [7.8 m] 8 inches (in) [0.2 m] x 8 ft [2.4 m], with a 2.5 inch [0.064 m] slope.

Hand picking on average removes some 15% of the total ore feed at a grade of, on average, 0.13 g/t Au. This has the effect of increasing the head grade to the plant

from an average of 7.5 g/t Au to 9.1 g/t Au. The picked ore is trucked to a waste stockpile and the coarse crushed ore proceeds to the secondary crusher bin.

Secondary crushing is undertaken by a 41/4 inch Symonds cone crusher. Tertiary crushing is undertaken with a Nordberg HP 300 cone crusher. Both secondary and tertiary crushed ore passes over a sizing screen. Oversize is sent back to the tertiary crusher bin and undersize is stored in a 2,400 t fine ore bin.

Rake classifier underflow passes to the fine ore bin. Slimes are treated in a separate flotation circuit.

### 3.7.3.2 Flotation

Ore from the fine ore bin passes to one of two ball mills. The Smidth mill has a synchronous 750 kilowatt (kW) motor and a size of 3,500 mm x 4,680 mm and capacity of around 40 tonnes per hour (t/h).

The Mogardshammer mill has an induction 1,000kW motor and is 3,800 mm x 4,900 mm in size. Capacity is 50 t/h.

Classification is undertaken in Cavex 250 mm cyclone banks situated above the mills. The Smidth mill has installed an Outokumpu SK 240 flash flotation unit to treat the cyclone overflow, although this seems to have been little used. Here Krebbs D20 inch cyclones are used. The design grind size is 75% - 74 microns.

Ore from the cyclone overflow goes into a surge tank and thence into a bank of 6 rougher and 2 scavenger Agitair 300 $ft^3$ cells. PAX and SIBX collectors are used, together with Terec frothers. pH is maintained at 9.0 using lime/soda ash. Rougher concentrates are cleaned in six Agitair 100 $ft^3$ cells and sent to a thickener ahead of the roaster. Scavenger concentrate is recirculated to the rougher feed. Pumping is performed by Warman pumps – rougher concs 2 x 6/4 inches, scavenger concs 2 x 4/3, cleaner tails 2 x 4/3 and final tails 2 x 8/6. The rougher/scavenger blower has a 30 kW motor and the cleaner blower an 11 kW motor. Both operate at 3,000 revolutions per minute (R/M). There is a regrind mill on site (1.2 meters (m) x 1.5 m), but this does not appear to be in use. Concentrate grade is normally around 150 g/t Au and 23-28% S. Flotation tailings are pumped to a cyanidation feed thickener (13 m diameter, 3 m high). Flotation recovery averages around 87% with a gold grade of around 150 g/t.

Slimes are stored in a 30 m thickener and floated in a bank of 8 Agitair 48 cells under similar flotation conditions. The slimes cleaners comprise seven 22.5 $ft^3$ Agitair cells. Again Warman pumps are used, rougher concs, cleaner tails, slimes feed and 30 m thickener underflow each having one 3/2 pump. The two blowers are 11 kW, 2,900 R/M. The cleaned concentrate contains up to 400 g/t Au and is pumped to the same concentrate thickener.

Both flotation tails are pumped to a 120 ft thickener.

Prior to the thickener is installed an Outokumpu CC-30 ceramic disc filter comprising 5 rows each of 12 discs. The unit has been run on 3 rows.

### 3.7.3.3 Roasting and Calcine Cyanidation

Concentrates at around 70% solids are fed to a Dorr Oliver fluosolids roaster. The roaster has a reactor area of 11.34[4] $m^2$ and a capacity of 4 t/h and is autogenous at the design temperature, 650°C at around 72% solids and a 25% S level. Additional sulphur is added if these conditions cannot be met by surge blending.

Calcine is quenched and water washed in a small thickener. It is then cyanided in three agitated tanks (4.5 m x 3.8 m) using 0.2 – 0.25% sodium cyanide (NaCN) and lime to pH 10-11.0 at a density of 40% solids by weight. Cyanided calcine is washed in a decant thickener and the clarified solution passes to Merrill-Crowe processing using zinc precipitation. There are 3 clarifiers, with 2 being in operation at any one time.

Calcine residue is pumped to flotation tailings cyanidation.

Offgases from the roaster pass through a cyclone and a double-zone Flakt Electrostatic Precipitator (ESP). The gases contact the final plant residue (for cyanide destruction) in a gassing tower prior to exiting via a 66.7 m high, 0.6 m diameter stack. Reportedly, the gas exits the stack at a temperature of around 50 degrees Celsius (°C) at a sulphur dioxide ($SO_2$) content of around 6%.

#### *Tailings Cyanidation*

Flotation tails, together with calcine residue, are thickened in a 30 m thickener to 45% solids and pumped to two cyanidation tanks. The conditions are - density 39-40%, pH 10-11, NaCN 100-120 parts per million (ppm).

Leaching takes place at the carbon in pulp (CIP) plant, initially in a draught tube agitator at pH 10 with 0.5% NaCN. Further leaching/adsorption takes place in six 300 $m^3$ agitated tanks. Carbon is stripped batchwise (2 t batches) in the AARL elution plant. Carbon is regenerated and the loaded gold solution is electrowon using steel wool electrodes. Barren liquor is recycled to the leach circuit.

The leach residue, containing around 1 g/t Au, is pumped to the cyanide destruction unit and thence to a tailings dam.

#### *Gold Recovery*

Merrill-Crowe precipitate is digested in sulphuric/hydrochloric acid and the precipitate washed and filtered and then mixed with flux and smelted in a diesel-fired rotary furnace. The bullion produced is around 65% Au and 30-35% Ag, balance base metals.

Loaded steel wool is digested with sulphuric acid and filtered, dried and smelted.

[4] The roaster can be modified for more efficient calcination of smaller throughputs by the use of refractory bricks. The plant last ran with a reduced (8.09 $m^2$) area and a capacity of 2.85 t/h.

### 3.7.4 Performance

Technical performance criteria for the process plant averaged from recent years is shown in Appendix D and is summarised in the following Table 22.

**Table 22: Summary of Technical Performance Criteria for the Process Plant Averaged from Recent Years**

| Parameter | Performance |
|---|---|
| Ore processed, kt/a (average last 10 complete years) | 563 |
| Ore grade, g/t Au (10 years) | 7.75 |
| Picked ore rejection, kt/a (4 years excepting shutdown) | 85.194 |
| Rejected ore grade, g/t Au (as previous) | 0.13 |
| Percentage of ore rejected by picking, % (as previous) | 15.7 |
| Percentage of gold rejected by picking, % (as previous) | 0.27 |
| Mill feed grade, g/t Au (last 10 years) | 9.1 |
| Crushing rate, t/h (last 4 years) | 109.7 |
| Combined milling rate, t/h (last 4 years) | 73.6 |
| Sulphide flotation recovery, % (last 4 years) | 87.5 |
| Ore to slimes, % (estimated) | 11 |
| Slimes flotation recovery, % (last 4 years) | 65 |
| Calcination recovery, % (last 4 years) | 93.4 |
| CIP Solids recovery, % (last 4 years) | 35.0 |
| CIP Solution recovery,% (last 4 years) | 94.5 |
| Gold production, koz (last ten complete years) | 122.1 |
| Overall Recovery (reported last 3 complete years) | 88.09 |
| Overall Recovery (calculated) | 86.39 |

The calculated recovery is similar to that from the mine records. The calculation does not include gold in circuit (GIC).

The highest recovery achieved in recent years in one month was just over 90% and the lowest 85%.

The availabilities of the main plant and equipment have been recorded over recent years, but are not very meaningful as the overall capacity of the plant has been significantly in excess of the tonnages treated.

Average throughput for the primary crushing and grinding plants is detailed in Table 23.

**Table 23: Average Throughput for the Primary Crushing and Grinding Plants**

| Unit | KT/A |
|---|---|
| Primary crusher | 109.7 |
| Smidth mill | 30.71 |
| Morgardshammer mill | 25.24 |

The author calculates that the crushing, milling, flotation and roasting plants each has the ability to process around 750-800 kt/a of ore at normal availabilities. Given the condition of the plant, an overall capacity of no higher than the lower end of the range should be assumed.

Sampling points were examined and noted to be appropriate for monitoring and control, although without the plant running and being able to see how samples were taken, dealt with and assayed, it was not possible to pass comment on the efficiency of sampling.

The same comment applies to process control, where it was not possible to check how effective control of key parameters such as grind and reagent addition was in practice. The condition of the reagent control system did not give confidence that good control was the norm, although this part of the plant had lain untouched for ten months at the time of the visit.

Study of the process plant operating reports for recent years highlighted a number of issues, most notably:

- Flotation recovery is improved by finer grinding, but with a significant rise in communition power cost.
- Flotation performance was optimal during periods where focus was placed on plant control.
- High flotation recovery reduces the concentrate S content and density, requiring increased S usage for full calcination.
- Good density control optimises slimes flotation.
- Handpicking operations appear normally very effective.
- Poor plant control can result in significant fluctuations of the gold in circuit (GIC).
- Ore variability can adversely affect performance.

It was also noted that the plant frequently experienced a fairly high level of personnel absenteeism and that safety has been a regular problem.

### 3.7.5 Plant and Equipment

#### 3.7.5.1 Layout

A plant layout diagram is shown in Appendix E.

The plant has evolved over its seventy year life into a layout which is not geographically ideal.

#### 3.7.5.2 Condition

A full list of equipment was received and the main plant and equipment was inspected. As previously mentioned, none of the equipment was in operation.

A summary of the condition of the major equipment and ancillaries is shown in the following Table 24.

**Table 24: Summary of the Condition of the Major Equipment and Ancillaries**

| Item | Comments |
|---|---|
| **Crushing/grinding** | |
| Primary crusher and ancillaries | New crushing plant commissioned 1997. |
| Secondary crusher and ancillaries | Some recent (2000-02) ancillaries – e.g. screens. |
| Tertiary crusher and ancilliaries | As above |
| Rake classifier | Antique, but basic and serviceable |
| Smidth ball mill and ancillaries | Upgraded 2000. |
| Morgardshammer ball mill and ancillaries | Installed 2000 – built in 1960s and refurbished. |
| Flash flotation | Fairly new but hardly used. Some corrosion. |
| **Flotation** | |
| Sulphide cells | Vintage but standard. |
| Sulphide pumps | Standard Warman pumps |
| Sulphide thickener | Apparently satisfactory |
| Sulphide filter | New unit. |
| Slimes cells | Old but standard |
| Slimes pumps | Old but standard |
| Slimes thickener | Satisfactory |
| **Roasting** | |
| Fluosolids roaster | Circa 1990. Standard, long-lasting plant |
| Cyclones | Standard |
| ESP | Circa 1990. Reasonable condition. |
| Stack | Fibre glass post first few metres. Apparently reasonable condition. |
| Tailings cyanide destruction | Difficult to assess and in need of checking. |
| Thickener | Satisfactory |
| **Cyanidation** | |
| Tanks | Increased tankage capacity, 2000. |
| Thickeners | New 30 m tailings thickener 2000. |
| Clarifiers | Old but satisfactory |
| **Tailings cyanidation** | |
| Tanks | Satisfactory |
| CIP plant | Appeared sound |
| **Gold plants** | |
| Electrowinning | Workable but in poor condition |
| Gold room | Workable but room and all units require update. |

Photographs showing various plant units are shown in Appendix C. The generally dilapidated state of the plant can be seen in several pictures.

The external condition of some of the buildings is poor, notably the main concentrator building, where acid attack has caused extensive corrosion to part of the roof and sides.

The internal condition of the enclosed plants and the general condition of all the process plants is poor, due to the suddenness of the shutdown and a consequent lack of clean-up and general plant tidying.

#### 3.7.5.3 Infrastructure

The plant has reasonable infrastructure in terms of water and power supply and roadways.

Water is recovered from plant thickeners, mine dewatering and the nearby Nasivi River.

Power is supplied from 13 diesel fired generators on site with a nominal peak capacity of 20 MW.

#### 3.7.5.4 Environment and HSE

The plant was not in operation during the visit and thus the normal operating environmental conditions could not be assessed.

It was clear from the corrosion observed around the process plant area that there has been considerable acid attack. It is presumed that this arises mainly from defects in the tailings cyanide destruction section as the stack should be high enough, even during weather inversions, to carry the offgas which leaves this section away from the plant area.

As previously indicated, the general condition of the plants is poor and if operated in this condition would represent a number of risks to health and safety at work. Examples of this can be seen in the appended plant photographs.

The gold room, being cramped and badly designed, with poor fume extraction is a particular issue.

### 3.7.6 Tailings and Low Grade Ore

#### 3.7.6.1 Tailings

The situation with respect to tailings was not altogether clear and little information was located.

Some of the earlier plant tailings have been treated in a plant built and operated by Ranger Mining specifically for this purpose. The plant shut down and was removed some years ago.

The amounts in the six dams as best estimated are summarised in Table 25.

**Table 25: Amounts in the Six Dams as Best Estimated**

| Dam No | M Tonnes | Grade, g/t Au |
|---|---|---|
| 1 | NK | NK |
| 2 | 1.51 | 1.58 |
| 3 | 2.98 | 1.42 |
| 4 | 0.69 | 1.34 |
| 5 | NK | NK |
| 6 | NK | NK |
| 7* | 0 | 0 |
| Total | 4.49 | |

* Proposed new Nadelei dam.

- NK = Not Known

It was suggested that use of the No 1 dam with a final lift and No 5 dam will provide a further 1.5 – 2.5 years of life at the average tonnages treated to date.

A brief note was collected concerning the possible re-treatment of tailings (Appendix B8). No data was provided.

The future plan includes the treatment of 3,034 kt of tailings over a seven year period.

#### 3.7.6.2 Low Grade Ore

Two reports were obtained concerning the potential heap leaching of Korowere low grade ore (Appendix B7).

A spreadsheet (Appendix B10) was also acquired which indicated the potential profitability of heap leaching this material. The profitability is surprising considering the head grade of the material (1.69 g/t Au) and the (54.5%) gold recovery.

### 3.7.7 Discussion

The two challenges to be overcome are:

- The need to put together an adequate mill work force in a short period and in particular the urgent need to recruit an experienced metallurgical manager.

- The need to refurbish the plant in this short space of time. From the condition at the time of the visit, a full 3 months would seem a sensible requirement. The capital cost of refurbishment for the mill to treat underground ore only should be significantly less than the figure allowed, depending on the level of spares available (not fully checked).

In summary, plant performance for the treatment of underground ore as planned is reasonably assured, achieving efficient production at any scale within 3 months appears difficult.

There appear to be no other restrictions to prevent the re-start of the process plant to achieve technical performance levels similar to that of recent years, although tailings re-treatment may increase power requirements to the limits of supply from the power plant as now operating.

HSE and environmental performance should be sustainable as at previous levels.

It is highly desirable that an alternative to $SO_2$ discharge to the atmosphere be introduced, but it is certain that the replacement of the stack by an acid or gypsum recovery plant would not be economic over the short mine life as now envisaged.

Similarly, changing from roasting to another, non-emitting oxidative process such as pressure leaching, would certainly not be economically justifiable.

### 3.7.8 Conclusions

The following conclusions are drawn from the review.

- The process plant circuit is appropriate for the treatment of the underground ore. In excess of 700,000 t/a ore of a similar grade could be treated. An overall recovery of 88% should be achievable.

- Technical and cost performance of the plant are limited by ore variability, the disposition of the plant, the age of much of the equipment, inadequate process control and, if not rectified, the lack of experienced mill management personnel.

- There is no reason to expect a decline from previous levels of technical performance. Indeed, if the opportunity is taken to refurbish the mill in an optimum fashion and train staff appropriately, the opportunity exists for achieving an overall recovery of 90% on underground ore treatment, as achieved for short periods in the past. A key factor in achieving this is the prompt appointment of a high quality metallurgical manager.

- HSE and environmental standards achievable should remain as at previous levels. No significant reduction in roaster emissions is likely to be economically justifiable within the operating plan proposed.

## 3.8 ENVIRONMENT

This environmental section of the report covers the risks and liabilities associated with the activities of Vatukoula Gold Mine.

The section is structured to include:

- A general section describing methodology, objectives used in the assessment and limitations, constraints and exclusions that may have affected our findings.
- The results of review and analysis of the site and current operations.

### 3.8.1 Environmental Assessment Objectives

The primary objectives of the assessment are to:

- Identify critical environmental issues that may affect the future operation of the mine.
- Comment on liabilities and costs associated with operations and with decommissioning and closure.
- Identify information gaps and/or environmental issues that need further study.

#### 3.8.1.1 Limitations, Constraints and Exclusions

The assessment does not address the entire range of environmental issues associated with the site. Instead the focus is on significant environmental issues that will either impose constraints on operations and/or incur substantial risks or financial liabilities.

The assessment is subject to a number of limitations as follows:

- Elements of the review are based on the environmental performance of the mine prior to its closure in December 2006. It has been assumed that, once the mine is back to full operation, the past environmental management systems will be re-adopted and the mine's environmental performance will be similar.
- There was a fault with the data recording and storage system for past monitoring results and analyses. Some analyses (particularly for emissions to air, waste rock and tailings) were not available for viewing. It was possible however to review the hard copies of daily water quality monitoring and establish any trends in the data.
- Review and comment is limited to environmental issues. Social impacts were neither reviewed nor discussed nor were geotechnical or seismic issues such as ground instability or the potential for tailings dam failure.

#### 3.8.1.2 Methodology

The environmental assessment for this evaluation is based on a site visit and the review of available documents.

The principal environmental documents reviewed were:

- "Environmental Review – Mine Lease Renewal". Prepared by Australian Pacific Environmental Consultants, 2004.
- "Closure Plan for Emperor Gold Mine". Prepared by Australian Pacific Environmental Consultants, 2004.
- "Environmental Management Plan – Update 2003". John Feresi, Environmental Officer, January 2003.
- "Emperor Gold Mine, Vatukoula – Stack Height Assessment". Prepared by Sinclair Knight Merz, March 1998.

#### 3.8.1.3 Environmental Regulation

There is no environmental legislation in Fiji that is directly relevant to the mine's operations. Environmental management of the mine is covered generally by the Mining Act and controlled through continuous dialogue with the Mineral Resources

Department (MRD). We understand that the government has agreed that the new mine owners will not be held responsible for any past incidences of breaches of the Mining Act.

The only environmental standards/guidelines imposed on operations are water quality standards for discharges to watercourses, which have been the subject of negotiations with the MRD. In 2003 the MRD agreed to change the applicable discharge water quality standards to the Australia and New Zealand Conservation Council (ANZECC) water guidelines for irrigation purposes, to be applied to discharges of decant water from No.5 and Toko dams.

In addition to Fijian requirements, compliance with the Equator Principles are also considered. The Equator Principles broadly require compliance with the standards of the International Finance Corporation (IFC)/World Bank. In the case of mining projects these standards set limits for effluents, air quality and noise and also requirements for waste disposal, hazardous materials handling and storage, health and safety, mine reclamation and regular independent inspections of tailings dams.

### 3.8.2 The Site and its Environmental Context

The mine is based in Vatukoula village in the northwest of the Fijian island of Viti Levu. It lies in the Tavua Basin caldera. The mine and its activities cover an area of approximately 1,255 ha, including freehold land owned by the mine, Crown Land and other freehold land. All of the mine's tailings dams are on land owned by the mine except for the Toko dam, which is on land controlled by the Native Land Trust Board. Rainfall typically varies between a wet season from December to April and a dry season from May to November. During the wet season annual average rainfall is between 1,300-1,600 mm, with the average in dry season between 300-500 mm. The area is occasionally hit by tropical cyclones with tropical downpours of up to 700 mm in 24 hours, and is also seismic.

The site lies in the Nasivi catchment, which covers approximately 140 $km^2$. The mine discharges into the Nasivi River through a series of creeks. Heavy rainfall can lead to large volumes of sediments being moved downstream. Land uses in the catchment include sugar cane cropping, pine plantations, livestock grazing and mining. The vegetation of the catchment consists mainly of grassland and forest.

Little information was available to review regarding the hydrogeology of the mine area although it is thought that permeability is likely to be high due to the fractured nature of the rocks and the high flow of water through the mine. The water table is also thought likely to be high due to the relatively high levels of rainfall in the area.

Before its closure the mine employed up to 2,300 people. The township of Vatukoula developed around the mine with a population of approximately 7,000. Residential areas are located at various areas around the mine site, including within 100 m of the power station. A primary school is located approximately 1 km (downwind) from the mill and power plant.

In summary, the sensitive environmental receptors in proximity to the site are local residents, and in particular schoolchildren, surface water systems and groundwater.

### 3.8.3 Significant Environmental Issues

In the absence of any specific environmental regulation in Fiji the mine is not under any immediate pressure to improve its environmental performance. However, there have been plans to introduce an Environmental Management Act, which has been prepared under close consultation with the mine. With this in mind it is prudent for the mine to act on a small number of environmental concerns.

Primarily the impact of the mine on the environment consists of emissions of $SO_2$ from the roaster stack, noise emissions from the power station and emissions to water from various sources.

Of particular concern are the high emissions of $SO_2$ from the stack. Under certain meteorological conditions these emissions result in extremely high ground level concentrations of $SO_2$, sometimes grounding at a local school, resulting in coughing and a difficulty to breathe. It is clear that this is unacceptable and Westech are investigating the most appropriate course of action to remedy the problem. Possible solutions include the use of a gas scrubber, reheating the off-gas to increase thermal buoyancy, relocating the stack or installing sulphur recovery equipment to remove the sulphur for re-use in the process. Once the feasibility/effectiveness of these options has been established it should be considered a priority to adopt the appropriate measures as soon as is possible.

The power station equipment is a significant source of noise emissions at the mine. The reduction of noise from the plant has been investigated in the past with two assessments, performed in 1995, investigating the issue and suggesting mitigation measures. Some of these measures were adopted, including the installation of silencing equipment on various items of equipment. However, during the site visit it was evident that noise was still an issue. Some of the reports' recommendations that were not adopted should be looked at again, particularly the installation of a 3 m high noise absorbing concrete wall around the plant. This would help to reduce ambient noise levels at residential properties to an acceptable level.

Discharges of decant water from No. 5 and Toko tailings dams have frequently contained levels of copper and arsenic that are above applicable standards and international standards. Measures can be taken to help reduce these concentrations including recirculation of decant water, the use of wetlands and good spreading of tailings on the dam to allow for adequate settling of water prior to discharge. Levels of cyanide in decant water and in watercourses are monitored. These levels rarely exceed applicable standards. Reportedly decant water is fully diluted after travelling approximately 200 m downstream in the Nasivi River. We understand that there are plans for future use of river water for local water supply. In this event, discharge quality must be improved.

### 3.8.4 Emissions to Air

The plant has a history of concerns over the levels of emissions of $SO_2$ from the roaster stack. These emissions, at times of a low capping inversion, lead to extremely high ground level concentrations of $SO_2$. A report by Sinclair Knight Merz in 1998 indicates that these concentrations can be as high as 5000 ppb throughout a day. Such levels are well in excess of international standards and are 10 times higher than the World Bank guideline standard for 24-hour mean concentrations.

The highest concentrations experienced sometimes affect a local school. During these incidents staff and children at the school and other local residents have to go indoors and close all windows and doors. Following an incident in May 2004 the school sent a letter of complaint to the mine stating that the emissions had caused children to suffer from "continuous coughing and sneezing, dry throats, watery eyes, headaches and short breath".

The stack is located in a small valley, with the mine as a whole located in a caldera. The stack is 67 m tall, with its tip 120 m above sea level. It is surrounded by small hills up to heights of about 150 m, with the caldera rim approximately 3 km away rising to 550 m. These topographical features lead to the plume becoming trapped by the small ridge to the east of the roaster under stable conditions at night and in the early morning.

A number of options are available to either reduce emissions of $SO_2$ from the stack or to allow the emissions to disperse over a larger area, thereby reducing ground level concentrations. These options include:

1) Installation of gas scrubber equipment – Depending on the type of scrubbing adopted this could reduce the volume of $SO_2$ emitted while producing a by-product such as sulphuric acid or fertiliser, or a waste such as limestone gypsum.
2) Reheating of the off-gas – Currently gas leaves the stack at temperatures of around 50°C. It was estimated that changes to the process that would lead to an increase in gas temperature to around 250°C would result in approximately 50% reductions in ground level concentrations.
3) Relocating the stack – As discussed above, the stack is not located in an ideal position, taking into account the topographical features surrounding it. Were the stack to be located on higher ground, perhaps near to the power station, emissions would be able to disperse over a larger area, thereby reducing ground level concentrations. There is also the possibility of combining the gases with the high temperature power station flue gases. A dispersion modelling study carried out by Sinclair Knight Merz in 1998 estimated that relocating the stack to the power station, increasing exit temperatures to 250°C (which is likely to be similar to the exit temperature of the power station flue gases) and increasing the stack height to 100 m may bring ground level concentrations within international air quality standards.
4) Sulphur recovery – Anywhere between 0-20 tonnes of sulphur per day is currently being purchased to be added to the roaster in order to reach a minimum sulphur level of around 25% that is required for optimal performance. It is estimated that between 10-40 tonnes of $SO_2$ is emitted from the stack per day (5-20 tonnes of sulphur). It is therefore possible that installing sulphur recovery equipment could serve the dual purpose of reducing $SO_2$ emissions and providing sulphur for reuse in the process.

The feasibility and capital/operating cost of these measures should be investigated and a determination made on the most appropriate method of emission abatement as a matter of priority.

A 1996 report by Sinclair Knight Merz also identified emissions of arsenic from the roaster stack as exceeding international standards. It does not appear that any further studies have been performed to consider methods of reducing these

emissions. Although there are no Fijian standards for emissions to air, this issue must be investigated further, particularly as this may affect local residents and schoolchildren.

Other emissions to air from the site include emissions of $NO_x$, $SO_2$ and particulates from the diesel-fired power station and fugitive dust emissions from the site roads. Reportedly these are not a serious concern, however no emissions data was available for review.

### 3.8.5 Emissions to Water

#### 3.8.5.1 Tailings Dam Decant Discharges

Discharges to water from the site consist mainly of the tailings dam decants at No. 5 and Toko dams and mine dewatering water. Discharges ultimately reach the Nasivi River, with Toko dam decant first entering an experimental wetlands for treatment before travelling through Dakavono Creek and No. 5 dam decant entering Lololevu Creek. It is expected that decant water from the planned No. 7 dam will also enter Lololevu Creek. These watercourses dilute the discharges before they reach the river, where they are thought to be fully diluted after 200 m.

We understand that the dams have an impermeable clay lining to prevent contamination of groundwater and that they are designed to withstand earthquakes and typhoons. However no data was available to confirm this.

The water quality criteria applied to decant water from the dams had, before 2003, been decided following discussions with the MRD. However, in 2003 the MRD agreed to change the applicable limits to those of the irrigation water quality guidelines of the Australia and New Zealand Environmental Conservation Council (ANZECC). The ANZECC guidelines are presented below in Table 26 alongside the World Bank guidelines standards for underground mining activities:

**Table 26: ANZECC Irrigation Water Quality Guidelines 2000 and World Bank Guidelines 1998**

| Parameter | Long-term trigger value (mg/l) | Short-term trigger value (mg/l) | World Bank guideline (mg/l) |
|---|---|---|---|
| Al | 5 | 20 | - |
| As | 0.1 | 2.0 | 1.0 |
| Be | 0.1 | 0.5 | - |
| Cd | 0.01 | 0.05 | 0.1 |
| Cr | 0.1 | 1 | 1 (total) |
| Co | 0.05 | 0.1 | - |
| Cu | 0.2 | 5 | 0.3 |
| F | 1 | 42 | - |
| Fe | 0.2 | 10 | 2.0 |
| Pb | 2 | 5 | 0.6 |
| Li | 2.5 | 2.5 | - |
| Mn | 0.2 | 10 | - |
| Hg | 0.002 | 0.002 | 0.002 |
| Mo | 0.01 | 0.05 | - |
| Ni | 0.2 | 2 | 0.5 |
| Se | 0.02 | 0.05 | - |
| U | 0.01 | 0.1 | - |
| V | 0.1 | 0.5 | - |
| Zn | 2 | 5 | 1.0 |
| CN | - | - | 1.0 |
| pH | - | - | 6-9 |

Water quality monitoring is undertaken daily at the decant pipes of No. 5 and Toko tailings dams, as well as at a number of locations between the dams and the Nasivi River. Measurements are taken of pH, cyanide, copper, iron and arsenic. These analyses are sent to the mill manager before 11am, who is then responsible for deciding whether it is necessary to change or halt operations when standards are exceeded.

During the site visit hard copies of these daily analyses were viewed over the years 2005 and 2006 to establish any trends in water quality. The following observations were made:

- pH – Typically within the range 6-9, although there were rare drops below 6 to as low as 3.
- Cyanide (total) – Occasionally above 1 mg/l (up to 1.5 mg/l), often between 0.5 and 1 mg/l.
- Copper – During 2005 typically around 1 mg/l and occasionally above 3 mg/l. During 2006 frequently between 0.5-1.0 mg/l.
- Arsenic – Frequently between 1-2 mg/l.
- Iron – Occasionally above 1 mg/l. One brief period of high levels up to a maximum of 18 mg/l (3-5 days in October 2005).

The levels of concern are copper and arsenic, which both often exceed ANZECC and World Bank guideline values.

However, to date the MRD have not warned the mine over exceedances of quality standards. With the potential for the introduction of the Environmental Management

Act in the future it may be prudent to investigate options to treat the decant water from these dams (as well as the planned No. 7 dam) to avoid future difficulties, particularly if the river is to be used for future water supply.

It is important that consistent spreading of tails is performed at the dams to allow for adequate settling of water before discharge. The potential to recirculate decant water during instances of high pollutant concentrations should be considered. It may also be possible to recycle this water for use as process water.

#### 3.8.5.2 Fugitive Emissions to Water

Sources of potential impacts on water at the site include the following:

- Tailings from pipework
- Slurry from thickener overflow
- Copper trap solution
- Leaks from bunds
- Oil and grease generally
- Slime in decants
- Slurry from woodchip screens
- Fines from crushing and milling
- Untreated minewater
- Chemicals in dry or liquid form

There have been numerous past instances of accidental releases to soil and watercourses. More needs to be done to ensure that there are not repeats of these incidents, which can often be easily avoided with sufficient bunding and control systems as well as training of the responsible staff to ensure that they are aware of their environmental responsibilities and how they can prevent such emissions.

Soil monitoring results were not available for review. As Westech is not responsible for past breaches of the Mining Act by previous owners and any contamination present it is advisable to undertake a site investigation of soil and groundwater in order to establish current levels of contamination in soil and water.

Generally speaking better use of bunding is advisable for storage of oils and hazardous materials. Of particular note is the lack of bunding around the oil storage tanks at the power station. This area should be bunded to 110% of one tank's contents, and ideally should be impermeably lined to prevent any oil from leaks or failures from contaminating soil and leaching into groundwater supplies.

### 3.8.6 Noise

One of the key environmental issues at the mine is the high levels of noise generated by the power station. This issue has been investigated in the past, most notably in 1995 when Exhaust Control Industries undertook a noise survey of the plant, followed by a report by P.E. Rawlinson and Associates which recommended potential abatement solutions.

The major sources of noise at the plant were identified as being:

1) ESL Turbochargers
2) Exhaust Silencer Discharge
3) Radiators and Oil Coolers
4) Engine Mechanical noises generated within the Power Station and escaping through ventilation areas
5) Cooling Towers

To date the following actions have been taken to reduce noise emissions:

1) Noise control attenuators were installed to two generators to reduce noise levels from 120 dB(A) at 1 metre to 103 dB(A). Two other attenuators were also installed.
2) Four exhaust silencers were added to reduce noise levels to 85 dB(A) at 2 metres.

However, during the site visit it was clear that these measures had not sufficiently reduced noise emissions from the plant. A noise monitoring study should be undertaken to establish noise levels at various locations within vicinity of the power station, at the site boundary and in proximity to residential areas and schools. Following this the potential for noise abatement measures should be re-examined.

The World Bank guideline standards for ambient noise levels are detailed in Table 27.

**Table 27: World Bank Guideline Standards for Ambient Noise**

| | Noise standard (dB(A)) | |
|---|---|---|
| | **Daytime** | **Night-time** |
| Residential areas | 55 | 45 |
| Industrial areas | 70 | 70 |

A straightforward measure to reduce noise levels at residential properties would be to install a 3 metre high concrete wall around the power station to absorb the noise. Another option that should be considered, particularly in light of the high power costs at the mine, is the installation of new generating equipment, possibly generating power from biomass, which could be grown on the large freehold area of the mine at minimal cost.

Occupational noise levels should also be surveyed to ensure that employees' health is not being adversely affected. The use of earplugs at the power station itself is well enforced. Such ear protection should be worn at any areas of the plant that experience noise levels above 85 dB(A).

Monitoring of noise levels at the mill has also been undertaken. This monitoring showed that various areas were experiencing noise levels in excess of 85 dB(A). Again, ear protection should be worn at any areas of the mill that experience these levels of noise.

### 3.8.7 Impact on Land Use and Resources

#### 3.8.7.1 Tailings Dams

There have been 6 dams used for disposal of tailings at the mine. Tailings from No. 1 dam were reworked some years ago by an external operator who have since ceased operations. Westech are considering reworking tailings from dams 2, 3 and 4.

When full operation is resumed Westech plan to utilise No. 5 and Toko dams, including lifting Toko dam by at least a further 3 m, which is estimated to be sufficient for approximately 2 full years of operation. In the meantime there are plans to construct a new dam for which a location has been identified and further investigations are being carried out. The construction of this dam will be subject to the completion of an Environmental Impact Assessment (EIA).

Rehabilitated land is expected to be used for low intensity grazing. Reportedly studies of food crops grown on the existing dams indicate that the concentrations of heavy metals in these crops do not exceed international food quality standards. Vegetation growth is typically excellent in the area, as evidenced by the extensive vegetation on the walls of tailings dam No.'s 2, 3 and 4, as well as the good cover of scrubs and grasses on their surface. It is expected that this will also be the case with No. 5 and Toko dams.

Independent inspections of dam integrity are reportedly undertaken at regular intervals although these were not available for review during the site visit. There should be an emergency response plan in the event of dam failure/seismic events.

#### 3.8.7.2 Waste Rock Disposal

Waste rock from underground is being stockpiled at various locations around the site. This practice produces areas that are not greatly different from the typical caldera landform. There is no evidence of acid generation from the waste rock although waste rock analyses were not available to view during the site visit. The waste rock is basalt or andesite, neither contains noticeable sulphides. Wall rock alteration is small and is usually recovered as dilution within the faces, there should therefore be limited acid generating potential. There are no plans for rehabilitation of waste rock dumps.

### 3.8.8 Hazardous Materials

Cyanide is transported to the site by truck and stored in a secure, bunded area with an emergency pond. No information was provided on the construction of the pond and its potential for contamination of underlying soil and groundwater. The levels of cyanide leaving the process are reduced by passing through the $SO_2$-rich off-gas from the roaster. Some spills of solutions high in cyanide have occurred in the past and have resulted in fish kills. A risk assessment of transport, storage, handling and disposal of cyanide should be undertaken to avoid any further incidents and to ensure safety.

Explosives are brought to the site and are also made at the site by mixing nitrates with diesel. They are stored in a secure location underground and the mine has a permit for their storage and use.

An investigation was undertaken in 1996 by SwitchTech that found no PCBs in transformer oils. According to site staff an asbestos survey concluded that there is no asbestos present at the site. This survey was not available for review and consequently we are unable to comment on asbestos.

No radioactive materials are used on site.

### 3.8.9 Waste Disposal

The mine has its own landfill site on its freehold land. Most site wastes are disposed of here although industrial waste is first taken to a salvage yard to be sorted for reuse, sale or disposal. Items that are sold generate about US$35,000 per annum while items that are reused are estimate to save about US$36,000 per annum. The remaining waste is taken to landfill. Municipal waste from Tavua is also disposed of at this landfill site.

Waste oil is collected from all areas of the site where it is used and is stored in tanks at the salvage yard. The oil supplier removes this oil from the tanks when necessary. A target has been set to recover 35% of all waste oil generated on site, which is the Australian industry average.

Sewage is collected in septic tanks across the site, which are emptied at the landfill site.

No information was available regarding the construction of the landfill or its potential to contaminate underlying soil and groundwater.

### 3.8.10 Environmental Management

#### 3.8.10.1 Environmental Management Systems

The mine has an Environmental Management System (EMS) and an Environmental Management Plan (EMP). The EMS was established based on ISO 14001 standards and the mine should aim to achieve ISO 14001 accreditation in the future.

The EMP, last updated in 2003, sets out objectives and targets for environmental improvements in a number of areas including:

1) Discharged water quality
2) Hazardous materials handling and storage
3) Oil handling and storage
4) Air quality
5) Noise
6) Land rehabilitation
7) Waste management

8) Continuous review and improvement of the EMS

Progress has generally been made in all of these areas since the EMP was first introduced, although more progress should be achieved over the years to come.

### 3.8.10.2 Community Complaints

In 2000 an Environmental Community Concerns Register (ECCR) was established to manage community complaints regarding the environment. As part of the accompanying procedure the following details should be logged in the register whenever a complaint is received:

1) Nature of the environmental concern or incident.
2) Details of the interested party raising the concern.
3) Date and time of the incident and the date the concern was raised.
4) Mechanism through which the concern was raised.
5) Action taken by the personnel receiving the complaint.

Typically past complaints have related to emissions of $SO_2$ as well as alleged contamination of watercourses.

### 3.8.10.3 General Housekeeping

General housekeeping could be better and should be improved once the mine is fully operational.

Regular inspection and maintenance of bunding is required and all oil or hazardous materials should be stored at least on areas of hard standing where leaks can be contained, but preferably in areas sufficiently bunded with capacity to contain foreseeable leaks or drum/tank failures.

## 3.8.11 Closure Plans

A mine closure plan was created in 2004. Decommissioning and rehabilitation costs were predicted to be in the region of US$2m and will comprise of the removal of the metallurgical plant and removal of contaminated soil. As some of the infrastructure will be required by the township of Vatukoula, such as the power station, roads and water supply, decommissioning of these items may not be necessary.

The buildings and infrastructure that will be removed include:

1) Administrative buildings and accommodation
2) Shafts, service buildings and processing plant
3) Tanks, pipes and underground services
4) Access roads, bridges and culverts

5) Electrical infrastructure that is not required for possible future operation of the power station
6) Surface equipment and heavy machinery

It will also be necessary to make certain that the former open cut pits are safe. A fence or embankment should be at least 15 m from the excavation unless geotechnical investigations suggest a greater distance is advisable. Clearly visible warning signs should be placed at strategic locations. All surface openings and underground work sites should be backfilled and levelled to match the surrounding topography, or should be capped with concrete.

No. 2 and 3 dams will be surveyed with the drainage of rainfall from the dams established. Placement of tailings at No. 5 and Toko dams will be arranged so as to minimise surface water ponding and to facilitate drainage of these waters after decommissioning through the engineered spillways.

The indicative closure costs in the mine closure plan are broken down in Table 28.

**Table 28: Indicative Closure Costs**

| **Item description** | **Estimated Cost (US$)** |
|---|---|
| *Infrastructure demolition and removal/disposal* | |
| Primary crusher | 150,000 |
| Ball mill | 100,000 |
| Tanks (CIP, thickener, etc) | 80,000 |
| Conveyors | 50,000 |
| Power poles/lines | 30,000 |
| Poly pipe | 90,000 |
| Fuel storage tanks | 15,000 |
| Elution circuit | 30,000 |
| Gold room | 30,000 |
| Water storage tanks | 3,000 |
| Cyclone mesh fence | 10,000 |
| Light industrial buildings | 500,000 |
| Heavy industrial buildings | 500,000 |
| Shafts | 240,000 |
| *Rehabilitation costs* | |
| Earthworks (topsoil seeding & ripping) | 260,000 |
| **Total** | 2,088,000 |

However, we believe that the estimate of rehabilitation costs is too low. Our own estimate of rehabilitation costs for No. 5, Toko and No. 7 dams, based on South African costs for similar facilities (i.e. dams that do not contain acid generating materials), are calculated at US$1.86 million (ca. 150 ha @ US$12,400 per ha).

Typically a contingency is adopted in estimating these costs to account for any uncertainty of the work that may be required at closure. A 10% contingency has been allowed for in the estimate of closure costs (see Table 28).

### 3.8.12 Equator Principles

The Equator Principles relate mainly to requirements for actions prior to financial close. Those which relate to operation of a project comprise:

- *Compliance with World Bank standards* - The quality of decant water from the tailings dams has been in exceedance of World Bank standards, methods to help reduce pollutant concentrations are suggested above. Ambient concentrations of $SO_2$ are well in excess of World Bank standards. The potential methods of reducing $SO_2$ emissions from the roaster stack are being investigated.
- *An Action Plan and Management System, the requirements of which should be covered by an EMS*. – The mine has an EMS, designed to ISO 14001 standards, and an EMP. It should aim to achieve ISO 14001 accreditation for the EMS.
- *A grievance mechanism* - A formal grievance mechanism is in place.
- *To provide periodic reports documenting compliance with EMS and relevant limits etc* – the MRD takes quarterly water quality samples in cooperation with the mine.
- *To ensure ongoing monitoring and reporting, through the appointment of an independent environmental and/or social expert to verify its monitoring* – the MRD's quarterly monitoring can be considered as independent expert monitoring.
- *To decommission the facility in accordance with an agreed decommissioning plan* – a mine closure plan has been prepared.

Except for concentrations of copper and arsenic in decant water and emissions of $SO_2$ (and possibly arsenic) from the roaster stack, the mine conforms with the Equator Principles.

### 3.8.13 Risks and Liabilities

As the mine has been absolved of any responsibility for any breaches of the Mining Act pre-2007 there are no risks associated with liabilities arising from past environmental incidents.

Future environmental liabilities may be largely dictated by the planned Environmental Management Act. The most significant costs that are currently required/advisable are detailed in Table 29.

**Table 29: Environmental Improvements and Closure Costs**

| Improvement/Requirement | Cost (US$) | Timing |
|---|---|---|
| Abatement of emissions of $SO_2$ from roaster stack.<br>Options include gas scrubbing, sulphur recovery, relocating the stack or reheating of off-gas. | Subject to further study – as a rough estimate the cost of scrubbing or sulphur recovery could be between US$1-2 million per annum (including capital costs) | Year 1 |

| | | |
|---|---|---|
| Abatement of noise emissions from power station.<br>Most likely solution is the installation of a 3 m high noise absorbing wall. | 50,000 | Year 1 |
| Mine closure/decommissioning costs.<br>- Infrastructure demolition and removal/disposal (+ 10% contingency)<br>- Rehabilitation costs | 2,010,800<br><br>1,860,000 | At mine closure |
| Site investigation to determine the current contaminative status of the site | 150,000 | Year 1 |

## 3.9 VATUKOULA GOLD MINE ECONOMICS

### 3.9.1 Introduction

The review is based on the financial models provided by the client and the reviews done by Clayton Reeves, Michael Anthony, Nerys Walters and Dexter Ferreira.

The scope of this section is focussed on a review of the business plan developed by the mine. An exchange rate of F$1.54/US$ was used in converting Figures provided by the mine in F$ to US$. In addition the following assumptions were made in relation to the business model.

- No tax concessions stipulated in the 10th August Deed have been utilised in the model
- The agreed rehabilitation payments to the government stipulated in the Deed are made
- The scheme of arrangement of the creditors is paid in equal instalments by December 2008
- The FIRCA tax liability is repaid from revenues generated as per the 21 February 2008 agreement.
- The potential liabilities associated with employee claims have been expensed in the last quarter of 2008.
- Income tax of 35% is only incurred in 2015 and 2016, as management believe there is sufficient losses carried forward.

### 3.9.2 Revenue Assumptions

A gold price of US$750/oz has been used in the business plan.

### 3.9.3 Costs

#### 3.9.3.1 Historical Plant Costs

The process plant costs (US$/t treated and US$/oz Au recovered respectively) are recorded in Appendix D and are summarised in the following Table 30.

**Table 30: Summary of the Process Plant Costs (US$/t Treated and US$/oz Au Recovered Respectively)**

| | 2002/03 | 2003/04 | 2004/05 | 2005/06 | Ave |
|---|---|---|---|---|---|
| **Plant Costs per tonne of ore treated (US$/t)** | 19.32 | 18.24 | 19.77 | 26.16 | 20.87 |
| **Plant Costs per ounce of gold produced (US$/oz)** | 88.93 | 86.65 | 92.75 | 140.84 | 100.72 |

Costs for the year 2005/06 were impacted adversely by a major maintenance undertaken at the end of that year.

The cost split between variable and fixed averaged for the last three full year's operation is shown in Table 31.

**Table 31: Cost Split Between Variable and Fixed Averaged for the Last Three Full Year's Operation**

| | US$M | % |
|---|---|---|
| **Variable costs** | 5.46 | 54.3 |
| **Fixed costs** | 4.47 | 45.7 |

The variable costs comprise reagents, other process supplies and power.

The distribution of costs by the main unit items for the same period is summarised in Table 32.

**Table 32: Distribution of Costs by the Main Unit Items for the Same Period**

| | US$M | % |
|---|---|---|
| Power | 3.18 | 32.0 |
| Labour | 0.99 | 9.9 |
| Engineering | 2.61 | 26.3 |
| Reagents | 1.63 | 16.4 |
| Other | 1.52 | 15.3 |
| Total | 9.93 | 100.0 |

As indicated, the highest cost is for power, representing a total annual plant consumption of around 19 MkWh.

Power costs distribution by plant area for the last year of operation is shown in Appendix D11 and is summarised in Table 33below.

**Table 33: Power Costs Distribution by Plant Area for the Last Year of Operation**

| Plant Area | % of Total Mill Power Cost |
|---|---|
| Morgardshammer mill | 18.8 |
| Smidth mill | 17.2 |
| Agitation/thickening | 13.7 |
| CIP Adsorption | 13.5 |
| Slimes flotation | 11.7 |
| Roaster | 10.6 |
| Residue disposal | 6.3 |
| Smith shaft crusher | 4.8 |

| | |
|---|---|
| CIP Desorption | 3.5 |
| Total | 100.0 |

Engineering is the second highest cost. An analysis of the last full normal year (2004/05) is shown in Appendix D9. The five plant areas with the highest maintenance load are shown in Table 34:

**Table 34: Five Plant Areas with the Highest Maintenance**

| Plant | % of Maintenance Budget |
|---|---|
| Roaster | 8.7 |
| Residue pump/pipeline | 8.4 |
| Crushers | 7.0 |
| Crusher ancillaries | 5.7 |
| Elution plant | 5.3 |

The reagents added and their approximate consumption/tonne of ore are shown in Table 35.

**Table 35: Reagents Added and their Approximate Consumption/Tonne of Ore**

| Reagent | Kg/t Ore |
|---|---|
| Xanthates | 0.11 |
| Frothers | 0.09 |
| Soda ash | 2.70 |
| Lime | 4.40 |
| NaCN | 1.02 |
| Flocculent | 0.08 |
| Zinc dust | 0.04 |
| Lead nitrate | 0.02 |
| HCl | 0.23 |
| $H_2SO_4$ | 0.04 |

The main reagent costs are S (29.0% of the total reagent cost) and NaCN (22.5%).

An analysis of total plant operating costs for the last three full years by plant area is shown in Appendix D8.

The five plant areas with the highest costs are shown in Table 36.

**Table 36: Five Plant Areas with the Highest Costs**

| Plant Area | % of Process Operating Cost |
|---|---|
| Morgardshammer Mill | 12.7 |
| Roaster | 11.1 |
| Agitation/thickening | 9.4 |
| CIP adsorption | 9.3 |
| Smith shaft crusher | 9.2 |

### 3.9.3.2 Planned Re-Start Plant Costs

A mine re-start plan was presented at the conclusion of the visit. The name of the spreadsheet is attached as Appendix B11. This mine re-start plan has been updated

since the visit. The name of the updated spreadsheet is attached as Appendix B12. Both of these spreadsheet files can be supplied on demand.

The plan involves treatment of underground ore commencing in November 2007 with a 2007/08 (year 1) throughput of 129 kt, rising to 525 kt/a from year 2. The average grade of the ore over the 9 years is 7.80g/t Au and the planned recovery 88%.

58.5 kt of low grade (recovered grade 0.8 g/t Au) stockpiled ore is planned to be treated between January 2008 and January 2009.

From May 2008 until August 2008, it is also planned to treat 84 kt of low grade tailings with a recoverable grade of 0.53 g/t Au.

The plan and total mill costs are summarised in Table 37.

**Table 37: Summary of the Plant and Total Mill Costs**

| Profit & Loss Statement | Total | Total | Total | Total | Total | Total | Total | Total | Total |
|---|---|---|---|---|---|---|---|---|---|
| | 2007/2008 | 2008/2009 | 2009/2010 | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
| U/G Tonnes Treated | 129,419 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 | 524,831 |
| Delivered Grade-Mining | 7.23 | 7.42 | 7.82 | 7.90 | 7.87 | 7.92 | 7.85 | 7.92 | 7.85 |
| U/G Gold Produced - Oz's | 26,480 | 110,225 | 116,118 | 117,306 | 116,860 | 117,603 | 116,563 | 117,603 | 116,563 |
| Stockpile tonnes Treated | 15,469 | 37,898 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recovered Grade | 0.8 | 0.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gold Produced - Oz's | 398 | 975 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tailings tonne Treated | 42,000 | 42,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tailings Recovered Grade | 0.53 | 0.53 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tailings Gold Produced - Oz's | 716 | 716 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mill Clean Up Gold Produced - Oz's | 800 | | | | | | | | |
| Gold Shipped - Oz's | 28,394 | 111,916 | 116,118 | 117,306 | 116,860 | 117,603 | 116,563 | 117,603 | 116,563 |
| Gold Price - US$/Oz | 900 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 |
| Cash Cost per Oz Shipped - US$/Oz | 852.43 | 667.72 | 679.17 | 673.42 | 676.57 | 672.74 | 677.95 | 672.74 | 677.95 |
| Total Cost per Oz Shipped - US$/Oz | 1,060.32 | 833.44 | 845.39 | 839.22 | 842.59 | 838.55 | 844.05 | 838.55 | 844.05 |

Only limited mill data is provided until the end of year 2.

A capital requirement of US$ 0.85 M is required for mill refurbishment.

The proposed mill staffing has not yet been provided.

### 3.9.3.3 Historical Mining Costs

The mining costs are summarised in Table 38 below.

**Table 38: Total Mining Costs (US$)**

| | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|---|---|---|---|---|
| Total Cost per Tonne Delivered | 66.95 | 61.10 | 75.40 | 110.50 |
| Total Fixed Cost per Tonne Delivered | 48.75 | 44.85 | 55.25 | 86.45 |
| Total Variable Cost per Tonne Delivered | 18.20 | 16.25 | 20.15 | 24.05 |

Costs for the year 2005/06 were impacted adversely by a gradual reduction in ore produced, without a reduction in fixed costs. See Table 39 for the fixed costs over the same period.

**Table 39: Fixed and Variable Mining Cost Split (Rounded)**

| | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|---|---|---|---|---|
| Variable Costs (US$M) | 9.75 | 9.10 | 10.40 | 8.45 |
| Fixed Costs (US$M) | 26 | 26 | 29.25 | 29.90 |

Figure 13 reflects the sharp decrease in Tonnage recorded during 2005/06.


**Figure 13: 2005/06 Ore Production**

The average distribution of costs by the main fixed cost units for the period 2002-2006 is summarised in Table 40.

**Table 40: Average Fixed Cost Split**

| Fixed Cost Units | US$M | US$/t |
|---|---|---|
| Labour | 8.45 | 16.90 |
| Engineering | 7.80 | 16.25 |
| Other Mining Costs | 11.70 | 23.40 |

Power costs are by far the largest component at around US$7m per annum. The split between the other costs is reflected in Table 41.

**Table 41: Other Mining Costs Split (Rounded to nearest 100 000)**

| Other Mining Cost Units | US$M |
|---|---|
| Diamond Drilling | 0.39 |
| Geology | 0.72 |

| | |
|---|---|
| Survey | 0.13 |
| Environmental | 0.46 |
| Power | 7.09 |
| Compressed Air | 2.15 |
| Water | 0.20 |
| Safety and Training | 0.26 |
| Consultants | 0 |
| Other Non Variable | 0.07 |

#### 3.9.3.4 Planned Re-Start Mining Costs

The mining costs planned for the year ending June 09 are reflected in Table 42. An overall reduction in cost is planned over this 3 year period.

**Table 42: Planned Mining Operating Costs (US$/t delivered)**

| | 2004/05 | 2009 | Increase (%) |
|---|---|---|---|
| Total Cost | 74.75 | 63.62 | (15) |
| Total Fixed Cost | 55.25 | 35.27 | (36) |
| Total Variable Cost | 20.15 | 28.35 | 41 |

The planned fixed cost budget for 2008/09 is compared to the actual costs of 2004/05 in Table 43.

**Table 43: 2009 Forecast and 2005 Actual Fixed Costs Compared (US$/t delivered)**

| | 2004/05 | 2009 (budget) | Increase (%) |
|---|---|---|---|
| Labour | 16.25 | 12.84 | (21) |
| Engineering | 16.25 | 4.14 | (75) |
| Other Mining Costs | 22.75 | 18.29 | (20) |

A reduction of 75% in engineering costs is being planned for the mine over the next 7 years on average. A great deal of this engineering cost reduction is said to be due to :

- the reduction in engineering labour as a result of multi skilling of plant and mine labour
- The use of contractors in the plant and mine has been stopped and focus is now on repairing and not replacing equipment.
- Heavy machines to be used underground have been reduced due to the procurement of new underground radio systems and better planning (increased efficiencies are planned).

### 3.9.4 Discussion

#### 3.9.4.1 Plant

***Underground Ore***

Historical performance indicates that the treatment of the tonnages of underground ore proposed will be well within the capacity of the process plant. The grade is also similar to that of ore previously treated.

Based on historical costs, the total mill cost will be US$20.87/t ore (US$100.75/oz Au recovered), although these costs relate to an average throughput of 563 kt/a, as opposed to the 525 kt/a proposed from year 3 and much lower from the re-start.

Using a variable: fixed cost ratio of 54.3:45.7 and a total process cost of US$11.7M, the costs of treating underground ore during the early years may be calculated as:

- Year 1 Fixed US$5.33 M + variable US$1.69 M = US$7.02 M = (US$56.62/t ore).

- Year 2 Fixed US$5.33 M + variable US$4.81 M = US$10.14M = (US$28.28/t ore).

This compares with the numbers in the plan of US$4.1 M (F$6.3 M) and US$8.19 M (F$12.6 M) respectively (from Appendix B11 spreadsheet “mill”).

The total cost planned for year 2 appears less than those calculated by the extrapolation of previous data for the underground ore only.

Other concerns with respect to the potential operating costs for the future plan are:

- The further ageing of a plant with an already high maintenance cost.

- The higher costs which were experienced during the last operating quarter in 2006 – actual costs US$26.65/t milled for an equivalent annual production of 320 kt/a ore.

- The unit cost of treatment in the early years needs re-examination.

A provisional capital cost of US$0.85 M has been provided for mill refurbishment.

***Stockpiled Ore***

The economics of processing the 58,530t of stockpiled ore are open to question.

At a gold price of US$700/oz, the monthly value of the 1,506 oz recovered would be US$1.054M. For 58,530 t of ore, this represents a value of US$18/t processed. This is less than the historical costs borne by the underground ore US$20.87/t ore. The historical variable element is US$10.86/t. Thus it can be argued that a contribution of US$7.80/t milled will be obtained.

If the ore is not subjected to flotation, but leached only, the costs will be reduced, but only by elimination of flotation and roasting costs.

The throughput of this ore represents on an annualised basis a throughput rate of some 45 kt/a on average and 77 kt/a at peak, so the material can be accommodated within the capacity of the plant.

***Tailings***

The economics of re-processing 3Mt of tailings are also open to question.

By the same logic, at a gold price of US$700/oz, the monthly value of the 700 oz recovered would be US$490,000. For 41,000 t of ore, this represents a value of US$11.95/t processed. Based on historical costs and assuming the fixed costs are borne by the underground ore, at a total cost of US$20.87/t ore, the variable element is US$10.86/t. The author estimates that this would reduce to around US$8.45/t, taking into account the costs not incurred – crushing, grinding and roasting. The contribution element will be US$3.90/t milled.

Tailings treatment dictates an additional 42,000 t/a to enter the residue leach circuit for the first two years only. This volume could be handled with increased cost.

Considering the capital requirement to arrange the plant to receive tailings (not known), the increased pressure on operations, the higher cost of operations and the need to advance new tailings capacity and its cost, together with the potential lower recovery from the main circuit that would arise, the economics of undertaking in particular tailings re-treatment, and certainly at this scale, must be carefully evaluated.

#### 3.9.4.2 Mining

The project's capital cost forecasts allow for development of operations to bring new production on line.

The reduced engineering budget appears very low at US$4.14/t compared to F$16.25/t spent during 2005. Even when one takes into account the planned efficiency improvements described above, planning for a 75% reduction seems optimistic.

### 3.9.5 Conclusions

- Process costs are likely to increase from the recent historical level of US$20.87/t ore milled. This is predicated both by the higher costs from the later mill operations and by the inevitable increase in maintenance costs of a plant containing much old equipment.
- The condition of the plant and current management and staffing levels are such that three months will be required to have the plants ready for normal operations. A capital cost of approaching US$1 M may be necessary to achieve this if the plant is to be refurbished to a reasonable standard
- The economics of enacting the low grade ore and, in particular, tailings re-treatment as currently form part of the development plan, do not appear robust. It is strongly recommended that these be revisited and proven to be viable before they are enacted. There is some evidence that heap leaching may be an option for treatment of low-grade ore and tailings, although this needs to be validated. Undertaking underground ore treatment only will allow for throughput to be comfortably achieved at optimum technical performance.
- The achievability of the planned efficiency improvements on the mine needs to be evaluated carefully.
- Never the less the production, revenue and cost assumptions provide a reasonable basis on which River Diamonds can operate the mine.

### 3.9.6 Discounted Cash Flow

A discounted cash flow and net present value (at an effective date of October 2007) is provided in Table 44. This cash flow forecast is based on the plan and cost forecast provided by the mine.

**Table 44: Discounted Cash Flow**

| Year | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|
| Project Year | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| **Gold Price (US$/oz)** | | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 | 750.00 |
| *Gross Income (US$ 000's)* | | | | | | | | | | |
| Gold Production (Ounces) 000's | | 28.394 | 111.916 | 116.118 | 117.306 | 116.860 | 117.603 | 116.563 | 117.603 | 116.563 |
| Gold Revenues | | 21.295 | 83.937 | 87.088 | 87.979 | 87.645 | 88.202 | 87.423 | 88.202 | 87.423 |
| Gold Tax and Export Tax | 6% | (1.278) | (5.036) | (5.225) | (5.279) | (5.259) | (5.292) | (5.245) | (5.292) | (5.245) |
| FIRCA tax repayment | | (6.357) | (0.844) | - | - | - | - | - | - | - |
| **Gross Income (US$ million)** | | **13.660** | **78.057** | **81.863** | **82.701** | **82.387** | **82.910** | **82.177** | **82.910** | **82.177** |
| *Net Income (US$ million)* | | | | | | | | | | |
| Operating Costs | | (16.083) | (49.154) | (51.101) | (51.127) | (51.199) | (51.199) | (51.186) | (51.199) | (51.186) |
| 10th August Deed Payments | | (1.463) | (0.975) | (0.975) | (0.488) | - | - | - | - | - |
| Scheme of Arrangment Payments | | (2.821) | (1.439) | - | - | - | - | - | - | - |
| Capital Expenditure | | (5.824) | (7.348) | (7.751) | (6.203) | (8.250) | (8.250) | (7.649) | (8.250) | (7.649) |
| **EBITA (US$ million)** | | **(12.530)** | **19.141** | **22.035** | **24.883** | **22.937** | **23.461** | **23.343** | **23.461** | **23.343** |
| Tax | 35% | - | - | - | - | - | - | - | (8.211) | (8.170) |
| Net Income after Tax | **153.692** | (12.530) | 19.141 | 22.035 | 24.883 | 22.937 | 23.461 | 23.343 | 15.250 | 15.173 |
| **DCF NPV calculation (US$ million)** | | | | | | | | | | |
| DCF Rate | 10.0% | | 0.909 | 0.826 | 0.751 | 0.683 | 0.621 | 0.564 | 0.513 | 0.467 |
| Net Cash Flow PV | **100.090** | (12.530) | 17.401 | 18.211 | 18.695 | 15.667 | 14.567 | 13.176 | 7.825 | 7.078 |
| **DCF NPV** | **US$ million** | **100.090** | | | | | | | | |
| | **IRR** | **163.93%** | | | | | | | | |

Assuming a 10% discount rate and a gold price of $750/oz in the plan, the NPV estimate is US$100 million. Sensitivities to both gold price and discount rate provide the following NPV estimates.

**Table 45: Gold Price and Discount Rate Sensitivity**

| US$ millions | | Gold Price US$/oz | | |
|---|---|---|---|---|
| | | 750 | 850 | 950 |
| Discount Rate | 8% | US$ 108.5 | US$ 169.5 | US$ 230.6 |
| | 10% | US$ 100.1 | US$ 157.2 | US$ 214.3 |
| | 12% | US$ 92.6 | US$ 146.1 | US$ 199.6 |

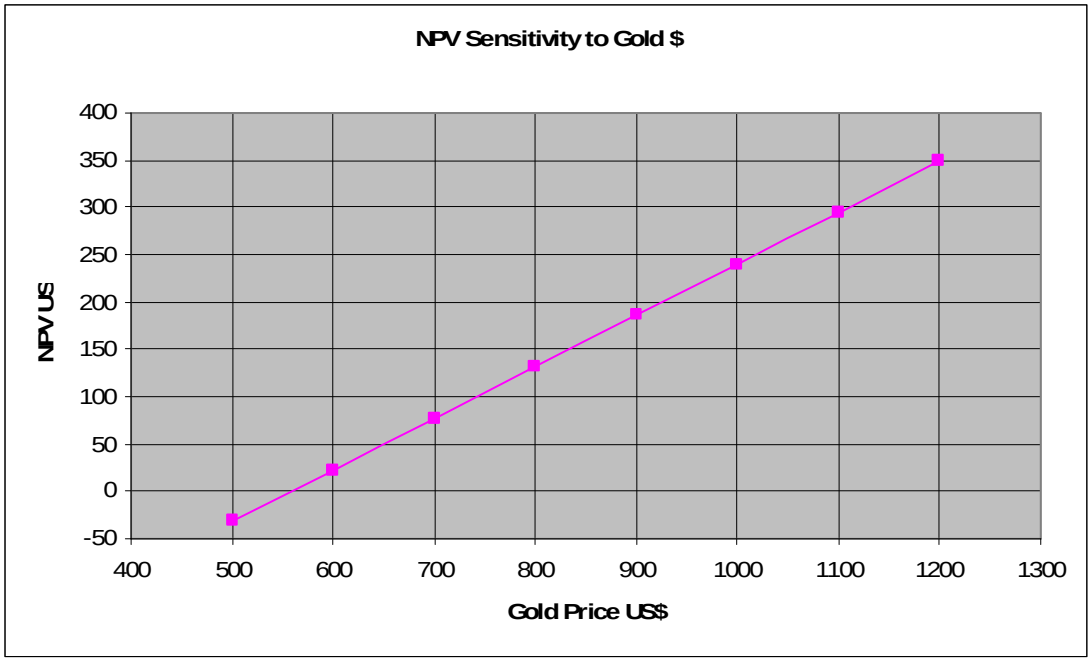



**Table 46: Operating Cost Sensitivity**

| Operating Cost Sensitivity (at US$ 750/oz) | | | | | |
|---|---|---|---|---|---|
| | 80% | 90% | 100% | 110% | 120% |
| NPV (US$ Million) | 154 | 127 | 100 | 73 | 46 |
| IRR (%) | 321% | 231% | 164% | 112% | 71% |

# 4. SIERRA LEONE

## 4.1 INTRODUCTION

At the request of the directors of River Diamonds, CSACI has prepared the following Competent Person's Report on the Panguma prospect in east central Sierra Leone being explored by River Diamonds for kimberlite-hosted diamonds.

**Since CSA's site visit to the Panguma prospect in Sierra Leone, the exploration licence for the prospect has expired (on 1 March 2008). An application for an extension of the licence for one year has been submitted and the outcome is being awaited. At the request of the directors of River Diamonds, CSA has included information in this report on the Panguma prospect for illustrative purposes.**

The project area, located in eastern Sierra Leone, encompasses several diamond-bearing kimberlite dykes and fissures, many of them representing extensions of the established Tongo diamond field adjoining the Panguma area to the northeast.

In compiling The CSACI Report, the author visited Sierra Leone from 25th to 29th September 2007 and spent two days in the project area with River Diamonds project personnel, examining target areas in the field, viewing drill core and reviewing the results of exploration work completed by River Diamonds. Data supplied by River Diamonds included a summary report of work completed on the project to date, drill logs, information on the collection and washing of a series of mini-bulk samples, as well as a soil sampling programme. Accurate survey plans were not available at the time of the site visit to show the location of the known dykes and fissures, mini-bulk sample locations, soil sample locations and precise drill hole locations and directions. In their absence, reliance was placed on hand-drawn sketches. Surveying work was completed subsequent to the site visit and data forwarded to CSACI by River Diamonds. While documentation relating to ownership of the Panguma Exploration Licence was examined, full legal due diligence was not carried out.

The field inspection included viewing of drill hole locations at Pandobu and drill core at the Panguma base, as well as several mini-bulk sample locations and soil sample lines at the Telama and Lalehun target areas. Sampling methodology and procedures were reviewed with River Diamonds staff. Information on diamond content of the mini-bulk samples was available from a programme of washing and diamond counting/weighing carried out, however no laboratory data was available at the time of the visit for drill core samples, mini-bulk sample concentrates and soil samples.

## 4.2 SIERRA LEONE

### 4.2.1 Recent History and Political Status

Since gaining independence from Britain in 1961, Sierra Leone has had a chequered history. Periods of democratic government have been punctuated by military coups - the first in 1967 and the most recent in 1997. The country experienced a brutal rebellion that started in 1991 and ended in 2002, following British and UN intervention. The rebellion caused great damage to the country's human, infrastructural and economic resources. Traditionally the economy is dominated by

subsistence agriculture and artisanal mining, jointly responsible for engaging over 75% of the workforce prior to 1991 when the war broke out. The war impacted severely on the mining sector but, since the cessation of rebel activity and re-establishment of government control in early 2002, the mining industry has been targeted by the Sierra Leonean government as a priority for re-development. A concerted effort has been made through capacity building and institutional reform to enhance the country's attractiveness to investors and increase foreign direct investment.

Parliamentary democracy was restored in 2002 and a new round of presidential and parliamentary elections took place in August/September 2007. The elections were declared to be open and fair by international observers and a largely peaceful transition of power has taken place to the main opposition party. As there are no major ideological differences between the main political parties, business interests do not anticipate any significant policy shifts arising from the elections.

The local government system is based on chieftaincies and patrilineal descent. A good working relationship at local level is important for the smooth running of exploration and mining projects.

### 4.2.2 Topography, Climate and Infrastructure

Sierra Leone is a country of some 71,600km$^2$ in size, situated on the west coast of Africa, with a coastline of almost 400km. The country shares its north and north-eastern border with the Republic of Guinea, and its south-eastern border with Liberia. Sierra Leone possesses a tropical and humid climate, with a clearly defined rainy season. Annual rainfall averages about 380cm in the capital Freetown, decreasing inland to about 200cm in the north of the country. Most of the rain falls between July and September. Much of the country is covered with dense secondary forest or bush, which has been cleared in many places for local subsistence agriculture. Over large areas the land surface comprises residual laterite, or detrital material. Broadly speaking, the western half of Sierra Leone comprises a large plain, while the eastern half consists of a number of elevated plateaux and mountain ranges generally lying between 300m and 600m above sea level, rising to a maximum height of 1,950m. Most of the rivers descend from the plateau to the coastal plain in a series of rapids and waterfalls.

Access to the interior from Freetown is by a combination of paved and dirt roads, Grid electricity is scarce and unreliable in Freetown and unavailable in most of the remainder of the country. New hydroelectric schemes are being developed to help address the electricity deficit. Communications have improved significantly in the last few years, with the mobile phone network being regularly extended. Coverage now reaches most population centres and main roads.

The estimated population of Sierra Leone in 2001 was 5.43 million with a high annual population growth rate of 3.6%. Freetown, the capital, is the largest city. Major towns include Kenema, Bo and Makeni.

## 4.3 REGIONAL GEOLOGICAL SETTING AND MINERALISATION

Most of the country is underlain by rocks of Precambrian age (Archaean and Proterozoic) with a coastal strip about 50km in width comprising marine and

estuarine sediments of Tertiary and Quaternary to Recent age (Figure 14). The Precambrian (mainly Archaean) underlies about 75 percent of the country and typically comprises granite-greenstone terrain. It represents parts of an ancient continental nucleus located on the edge of the West African Craton. The Archaean basement can be subdivided into:-

- infracrustal rocks (gneisses and granitoids with metamorphic inclusions);
- supracrustal rocks (containing greenstone belts);
- basic and ultrabasic igneous intrusions.

The infracrustal gneisses and granitoids were formed and reworked during two major orogenic cycles, an older Leonean episode (~ 2,950-3,200Ma) and a younger Liberian episode (~ 2700Ma). The granitoids represent the host unit for the later diamond-bearing kimberlite intrusions, believed to be of Cretaceous age. The supracrustal greenstone belts, comprising mainly gneisses and schists, are known to contain gold, and rivers and streams draining these areas can also carry alluvial gold. The basic and ultrabasic intrusive are seen primarily on the coast of the Freetown peninsula. Dolerite intrusions are common as dykes trending mainly east-west or northwest-southeast within the basement complex, and as extensive sills. Tertiary and more recent weathering has led to lateritisation across a large part of Sierra Leone, affecting mainly the greenstone belts and the extensive dolerite intrusions

Diamondiferous kimberlite dykes and pipes, generally trending 070° - 074°, occur in the east of the country, notably at Koidu and Tongo/Panguma, and new discoveries of narrow northwest-trending dykes are reported from the north, west and east of the country. Erosion of diamondiferous kimberlites during various phases of uplift resulted in the transportation and deposition of diamonds and other heavy minerals in alluvial deposits along rivers and river terraces over an area of almost 20,000km$^2$ in the east and southeast of the country, representing more than one quarter of the land area of Sierra Leone.

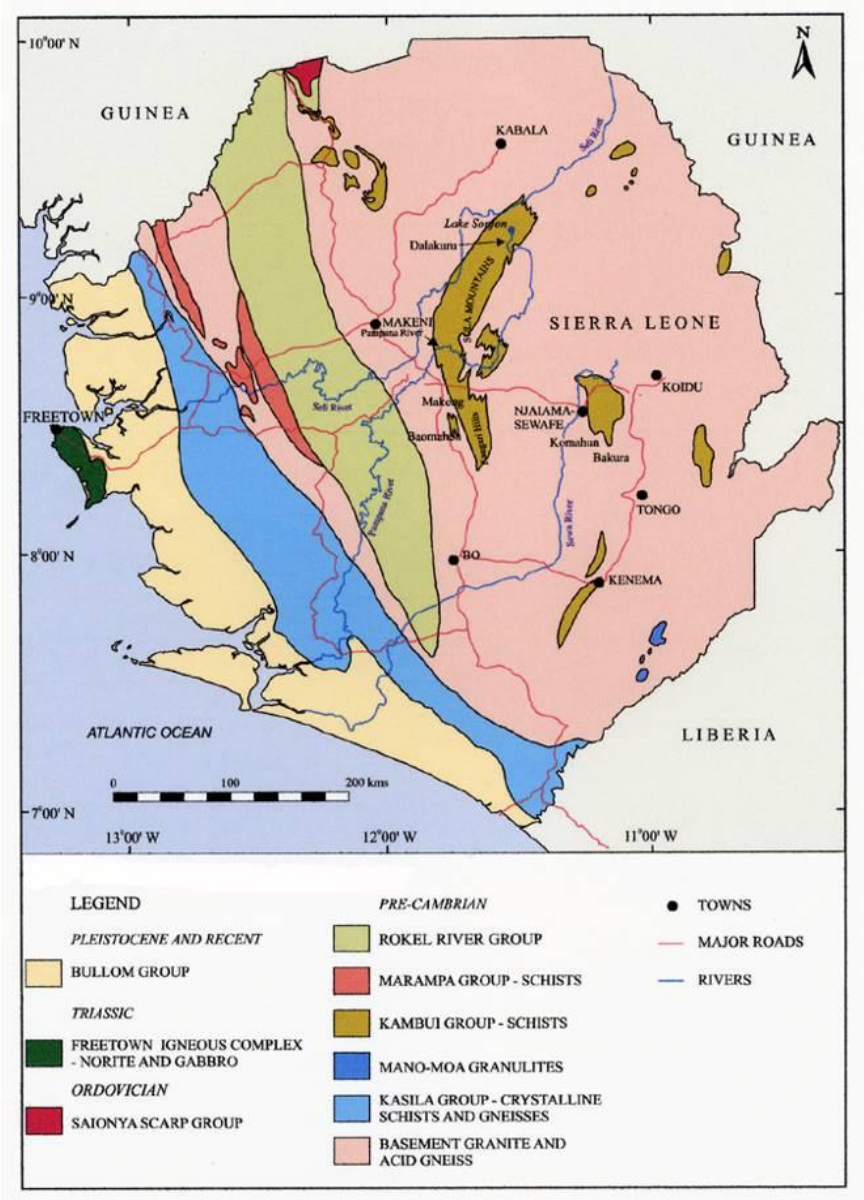



**Figure 14: Geology of Sierra Leone**

### 4.3.1 History of Diamond Exploration and Development in Sierra Leone

Alluvial diamond mining remains the major source of Sierra Leone's hard currency earnings accounting for nearly half of the country's exports. Sierra Leone is renowned for the quality of its diamonds and for the recovery of some spectacularly large stones of very high value from its alluvial deposits. The largest ever, discovered in February 1972 at the No.11 Plant in Kono, was the 969.8 ct 'Star of Sierra Leone'. In 1996, two stones weighing 188cts and 283cts, were recovered from an unspecified location and sold. Recently, in 2006, a diamond weighing 152.42cts was discovered east of Koidu in eastern Sierra Leone.

Sierra Leone's established diamond fields are concentrated in Kono (Koidu), Kenema and Bo Districts and are mainly situated in the drainage areas of the Sewa, Bafi, Woa, Mano and Moa Rivers. Alluvial diamond concentrations occur in river-channel gravels, flood-plain gravels, terrace gravels and in gravel residues in soils and swamps. The proliferation of artisanal mining activity in many areas since 1956 severely depleted diamond resources, but large areas of gravel still remain intact

because they have a thick overburden cover and are too deeply buried for manual operations.

Alluvial diamond mining by Sierra Leone Selection Trust (SLST) commenced in the Kono area in 1932 and in the Tongo area in 1956. In 1970 the government acquired a 51 percent interest in SLST's assets through the National Diamond Mining Company (NDMC). Peak annual output of these two fields of over 1Mct was achieved in the late 1960s and early 1970s, output declining thereafter to less than 100,000cts by 1985. Artisanal mining (legal and illegal) also accounted for a significant output in these areas. By 1997, diamond recovery was seriously disrupted by rebel activity, with most of the diamondiferous areas being overrun. Since January 2002 the Government has re-established control of the diamond-producing areas and rebel activity has ceased, as represented in Table 47. Alluvial mining for diamonds recommenced in a number of areas, led by licensed and unlicensed artisanal workers and an increasing number of local and international mining companies.

**Table 47: Sierra Leone Official Diamond Exports**
(Source: Sierra Leone Ministry of Mineral Resources)

| Year | Carats | $/ct |
|---|---|---|
| 1992 | 331,800 | 94 |
| 1993 | 157,997 | 128 |
| 1994 | 255,108 | 118 |
| 1995 | 213,776 | 103 |
| 1996 | 270,452 | 105 |
| 1997 | 114,439 | 103 |
| 1998 | 15,818 | 113 |
| 1999 | 9,320 | 134 |
| 2000 | 77,372 | 130 |
| 2001 | 222,520 | 117 |
| 2002 | 351,859 | 119 |
| 2003 | 506,723 | 150 |
| 2004 | 691,757 | 183 |
| 2005 | 668,709 | 212 |
| 2006* | 572,332 | 208 |

*As of 12/12/2006

Kimberlites, the primary source of diamonds, were first discovered in 1948 in the Koidu area and subsequently at Tongo. These were extensively tested and bulk sampled at the time, with limited mining being carried out. In 2004 Koidu Holdings Ltd commenced hard rock mining on the kimberlite pipes at Koidu. Further significant resources have also been delineated at the Tongo kimberlite field, where exploration is ongoing.

Sierra Leone is a founder member of the Kimberley Process for diamond exports promoted by the United Nations. This process brings together industry, governments and NGO's to provide certificates of origin for diamonds and to regulate exports. Since its introduction Sierra Leone has seen the value of legally mined diamond exports increase substantially (Figure 1), from 506,723ct worth US$76m in 2003 to 668,655ct valued at US$142m in 2005. Smuggling of diamonds still continues at a significantly lower rate than pre-2003 levels, but estimates of the quantities involved vary.

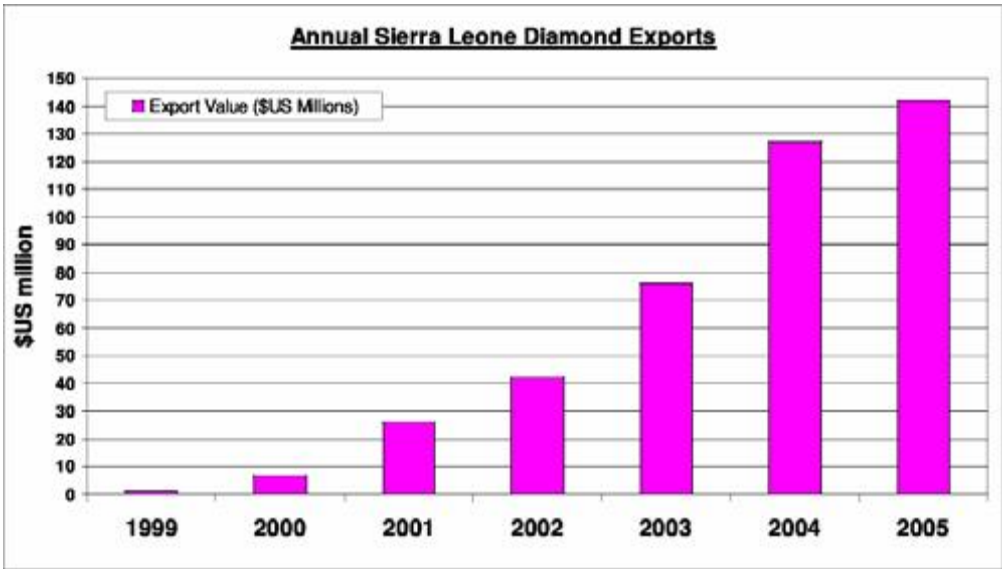



**Figure 15: Annual Sierra Leone Diamond Exports by Value**

### 4.3.2 Current Diamond Mining and Advanced Exploration Projects in Sierra Leone

Sierra Leone is richly endowed with natural resources, including diverse mineral resources. The extensive mineral resource base was recognised by the Geological Survey of Sierra Leone in the 1920s and 1930s and has supported a vibrant mining sector since that time. Particular focus has been on the mining and production of rutile, iron ore, bauxite, diamonds and gold.

Since peace was restored in 2002 there has been a resurgence of interest by foreign investors in mineral exploration, particularly for diamonds and gold. Apart from River Diamonds, other companies currently active in mineral exploration or mining projects in Sierra Leone are BHP-Billiton, Sierra Rutile Ltd, Koidu Holdings Ltd, Sierra Leone Diamond Co., Golden Star Resources Ltd, West African Diamonds Plc, Mano River Resources Inc., Cluff Mining Plc, London Mining Plc, Petra Diamonds Ltd, Target Resources Plc and Afcan Holdings Ltd.

Several hard rock and alluvial diamond projects are in production or at an advanced exploration stage. These include:

- Koidu Holdings Ltd, started hard rock open pit diamond mining on No.1 kimberlite pipe at Koidu (Kono region) in 2004 and, in 2006, produced 80,152ct, having an average value of US$233/ct. The company is currently planning to develop an underground mine on the pipe. Koidu Holdings Ltd also holds a licence over the Tongo diamondiferous kimberlite field. Energem Resources Inc recently agreed the disposal of its 40% interest in Koidu Holdings Limited to BSG Resources Limited for US$18.25 million.
- West African Diamonds Plc (formerly African Diamonds Plc) reported in 2004 the results of trial mining on No.3 kimberlite pipe at Kono, adjoining the KDH property to the northeast. The company recovered 406.7ct from initial mining of 8,875 tonnes of pipe material to a depth of 7.3m. Mapping continued on dyke zones north and south of Pipe 3. No recent results are reported for the project.
- Petra Diamonds has a 51:49 joint venture with Mano River Resources

over the Lion kimberlite dykes, a south-westwards continuation of the Koidu kimberlite dyke system. Shaft sinking is progressing on three dykes, up to 1.7m in width, to a depth of 30m to establish dyke dimensions along strike, prior to planned mining development. Mini bulk samples are reported to have returned average grades of 0.5-0.8ct/t to date. Elsewhere in the licence area, exploration trenching has identified in excess of 17km of dyke extent. A fourth shaft is planned on the Simbakoro dyke where initial sampling yielded 2.3ct of diamonds from 1.6 tonnes of kimberlite.

- Mano River has another joint venture with BHP Billiton on regional diamond exploration in southeast Sierra Leone, including the north-eastern extension of the high grade Tongo kimberlite dyke swarm. Four dykes have been mapped immediately east of the Tongo diamond fields, one of which extends over a distance of at least two kilometres into Mano's licence. Five samples, weighing a total of 1,050kg, collected from three of these kimberlites yielded a total of 31 diamonds weighing 1.96ct.
- Sierra Leone Diamond Company Ltd. has licences covering large parts of Sierra Leone for a range of minerals, but particularly focusing on diamonds. It has commenced production from the Konama alluvial diamond mine near Tefaya on the Bafi River in the north central part of the country. SLDC commissioned the mine in June 2006 aiming to process 2Mt of alluvial gravels per annum. By the end of the 1st Quarter 2007, over 13,000ct diamond recovery was reported, with the most recent batch achieving a price of US$441/ct. SLDC is also exploring for new occurrences of kimberlite-hosted diamonds in various part of Sierra Leone through study of indicator mineral distribution and regional geophysics.
- Target Resources Plc, established in 2006, is planning to develop a number of alluvial diamond prospects in the Kono area.

### 4.3.3 Minerals Legislation

Minerals in Sierra Leone are the property of the state and prospecting, exploration or extraction of any mineral can only be carried out within the terms of licences issued by the government for that purpose. The regulation of the minerals sector is controlled by the Ministry of Mineral Resources ('the Ministry') under the terms of the Mines and Minerals Act, 1996. For investors seeking to explore and/or develop mines there are five types of mineral rights:

- Non-exclusive Prospecting Licence - allows for preliminary reconnaissance prospecting. Such licences can be issued simultaneously to a number of parties, allowing them to explore the same area. The licence is issued for a period of one year and can be extended for further periods of one year, at the discretion of the Director of Mines.
- Exclusive Prospecting Licence – this is a licence that permits reconnaissance exploration, but is restricted to one licence holder only. It is issued for a two-year period, with two possible extensions of one year each.
- Exploration Licence – this exclusive licence allows for more advanced exploration and evaluation, short of actual mining operation. This licence is issued for three years, with two possible renewals for periods of two years each – however the licence must be reduced in area by 50% on each such renewal. Further renewals may be permitted by the Secretary of State in exceptional circumstances.

- Mining Lease – this allows for development of mining operations for a period of up to 25 years, depending on the nature of the planned operation, with further renewals possible.
- Artisanal/Small-Scale Mining Licence – this is restricted to Sierra Leonean nationals or to a corporate entity or joint venture that is incorporated and registered in Sierra Leone. The maximum area of a single artisanal licence is approximately 10 hectares (0.1km$^2$ or approximately 25 acres). The licence is issued for a period of three years, with further two-year extensions possible.

In parallel to the issuing of a Mining Lease by the State, landowner agreement is also required for any mineral production. This is negotiated with the local chiefdom and the agreement typically takes the form of a production sharing arrangement.

Legislation allows for government royalties of 5% on diamond production and a 3% export duty is also levied on diamond exports.

## 4.4 RIVER DIAMONDS PANGUMA PROJECT

### 4.4.1 Project Tenure

Exploration Licence EXPL 1/06 covering the Panguma prospect extends over an area of 54km$^2$. It was issued on 1$^{st}$ March 2006 to Olympus Development Company Limited ('Olympus') for an initial period of two years. On 20$^{th}$ October 2006 the Board of Olympus transferred the Panguma exploration licence to Panguma Diamond Company Limited and this transfer was approved by the Ministry of Mineral Resources of Sierra Leone on 7$^{th}$ December 2006. River Diamonds announced on 25$^{th}$ October 2006 that it had agreed terms with Olympus to purchase the entire issued share capital of Panguma Diamond Company Limited.

**Table 48: Rights Distribution for Panguma Prospect**

| Asset | Holder Mineral Rights | Interest (%) | Status | License Expiry date | License area | Comments |
|---|---|---|---|---|---|---|
| 1.EXPL 1/06 | River Diamonds | 100 | Exploration | 1/03/2008 | 54 KM$^2$ | Target Identification and exploration planning |

CSA understands that River Diamonds has reached an agreement (not viewed by CSA) with the local Panguma chiefdom whereby the chiefdom is entitled to keep for itself 100% of alluvial diamond production from within the Panguma exploration licence, while 100% of any kimberlite production will be retained by River Diamonds.

**Since CSA's site visit to the Panguma prospect in Sierra Leone, the exploration licence for the prospect has expired (on 1 March 2008). An application for an extension of the licence for one year has been submitted and the outcome is being awaited.**

### 4.4.2 Location and Access

The Panguma project area is located in the eastern province of Sierra Leone (Figure 16), centred around the town of Panguma, about 200km due east of the capital, Freetown and 40km north of the provincial capital, Kenema. The area is accessed from Freetown by a mixture of good to poor quality paved and dirt road to near Kenema, and a reasonable quality dirt road from there to Panguma. Driving time from Freetown is about 6-8 hours. Work on upgrading the Freetown-Kenema road is currently in progress and, when fully completed, should reduce the travelling time by 1-2 hours.

Local access within the project area is by moderate to poor quality dirt roads which are usable all year round. A mobile telephone mast has been recently installed in Panguma, giving full mobile coverage within the licence area. Exploration activity can be undertaken throughout the year, other than short periods of very heavy rainfall during the rainy season.


**Figure 16: Panguma Project Location Plan**

### 4.4.3 Local Geology

The Pre-Cambrian country rock of the Panguma region comprises microcline granite, with biotite zones and frequent amphibolite bands.

The dyke rock is described as a greenish-black, porphyritic, micaceous kimberlite. It contains large oval olivine phenocrysts, partly serpentinised, in a matrix of phlogopite mica and carbonate, with a little magnetite. Occasional rounded grains of magnesian ilmenite have been observed. The contact with the country rock is marked by development of dark green fibrous carbonate, frequently displaying slickenside development on its inner surface. The granite country rock adjoining the

dykes is commonly reddened and chloritised, with occasional fine stringers of green carbonate and phlogopite. Within a metre of each dyke there are generally numerous tight fracture planes, parallel to the dyke walls and lined with either carbonate or chlorite. Based on limited evidence, it is concluded that widespread carbonate impregnation of the granite is a characteristic feature of kimberlite emplacement.

### 4.4.4 Diamond Exploration/Mining History

It is worth noting that, prior to the work undertaken by River Diamonds, the Panguma kimberlites have never been commercially explored. The only investigation undertaken was carried out by the Geological Survey in the 1960's. Sierra Leone Selection Trust, which developed many of the alluvial diamond fields in Sierra Leone and also extensively investigated the Koidu and Tongo kimberlites, never held an exploration licence over Panguma. Therefore, comparatively little is known about the kimberlites at Panguma in contrast to those of the other two areas. However, as the Panguma kimberlites are known to be an extension of the Tongo kimberlite system, a summary of information on the Tongo dykes is given below.

#### 4.4.4.1 Tongo Area

Tongo diamonds are among the highest value in the world, with up to 95% being of gem quality compared to world average of 18%. Alluvial diamond production at Tongo is estimated at 15 million carats mined since 1956 – worth US$3.18 billion at the 2005 price of US$212/carat.

Four kimberlite dykes are known, which are generally narrow but high grade. In particular, the Lando dyke is described as 'probably the richest diamondiferous kimberlite dyke in the world' as demonstrated in Table 49. Vertical continuity of the Lando dyke has been demonstrated by drilling to at least 100m depth.

**Table 49: Summary Statistics for Tongo Kimberlite Dykes**

| Dyke | Maximum strike length (km) | Average width (m) | Average grade (ct/t) | Average grade diluted to 1.0m mining width (ct/t) |
|---|---|---|---|---|
| Lando | 6.3 | 0.32 | 2.68 | 0.80 |
| Kundo | 1.8 | 0.30 | 1.50 | 0.42 |
| Johnson's (Tongo) | 1.5 | 0.25 | 1.00 | 0.25 |
| Peyima | 4.8 | 0.25 | 0.87 | 0.20 |

#### 4.4.4.2 Panguma Area

Diamonds were first discovered in the alluvial deposits of the Panguma area in 1956, after the discoveries at Koidu and Tongo. A diamond rush took place that made Panguma one of the main diamond centres in Sierra Leone. Some of the best alluvial production came from the gravels of the Talama swamp – up to 3.82ct/$m^3$.

In the historical reference report 'The Diamond Fields of Sierra Leone' by P.K. Hall, Geological Survey of Sierra Leone, Bulletin No. 5, the kimberlite dykes of the Panguma area are described as part of the Tongo dyke system. Outcropping kimberlite dykes were discovered in 1960 on the slopes above the upper Talama swamp. During 1961 and 1962 a programme of soil sampling, trenching and

kimberlite sampling was undertaken with the object of establishing the form, distribution and grade of the kimberlites. Work was constrained by the activity of illegal miners, but a c.6 tonne sample of weathered dyke material was collected which reportedly assayed 0.38ct/t. A total of seven dykes was recognised in the Upper Talama area in all. The dykes were described as forming a zone which strikes at 065° covering an area of 1,800m in length and 550m in width. All the individual dykes were reported to dip steeply at 80-85° to the north, varying up to 15° in strike from the general trend. The strike length established for the individual dykes ranged from 60m to 300m. Each dyke was reported to consist of a network of minor dykes and stringers, with an average aggregate thickness of 0.45m. In addition to the dykes, several outlying stringers occur of about 2cm width.

Drill testing undertaken by the Geological Survey in the 1960's to a depth of approximately 200m showed continuity of the dyke zone at depth, although no pipes or substantial dyke enlargements were observed. Generally the individual dykes were found to comprise collections of very thin dykes and stringers with aggregate widths equivalent to, or less than, the corresponding dykes seen at surface. However, one dyke reportedly increased in width to 0.69m (depth not specified).

At the present day, the location of a number of the dykes can be identified or inferred from the distribution of artisanal workings either directly over the dykes or in the adjoining swamps and some small to medium scale artisanal workings are ongoing.

### 4.4.5 Work Completed by River Diamonds

#### 4.4.5.1 Introduction

River Diamonds initiated a detailed exploration programme for diamonds on the Panguma concession in April 2006. Field work comprised initial surveying of the concession area, geological mapping, collection of mini-bulk samples, core drilling, and geochemical soil sampling.

The alluvial potential of the area was not tested as the gravel horizons are poorly developed, and most targets have been extensively worked by artisanal miners in the past, with some small-scale work continuing.

#### 4.4.5.2 Surveying

LandScope Engineering Ltd (UK) was contracted in April 2006 by River Diamonds to provide GPS survey control installation and concession boundary points stake-out services in accordance with the local SL60 survey datum as issued by the Ministry of Mineral Resources of Sierra Leone. Survey field work commenced on the 25th April 2006 and was successfully concluded on the 28th April 2006. A primary station was established at Panguma with an additional six secondary stations within the concession. All the beacon points as stipulated in the second schedule of the exploration licence were then surveyed and confirmed physically in the field.

A subsequent dispute arose with Koidu Holdings Ltd over the boundary with their Tongo licence in the vicinity of the Pandobu kimberlite 'blow', but this was eventually resolved in favour of River Diamonds.

In October 2007, following completion of the mini-bulk sampling and drilling programmes, a further survey was undertaken by Mr Ian du Toit, a professional

surveyor from South Africa. This survey picked up the locations of the mini-bulk samples, soil sample lines, as well as drill hole locations and drill directions.

#### 4.4.5.3 Geological Mapping

A programme of mapping of the kimberlite dykes/fissures was carried out by River Diamonds over the Panguma licence area in order to establish the location of the known dykes, their relationships, strike direction, length, etc. Only hand drawn, not-to-scale maps of the main dykes and mini-bulk sample locations were available prior to the CSA visit. Subsequent to the visit, a professional site survey was contracted by River Diamonds and the various drill holes, dykes and mini-bulk sample locations tied in to the Sierra Leone National Grid.

Three main dykes/dyke systems have been identified to date, namely the Talama dyke, which is a probable extension of the Bumbe dyke at Tongo, the Pandobu dyke, possibly related to the Lando dyke, and the Lalehun dyke, which appears to represent an extension of the Johnson dyke. Most of the dykes parallel the strike direction of the Tongo dykes, trending east-northeast (070°), and are clearly part of the same system. Overall the Panguma dyke swarm covers a mapped area of approximately 6km x 3km.

Mapping of the east-northeast trending Talama kimberlite dyke demonstrated that it actually consists of a number of narrow semi-parallel dykes, forming en-echelon structures, with converging/diverging phenomena. Of interest is the fact that one dyke continues west of the north-northwest trending Maboa Shear (Figure 17). The existence of kimberlite west of the shear has not previously been documented in the concession area. Dykes found in the Bumbe and Lalehun areas appear to be less complicated, forming apparently more continuous structures. However, at Pandobu the picture is less clear and there may be more than one trend, with evidence of one dyke striking in a more north-north-easterly direction (020-045°), merging into a complex pattern at the Pandobu 'blow' (see section on Core Drilling below).

#### 4.4.5.4 Mini-Bulk Sampling

A mini-bulk sampling programme was undertaken on several of the Panguma dykes in order to determine continuity, width, dip, state of weathering, wall rock competence, water table, and diamond grade.

### *Sample Methodology*

All samples were collected manually and no earthmoving equipment was used. This method was chosen in order to minimise damage to ground/vegetation and because of the ready availability of experienced local labour. Pits were dug, where possible, into near solid bedrock, within constraints imposed by issues such as safety, rock hardness, water inflow, etc. Depths attained ranged from 2.6m to 13.0m. Due to the depths involved the process was very time consuming and a number of pits had to be abandoned, usually because of excessive groundwater ingress – unfortunately part of the pitting programme coincided with the Sierra Leone rainy season. Identification and sampling of narrow dykes and fissures at the bottom of wet and muddy pits was difficult and inevitably resulted in significant dilution of the sample. Dykes/fissures ranged in width from 0.04 - 0.8m in width, although the latter, in fact, consisted of two 0.4m dykes separated by 1.0m of granite. Structures observed during mapping of

the dykes/fissures were also exhibited on a micro scale where thin kimberlite stringers (less than 1cm) formed en echelon, diverging and converging structures. These features are inherent of the behaviour of the fissures and were not considered contamination. On a number of occasions fissures were separated by a few centimetres of granite, making it impossible to sample separately and were thus sampled as a single entity.

Once the kimberlite fissure was exposed the width of the dyke was measured and if possible a photograph was taken to record the width and appearance of the kimberlite. As the sample material was removed it was placed in 50kg bags and carried to the nearest water source for washing. Prior to washing the sample was measured by placing the material in 50x50x50cm wooden crates, thus confirming a volume of 0.125m³ once filled. A specific gravity of 2.65 was assigned to the kimberlitic material in order to calculate sample weight or tonnes washed. This practice was not in place during the first two samples (PDS1 & 2) and therefore the volume and weight of these samples are estimated. In all, 16 samples were taken and sample volume and weight depended on the amount of material that could be collected in each pit. These ranged from 0.7 to 7.0 tonnes (Table Table 50).

During the washing operation close supervision was maintained by employees of River Diamonds and often by government officials. The risk of diamond theft during the process is therefore considered to be small.

Diamonds recovered were individually weighed and documented by River Diamonds staff at the company base in Panguma. The product of each mini-bulk sample was kept separately for possible further investigation. All diamonds recovered are reported to have been deposited in Freetown for safekeeping. Once all the diamonds were recovered from the sample, the remaining concentrate from eleven of the pits (PDS10–20 inclusive) was collected and dispatched to the diamond exploration laboratory of MSA Geoservices in South Africa for possible further analysis and indicator mineral examination.

## *Sample Results*

Details of the samples collected and the results obtained during the washing programme are given in Table 50.

Of the 16 samples collected, ten were taken from the Talama dyke system and its' eastward extension near Jagbwema village, a distance of almost 2km; four were collected from near the village of Lalehun in the east of the licence area and the remaining two were taken from the Bumbe and Pandobu dykes in the northeast of the licence.

Diamonds were recovered from 15 of the 16 samples collected, with up to a maximum of 15 diamonds, totalling 1.83ct being recorded from a single sample. The largest diamond recovered was 0.98ct and average grade for all the pits ranged from 0.07 – 2.61ct/t. The highest grade was, however, recorded from the smallest sample.

*Talama-Jagbwema dyke system:*

Mapping, pitting and sampling suggests the presence of two east-northeast trending sub-parallel kimberlite dykes, with apparent small (up to tens of metres) offsets and several narrow cross-cutting and linking fissures. If continuity is assumed between

Talama and Jagbwema the dyke system can be traced for approximately 2km along strike east of the Maboa fault/shear zone. Mapping by River Diamonds has also confirmed continuation of the dyke system to the west beyond this structure. The Talama dykes may also align with the Bumbe-Kundo dyke which occurs on the northeast boundary of the Panguma licence and has been explored previously within the adjoining Tongo licence. If part of the same system, then the strike length occurring within the Panguma licence would be of the order of 4-5km.

The average recorded width of the Talama dykes from the mini-bulk sampling is 0.46m and the average grade recorded is 0.55ct/t. This includes sample PDS1 where two 0.4m dykes separated by 1.0m of granite were composited into a single sample. Because of the comparatively small sample size, the impact on grade of sampling weathered, semi-consolidated kimberlite dyke material (as opposed to fresh kimberlite) and the effect of wall rock dilution cannot be quantified. The average grade obtained from the Talama samples is significantly higher than the 0.38ct/t reported from the historic mini-bulk sample, which was taken from a single site.

*Lalehun dykes*

Two kimberlite dykes were identified by River Diamonds in the area northeast of Lalehun village. They appear to represent extensions/splays of the Johnson dyke system, which could have a strike extent within the Panguma licence of 1km, perhaps more. The dykes have been designated by River Diamonds as the Johnson dyke (north-westerly of the two dykes) and the Nboinayuihun dyke, parallel to, and approximately 20m to the southeast of the Johnson dyke. Samples PDS7 and 15 were taken from the Johnson dyke, while PDS 11 was collected from the Nboinayuihun dyke. Topographic surveying completed subsequent to the pitting programme suggests that sample PDS7 was taken on, or just outside, the exploration licence boundary. Sample PDS12, taken over a previously unrecorded dyke south of Lalehun on the road to Giehun, also plots outside the current exploration licence area.

The average recorded width of the Lalehun dykes from the mini-bulk sampling is 0.22m and the average grade recorded is 0.60ct/t, including sample PDS12 which proved to be barren.

*Pandobu dyke*

This feature is discussed in more detail under 'Core Drilling' below. What was originally considered to be a kimberlite 'blow' which was extensively worked in the recent past by artisanal miners, is now believed to represent a single dyke or dyke intersection zone. Apart from drilling of this target, River Diamonds also dug one mini-bulk sample pit, PDS18, over an extension of the dyke close to the artisanal workings. The dyke proved to be 0.18m wide and average grade from sample washing was 0.20ct/t. The Pandobu dyke may represent a continuation or splay from the very richly diamond-bearing Lando dyke on the adjoining Tongo licence. The dyke is also probably related to some of those mapped near Lalehun.

*Bumbe dyke*

The Bumbe-Lando dyke continues from the Tongo ground into the Panguma licence. A single pit was dug over the dyke within the River Diamonds property. The dyke at this point was 0.32m wide and sample PDS19 returned a diamond grade of 0.40ct/t.

## *Discussion of Mini-Bulk Sampling Results*

It was concluded from the pitting and mini-bulk sampling programme that most of the kimberlite dykes and fissures within the Panguma area are diamondiferous and some contain relatively high diamond grades. Grades compare with those reported from similar mini-bulk sampling and later trial shaft sinking by Mano River Resources Inc./Petra Diamonds on the Lion dykes at Kono (0.5-0.8ct/t). However dyke/fissure widths at Panguma are generally narrower, with a maximum recorded width of 0.8m (composite dyke), more generally less than half of this figure, compared to up to 2.0m at Kono.

Mano River also reports results of a series of 200kg mini-bulk samples in the Tongo area where four dykes ranging in width from a few centimetres to 1.0m returned results up to a maximum of 2.8ct/t, not dissimilar to the River Diamond results at Panguma.

There is an impression that the dykes at Panguma may be thinning and branching ('horsetailing') towards the southwest. Any mining of the kimberlite dykes will almost certainly result in substantial diamond grade dilution. Also, collection of a large bulk sample or series of bulk samples (up to 1,000t) for pilot scale test work will be costly and will represent a significant logistical undertaking, as it is likely to require small-scale underground mining in order to obtain a sufficiently large and representative sample.

**Figure 17: Photo of Mini-Bulk Sample Pit PDS 11 on Kimberlite Dyke at Lalehun**

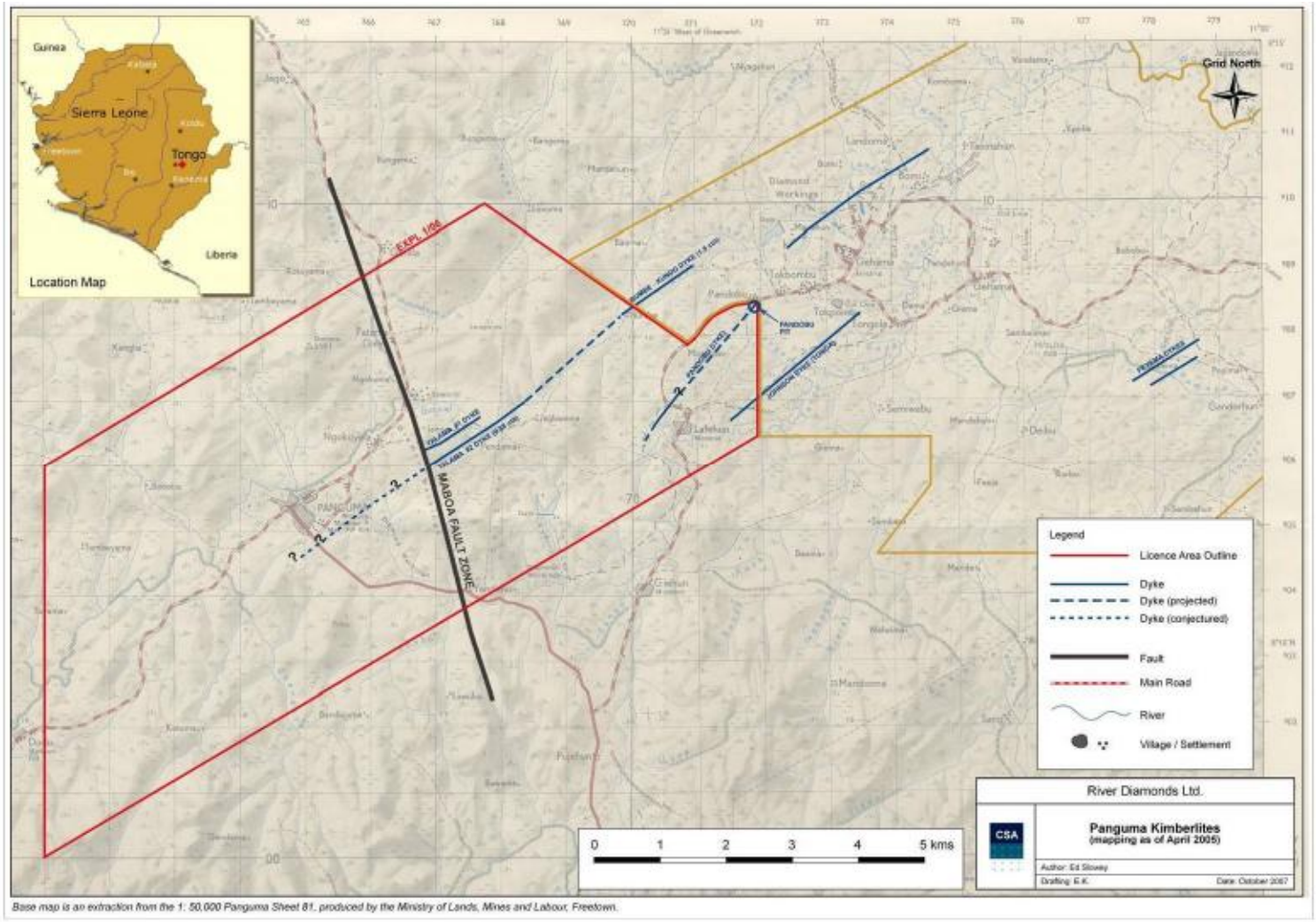



**Figure 18: Panguma Kimberlite Distribution (as of April 2005)**

**Table 50: Panguma Diamond Project Mini-Bulk Sample Results**

| No. | Locality | Date | Sample No. | Dip | Strike | Depth (m) | Width (m) | Sample volume ($m^3$) | Sample weight (tonnes) | No. of diamonds | Total carats | Average diamond weight (ct) | Largest diamond (ct) | Average Grade (ct/t) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Jagbwema (Talama dyke extension) | 20/04/06 | PDS1 | No data | No data | 9.0 | 0.60 | 0.26 | 0.70 | 15 | 1.83 | 0.12 | 0.98 | 2.61 |
| 2 | Jagbwema (Talama dyke extension – composite dyke*) | 20/04/06 | PDS2 | No data | No data | 9.0 | 0.80 | 0.38 | 1.00 | 11 | 0.77 | 0.07 | No data | 0.77 |
| 3 | Proximity of Lalehun (Johnson dyke) | 06/06/06 | PDS7 | 90° | 079° | 10.0 | 0.26 | 1.09 | 2.89 | 3 | 0.20 | 0.07 | 0.13 | 0.07 |
| 4 | Jagbwema (Talama dyke extension) | 06/06/06 | PDS8 | 90° | 172° | 8.0 | 0.49 | 0.75 | 1.99 | 13 | 1.35 | 0.10 | 0.46 | 0.68 |
| 5 | Jagbwema (Talama dyke extension) | 10/07/06 | PDS9 | 65°N | 063° | 8.0 | 0.08 | 0.45 | 1.19 | 2 | 0.21 | 0.11 | 0.15 | 0.18 |
| 6 | Jagbwema (Talama dyke extension) | 19/07/06 | PDS10 | 90° | 083° | 11.0 | 0.43 | 2.43 | 6.44 | 11 | 0.97 | 0.09 | 0.21 | 0.15 |
| 7 | Nboinayuihun dyke (Lalehun area) | 20/07/06 | PDS11 | 90° | 060° | 13.0 | 0.32 | 0.91 | 2.42 | 10 | 1.81 | 0.18 | 0.59 | 0.75 |
| 8 | South of Lalehun | 06/08/06 | PDS12 | 90° | 085° | 2.6 | 0.12 | 0.88 | 2.32 | 0 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9 | Jagbwema (Talama dyke extension) | 26/08/06 | PDS13 | 90° | 063° | 6.5 | 0.68 | 1.93 | 5.10 | 11 | 1.31 | 0.12 | 0.31 | 0.26 |
| 10 | Jagbwema (Talama dyke extension – cross-cutting stringer) | 16/09/06 | PDS14 | 90° | 171° | 8.5 | 0.04 | 0.38 | 0.99 | 4 | 0.19 | 0.05 | 0.07 | 0.19 |
| 11 | Proximity of Lalehun (Johnson dyke) | 23/09/06 | PDS15 | 90° | 044° | 7.0 | 0.18 | 2.00 | 5.30 | 5 | 0.40 | 0.08 | 0.13 | 0.08 |
| 12 | Talama #1 dyke | 12/10/06 | PDS16 | 90° | 012° | 5.8 | 0.36 | 2.63 | 6.96 | 6 | 0.87 | 0.15 | 0.48 | 0.13 |
| 13 | Talama #2 dyke | 02/11/06 | PDS17 | 90° | 060° | 9.4 | 0.36 | 1.50 | 3.98 | 11 | 1.42 | 0.13 | 0.66 | 0.36 |
| 14 | Pandobu | 23/02/07 | PDS18 | 90° | 020° | 7.5 | 0.18 | 1.48 | 3.91 | 9 | 0.79 | 0.09 | 0.19 | 0.20 |
| 15 | Bumbe | 09/03/07 | PDS19 | 90° | 070° | 8.0 | 0.32 | 1.30 | 3.45 | 13 | 1.37 | 0.11 | 0.23 | 0.40 |
| 16 | Yegovim (Talama #2 extension) | 03/05/07 | PDS20 | 73°N | 085° | 5.0 | 0.60 | 0.81 | 2.15 | 3 | 0.41 | 0.14 | 0.18 | 0.19 |

**Composite dyke comprising 2 x 0.4m dykes separated by 1.0m granite*

#### 4.4.5.5 Core Drilling

The kimberlite at Pandobu in the northeast corner of the Panguma licence was discovered and extensively worked to a depth of about 15m by artisanal diamond miners in the period 2004-2006. The appearance of the workings suggests a circular feature about 25m in diameter that was interpreted as a small pipe or 'blow'. The pit has now filled up with water and work is confined to small-scale working of the adjacent overburden, although a small linear cut trending to the northeast suggests that there may be a dyke in this direction.

### *Drilling Methodology*

River Diamonds undertook a core drilling programme from August to October 2006 to check the continuity, morphology and grade of the interpreted Pandobu 'blow' at depth. Envirodrill (UK) was contracted to complete the planned programme. Five holes, designated PBH1-5, were drilled in all, totalling 859.85m. Because of difficult ground conditions in the vicinity of the Pandobu pit during the rainy season, all holes had to be sited to the south and east of the pit and were angled to intersect the kimberlite beneath the pit.

Holes were cased through overburden and then drilled at HQ diameter, reducing to NQ when competent bedrock was encountered. Core recovery was good, generally in the range 95-98%. Each borehole was logged and kimberlite intersections marked for sampling. Core was cut by diamond saw, generally in sample lengths ranging from 0.5-2.0m, and one half was bagged, numbered and dispatched to MSA for analysis. A total of 32 samples was collected from the four holes with kimberlite intersections. Remaining half core was returned to the core trays and stored for future reference. Each core box is clearly marked with borehole number, depths from-to and stacked sequentially, while a record is kept of this information.

On completion of drilling operations, sumps were filled in and site clean-up undertaken. The collar position of each hole was covered by a concrete marker showing the hole number and a sturdy bamboo pole inserted into the hole indicating borehole direction and angle. Drill hole locations were surveyed subsequent to the CSA site visit and the collar positions tied in to the Sierra Leone National Grid.

### *Drilling Results*

Four of the five holes intersected kimberlite, the exception being PBH4.

Borehole PBH1 was sited southwest of the artisanal pit and drilled at an angle of 45° towards the northeast. It collared and finished in the host granite unit and intersected a thinner kimberlite than expected at just 1.5m, which occurred at a greater depth than anticipated, from 133.35-134.85m. The hole finished at 207.2m.

The drill position for hole PBH2 was moved closer to the artisanal pit and the hole was drilled semi-parallel to PBH1 at an angle of 45°. In this hole a significant kimberlite intersection was made, totalling 16.48m, although at a shallower depth than predicted, from 62.16-78.64m. The hole was completed at 160.51m. The intercept was interpreted at the time as possibly representing an oblique intersection of a narrower dyke feature.

Borehole PBH3 was sited very close to the pit, also drilled at 45° to the northeast, and made two kimberlite intersections which plot almost vertically beneath the pit, from 34.30-55.65m (21.35m width) and from 59.50-60.80m (1.3m width). The hole terminated at 160.65m. Again, these intercepts were interpreted as a possible oblique intersection through two near-vertical dykes.

PBH4 was sited to the south of the pit and was drilled northwards at 45° to 200m depth but failed to intersect any kimberlite, perhaps drilling semi-parallel to the interpreted north-northeast dyke.

Borehole PBH5 was sited close to the northwest end of the pit and was drilled at -60º. The objective of this hole was to secure a perpendicular intersection on the presumed north-northeast trending dyke. A 1.3m wide kimberlite zone was intersected at 69.40-70.70m and was considered most likely to represent the target dyke. The hole was stopped at 131.5m.

Summary logs of these bore holes can be found in Table 51

**Table 51: Summary Logs of Pandobu Boreholes**

| | | | | Summary Log | | |
|---|---|---|---|---|---|---|
| **Drillhole No.** | **Angle** | **Direction (approx.)** | **Final depth (m)** | **From (m)** | **To (m)** | **Description** |
| PBH 1 | -45 | NE | 207.20 | 0.00 | 133.35 | Granite |
| | | | | 133.35 | 134.85 | Kimberlite |
| | | | | 134.85 | 207.20 | Granite (+ dolerite) |
| | | | | | | |
| PBH 2 | -45 | NE | 160.51 | 00.00 | 62.16 | Granite |
| | | | | 62.16 | 78.64 | Kimberlite |
| | | | | 78.64 | 160.51 | Granite |
| | | | | | | |
| PBH 3 | -45 | NE | 160.65 | 0.00 | 34.30 | Granite |
| | | | | 34.30 | 55.65 | Kimberlite, with granite xenoliths |
| | | | | 55.65 | 59.50 | Granite |
| | | | | 59.50 | 60.80 | Kimberlite |
| | | | | 60.80 | 160.65 | Granite (+ dolerite) |
| | | | | | | |
| PBH 4 | -45 | N.NE | 200.00 | 0.00 | 200.00 | Granite |
| | | | | | | |
| PBH 5 | -60 | SE | 131.50 | 0.00 | 69.40 | Granite |
| | | | | 69.40 | 70.70 | Kimberlite |
| | | | | 70.70 | 131.50 | Granite (+ dolerite) |


**Figure 19: Photo of Drill Core from Borehole PBH 3 at Pandobu Showing Part of Main Kimberlite Intersection with Granite Xenoliths**

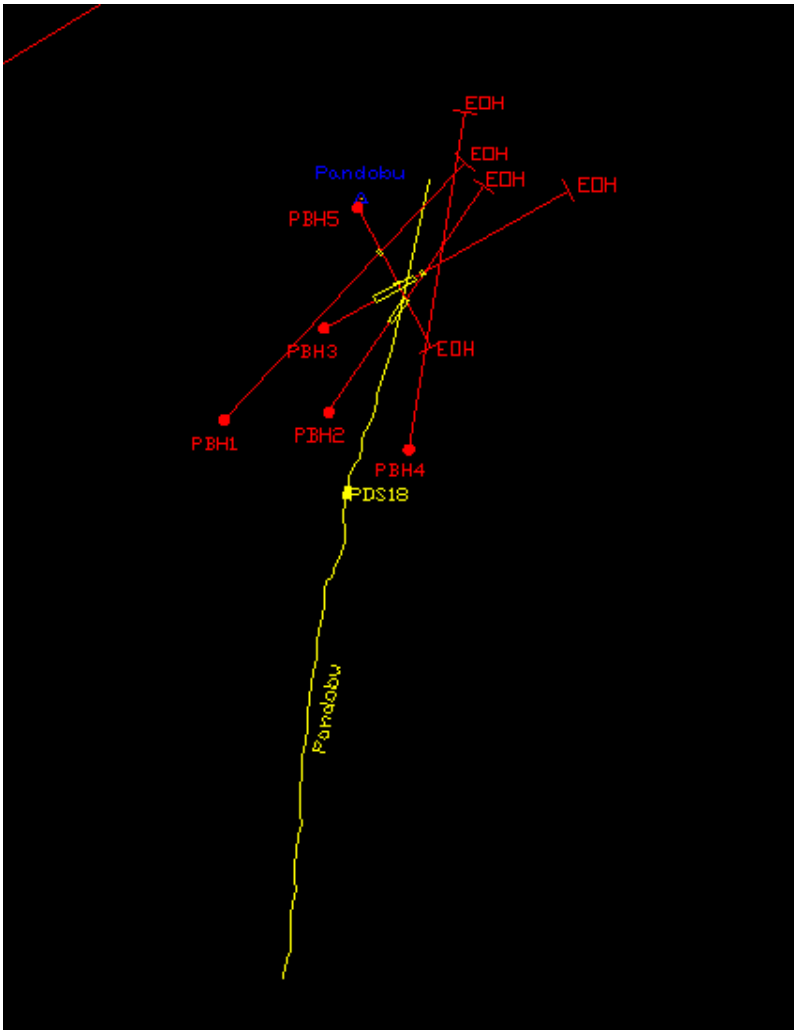



**Figure 20: Plan of Pandobu Drilling Showing Drill Hole Traces in Red and Kimberlite Dykes in Yellow + Location of Mini-Bulk Sample PDS18 (See Figure 5 for Pandobu Location)**

## *Discussion of Drilling Results*

It was concluded from the drilling programme that, rather than identifying a clear 'blow' with significant width and vertical extent, the drilling produced an apparently confusing picture, perhaps suggestive of a northeast-trending dyke or dyke convergence zone, with narrow subsidiary cross-cutting fissures. Nevertheless, at least two kimberlite intercepts of significant width were obtained and these need to be modelled in 3-D in an effort to understand the morphology and controls on the Pandobu kimberlites. In addition, while the kimberlite drill core intersections have been sampled and dispatched to the MSA laboratory, analytical work and indicator mineral study has not yet been undertaken - this work requires to be completed in order to fully assess the potential of the Pandobu prospect.

#### 4.4.5.6 Soil Sampling

A soil sampling programme was carried out by River Diamonds at Panguma to confirm continuation of kimberlite dykes where these extended into swamp areas or appeared to pinch out.

## *Soil Sample Methodology*

A series of sample lines were laid out perpendicular to the extrapolated continuation of the dykes far away enough to ensure that no contamination due to previous work could influence the results. Therefore sample lines were not laid out at a specific distance away from the known dyke/fissure, as topography and particularly swamps dictated the sample positions on the ground.

Soil was collected as 2m composite channel or strip samples at a depth of 10-20cm over a preferred line separation of 100m, where sampling constraints allowed. Samples were screened in the field to -80 mesh and placed in standard soil sample bags for XRF analysis to ppb levels for seven trace elements generally associated with kimberlites - Nb, Ni, Ti, Cr, Mg, Zr and Ba. In all, 745 samples were collected from 16 lines and dispatched to the MSA laboratory for analysis.

## *Discussion of Soil Sampling Programme*

It is understood that analytical work has not yet been commissioned by River Diamonds. While this work is of lesser priority than core analysis, nevertheless it might be useful in demonstrating continuity of the known dyke systems.

### 4.5 SUMMARY AND CONCLUSIONS

- Although Sierra Leone has had a chequered history, the country appears to have stabilised politically and now has a favourable mining law and strong mineral potential which has encouraged many new international entrants to the minerals sector over the last few years.
- Recent significant developments in bedrock and alluvial diamond production, allied to new bedrock discoveries both within Sierra Leone and the general region, as well as the high value of Sierra Leone diamonds, combine to make the country a prime target for future diamond exploration and mining.

- Mapping by River Diamonds has demonstrated that a number of the kimberlite dyke systems located at Panguma have significant strike extent, up to 4-5km in some cases.
- The mini-bulk sampling programme confirms that of the most of the Panguma dykes are diamondiferous, with strongly anomalous values up to 2.61ct/t being recorded from 15 stones within the widest reported (composite) dyke at 0.8m in the Jagbwema area. This sample also included the largest stone found, weighing 0.98ct. As this was the first site sampled by River Diamonds, controls on sampling and recording were not as well established as during the later work, and the effect on grade of in-situ weathering and/or sample dilution is not certain.
- Some of the other dykes/fissures sampled also contain interesting grades up to 0.77ct/t, although dykes are narrower and lower grade than at the first pit. It appears that there may be a tendency for the dykes to splay and pinch towards the southwest.
- Overall results from the River Diamonds mini-bulk sampling programme bear comparison with similar work reported by Mano River and partners from the Lion dykes at Kono and the Tongo dyke system, although the narrow width of the dykes at Panguma can present a challenge to economic evaluation and development.
- Given the narrow dyke width the proposed collection of a bulk sample of up to 1,000 tonnes will require shaft sinking and underground mining on one or more dykes. Based on the results of the mini-bulk sampling the most suitable location for obtaining a large bulk sample appears to be in the vicinity of PDS1 and 2 on the Talama dyke at Jagbwema.
- The drilling programme at Pandobu has confirmed the presence of one or more kimberlite occurrence there, including an (apparently oblique) intersection of over 21m in width. Analysis of kimberlite drill core intersections for diamond content are essential to permit a full 3-D modelling of this interesting occurrence.

# 5. RIO NOVO BRAZIL

## 5.1 PROPERTY DESCRIPTION AND LOCATION

The Rio Novo Gold prospect is located within Jardim de Ouro, in the state of Pará, Brazil. River Diamonds has interest in 4 areas, holding agreements with the local farmers. River diamonds holds the subsurface title of two areas under the name of their representative in Brazil, Mr Michael Shaw-Walker. The other areas are subject to contracts with the farmers who own the areas, all agreements are for 3 years. Table 52 details the mineral rights distribution.

**Table 52: Mineral Rights Distribution for Rio Novo Gold Prospect**

| Asset | Holder Mineral Rights | Interest (%) | Status | License Expiry date | License area | Comments |
|---|---|---|---|---|---|---|
| 1.48405-850862/2006 | São Carlos Mineraçaó Ltda (SCML) | 100% | Exploration | N/A | 4524.22 HECT | Awaiting grant of exploration licences |
| 2.48405-850863/2006 | São Carlos Mineraçaó Ltda (SCML) | 100% | Exploration | N/A | 9909.89 HECT | Awaiting grant of exploration licences |
| 3.48405-850217/2007 | São Carlos Mineraçaó Ltda (SCML) | 100% | Exploration | 23/01/2011 | 9924,76 HECT | Target Identification and exploration planning |
| 4.48405-850216/2007 | São Carlos Mineraçaó Ltda (SCML) | 100% | Exploration | 13/12/2010 | 9796.00 HECT | Target Identification and exploration planning |

NB: 1. Assets 3 and 4 license expiry dates refer to an agreement between Michael Alexander Shaw Walker and Robens Zilo to work on the land.
2. Asset 1 and 2 were signed over from Michael Alexander Shaw Walker to SCML on the 16 November 2006
3. Asset 3 and 4 were signed over from Ruben Zilio to SCML on the 20 November 2007

River Diamonds plc has informed CSA since the site visit in September 2007 that two further applications have been made for exploration permits in the Tapajós gold province.

The Rio Novo area comprises 4 claims over an area of 30,000 hectares. The site is located within the Tapajós gold province, in central Brazil as demonstrated in Figure 21. The area has undergone very little modern exploration, however the high numbers of artisanal miners working on the property indicate that significant gold mineralisation may be present. The claims lie in a highly prospective area, with other companies actively exploring the surrounding area and the working Palito mine, owned by Serabi Mineraçaó, being adjacent to the property.

## 5.2 EXPLORATION AUTHORISATIONS AND PERMITS

Permit documents and translations were provided for CSA to review in Brazil. A full legal due diligence was not performed by CSA, however the permits were considered to be in order. It would be beneficial to River Diamonds to prioritise the permit areas and negotiate full ownership of surface and subsoil rights for the most prospective areas if not all permits.


**Figure 21: Map of Brazil Showing the Tapajós Gold Province and the Estimated Location of the River Diamonds Claims**

### 5.3 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Rio Novo area is accessed by well maintained dirt roads, used by heavy logging traffic throughout the year. During the wet season the roads deteriorate and access to some parts of the area becomes impossible.

The area is covered by thick rainforest growth, and is set within an area of high relief, punctuated by steep river valleys. To the south is an area of lower relief.

The climate is tropical; hot and humid with 2 seasons. The wet season, considered to be winter falls between December and May. The dry season, considered to be summer falls between June and November. Annual average rainfall is 1,617mm with an average temperature of 25ºC with extremes of 17ºC and 38ºC.

Water is plentiful, with numerous rivers and streams fed by the high annual rainfall. Although the area is sparsely populated, towns are located to the north and south along the main road, providing a plentiful supply of manual labour. Electricity is available in Jardim de Ouro, the nearest town to the area.

### 5.4 GEOLOGICAL SETTING

The geological basement of Brazil comprised Precambrian crystalline shields, which cover 36% of Brazil. These shields are dominated by amphibolite and granulite facies metamorphic rocks and granitoids of Archaean age. There are 3 main shields Guyana, Central Brazil and Atlantic, separated by Phanerozoic coverings illustrated

in Figure 22. The Phanerozoic coverings are represented by folded strips of greenschist facies sediments, volcanic rocks and granitoids.

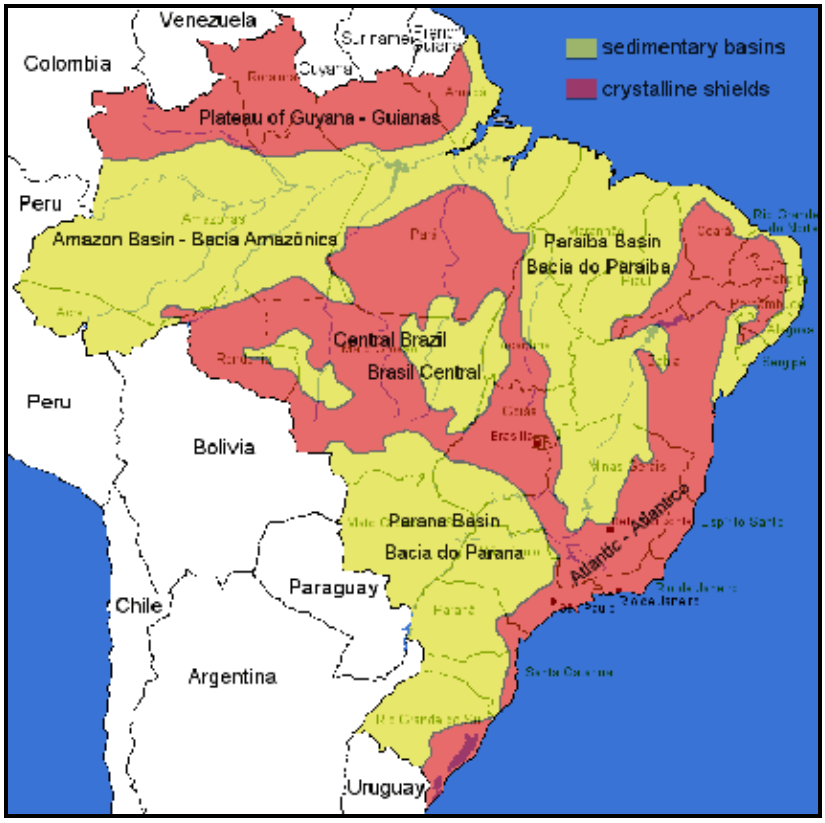



**Figure 22: Cratonic Shields of Brazil**

Brazil has a complex geological history, having been formed by the Braziliano/Pan-African cycle during the assembly of Gondwanaland. Numerous subduction – collision events have shaped the Brazilian basement rocks which have subsequently been deformed and intruded into during the formation of Pangaea, its subsequent break up and the separation of Gondwanaland, forming the Atlantic ocean. The area has undergone volcanic activity and erosion resulting in volcanic and sedimentary rock units that overly this complex basement. The country has been shaped by the dominant fluvial systems, namely the Amazon River, which have shaped the topography and geography of Brazil.

### 5.4.1 Regional

The Rio Novo claims are located within the Tapajós gold province, located near to the centre of Brazil, within the Amazon basin, encompassing an area of 100,000 $Km^2$ in south west Pará state. The province is situated within Archaean-Proterozoic aged Brazilian shield. Alluvial gold deposits are found throughout the province, a strong indication of the area's exploration potential.

The area's gold mineralisation is controlled by the crustal scale Tocantinzinho shear zone, which extends for hundreds of kilometres in a northwest – southeast strike, passing through the Jardim de Ouro area, which includes the River Diamonds claims. This shear zone results in structural lineations parallel to strike, and secondary

fracturing due to shear stress along approximately northeast-southwest and north-south strikes.

### 5.4.2 Local

Three rock types dominate the Rio Novo claims; each one has been affected by the distinct northwest-southeast structures relating to the Tocantinzinho Shear zone. The Parauari Intrusive suite is the oldest, followed by the Malinquinha Intrusive suite and the Iriri Group which is the youngest.

*Parauari Intrusive Suite:*
This suite is dominated by Granitoid bodies which are considered post-kinematic. They are broken into two groups by composition, granitic or granodioritic. They have northwest-southeast alignments controlled by the Tocantinzinho shear zone. These rocks have intruded into the earlier Cuiú-Cuiú metamorphic basement and Creporizão suite. They are related to syn/post-orogenic activity in a magmatic arc setting related to subduction and subsequent collision between plates.

These rocks are intruded into by the younger Malinquinha intrusive suite.

*Malinquinha Intrusive Suite:*
These granitic bodies are generally elliptical in shape, elongate in a northwest-southeast orientation; some irregular bodies occur which are commonly bound by north-south lineations. The suite consists of leucosyenitic-granites, feldspatho-alkaline-granites and monzogranitoids with either biotite or amphibolite affinities. They are believed to have been emplaced in an an/post-orogenic environment, within an increasingly extensional environment.

Overlying the Mainquinha intrusive suite is the Iriri Group.

*Iriri Group:*
The Iriri group comprises volcaniclastic and acid volcanic rocks; the group is formed of two formations. These formations are the Salustiano formation, comprising volcanic effusive rocks and the Aruri formation, comprising pyroclastic rocks.

The Iriri group is intruded into by the Malinquinha granitoid stocks, which commonly intrude along fractures. The calk-alkaline affinity indicates a possible relationship with the granitoids of the Parauari and Creporizão suites which they overlay.

## 5.5 MINERALISATION TYPES

Mineralisation within the Rio Novo area is related to quartz veining and hydrothermal alteration related to them. These veins are related to both brittle and brittle-ductile structures that have formed during movement of the Tocantinzinho shear zone. The veins contain milky or saccharoidal quartz with some crack seal textures. Boudinage, pegmatite and stockwork veining are also observed. Hydrothermal alteration haloes surround the veins, kaolinitisation, epidotisation, chloritisation and sericitisation alteration types are observed. Sulphides also occur, the main sulphide being pyrite with chalcopyrite and arsenopyrite; visible gold is also reported in relation to the veins.

The area is covered by many alluvial deposits that form within river valleys.

## 5.6 EXPLORATION HISTORY

Artisanal gold mining has been recorded in Brazil since 1700. Elevated gold prices in the 1980's resulted in a boom period. Which saw artisanal miners locating rich alluvial deposits within the Tapajós province, producing 30-40% of Brazil's annual gold output.

During the 1990's Rio Tinto undertook systematic mineral exploration across the province. All data is currently held by Serabi Mineraçaó and was therefore not available for review.

The Brazilian geological survey undertook regional mapping and geophysical surveys in 2000.

In November 2006 River Diamonds undertook a geological review of the area.

## 5.7 EXPLORATION COMPLETED BY CURRENT OPERATOR

River Diamonds undertook a short exploration project, focussing on areas 1, 2 and 3.

Nine sites in areas 1 and 2 were visited, most related to historic and current artisanal workings, of both alluvial and vein hosted origin, a photograph of a typical small vein can be observed in Figure 23. Grab samples and hand auger samples were collected, although no correlation between the sites and samples numbers could be provided, following a request for this information by CSA.

**Figure 23: Vein Observed in Area's 1 and 2 During CSA's Visit**

The excavation of a vein structure in area 3 was undertaken, along a strike length of approximately 241 metres. The vein was reportedly quartz rich but altered, no sulphides were reported. Due to access issues the site was not visited by CSA as part of the trip; however photographs of the excavation were provided by River Diamond's staff and can be observed in Figure 24 and Figure 25Figure 9.

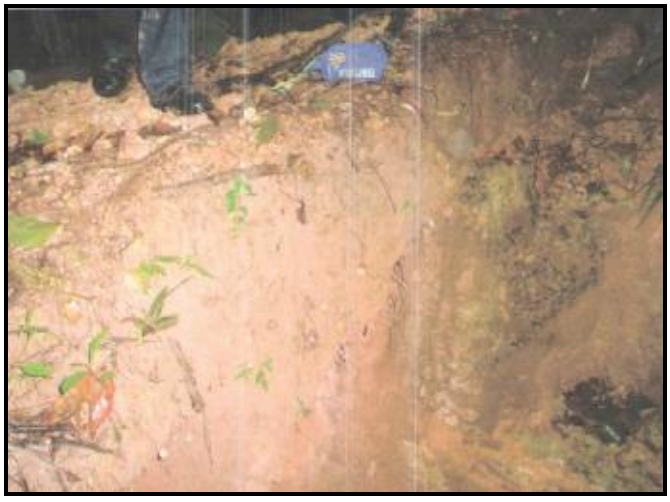


**Figure 24: Vein Excavation at Area 3**

**Figure 25: Excavation 50m Along Strike from the Vein in Figure 11, Total Vein Continuity Was Estimated at 800m**

### 5.7.1 Sample Method, Approach, Preparation, Analyses and Security

No information on sampling method and approach was provided; it is thought that grab samples were collected using a geological hammer producing rock chips.

Samples were sent to SGS Geosol Laboratórios LTDA, Mato Grosso. They were dried at 105ºC, coarse crushed to 95% passing -2mm, split, pulverised to 95% passing -50 mesh (-106µm). The samples then underwent fire assay.

## 5.8 DATA VERIFICATION

CSA was not able to verify data, but due to the small quantity of samples and the early nature of the project CSA does not consider this to be of great importance.

## 5.9 ADJACENT PROPERTIES

The Rio Novo claims are bordered to the north by Jaguar mining, who are believed to be RC or Diamond Drilling on the property. No information was available about this work.

To the east Serabi Mining PLC have the Palito mine and surrounding exploration targets. The main Palito ore body comprises a number of parallel northwest-southeast trending veins. They have a known mineralised strike extent of 900m, with mineralisation being open along strike and down dip. The mine has an estimated production for 2007 of 45,000 to 50,000 ounces of gold. An aerial view of the mine site is provided in Figure 26, the location of this mine in relation to the River Diamonds claims can be observed in Figure 27.

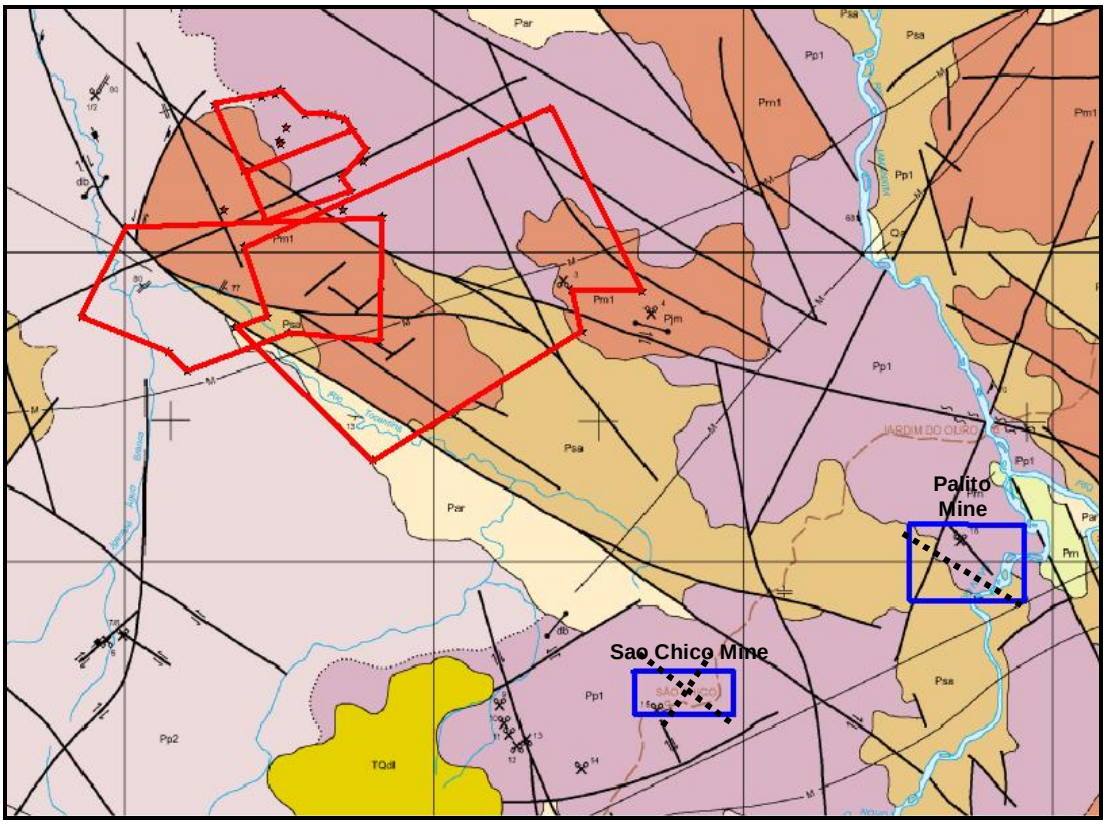
**Figure 26: Aerial View of the Palito Mine**

Mineralisation is associated with vertical to sub-vertical mesothermal quartz-chalcopyrite-pyrite veins, 20-40m long and massive chalcopyrite–pyrite veins, up to 2m in width, filling brittle extensional fault systems. Very high gold grades coincide with quartz blowouts where $D^1$ and $D^2$ structures intersect, forming moderately plunging, 50-60º ore shoots of greater than 2 metres in width.

The small Sao Chicõ mine is located to the south-south-west of the Rio Novo claims. The mine is run by a cooperative of the local land owners. The mine was set up to exploit Galena mineralisation found in the area. Significant artisanal gold mining was present in the area and processing by crude methods has produced substantial gold values. The area shows a number of many collapsed artisanal workings exploiting veins between 10cm-1m in width. Vein strike continuity is reportedly 70m, exploited in underground workings. The two main vein orientations were observed in this area striking 110º and 020º. Veins were hosted within a granitic country rock and contained coarse pyrite and galena surrounded by a quartz gangue.

## 5.10 INTERPRETATION AND CONCLUSIONS

- The Rio Novo claims are situated within the Tapajós gold province.
- The claims are situated within the Tocantinzinho shear zone, a crustal scale shear zone that controls gold mineralisation within the area.
- The claims have a great number of historic and present artisanal working on the property, exploiting both the alluvial resources within the river valleys and weathered mineralised vein structures.
- The claims are along strike from Serabi Mineraçaó's Palito gold mine as demonstrated in Figure 27.
- Vein orientations and types are similar to those found at the Palito mine.




Key
Pp1 and 2 = Parauari Intrusive Suite.
Pml = Maloquinha Intrusive Suite.
Psa = Salustino Formation.
Par = Aruri Formation.
TQdl = Lateritic Cover.
Blue Boxes = Working mines.
Red Boxes = Rio Novo Claims.
NB: all dashed black lines are indicative of reported structural trends at the working mines and are not related to actual structural observations.

**Figure 27: Geological Map Showing the Location of the River Diamonds Claims in Relation to Surrounding Mines**

It is CSA's opinion that the area has significant gold potential; River Diamonds should undertake well planned exploration across the area to identify possible targets for further exploration.

## 5.11 RECOMMENDATIONS

CSA recommends that River Diamonds acquires good satellite images for the area, probably Quickbird images that offer high resolution and a quick collection period at a low cost.

Rio Tinto has undertaken regional exploration of the area and access to their information would be valuable to the company.

Aerial geophysics has been flown, but very little data about what was flown, when and by whom was available. This information should be sourced and reviewed.

All known artisanal workings should be located and a GPS reading should be taken, a description of the nature of the deposit should be made, either sediment or vein hosted and could be performed without the aid of a geologist. This would lead on to trenching and mapping of vein sites as part of later exploration.

Once this and any other relevant information is available a full desk study should be undertaken by an exploration geologist, to provide a targeted exploration plan for the area.

## 5.12 QUALIFICATIONS, EXPERIENCE AND INDEPENDENCE

The CSA Group is a consulting firm, which has been providing services and advice to the international mineral industry since 1987. The named professionals named in the preparation of this report are registered geologists or engineers that meet the standards of the "Competent Persons" definition of the UK listing authority Chapter 19 regulations by virtue of education, qualifications, work experience and membership in a professional association.

**Dexter Ferreira**- B.Sc Geological Sciences; B.Eng Mining; MBA; SACNSP; Prof.Nat.Sci

Dexter is a senior geostatistician and mining engineer with over 15 years experience in project evaluation internationally, including extensive involvement with mineral projects throughout South America and Africa. He is a member of the South African Council for Natural Scientific Professions, and qualifies as an *Expert, Competent Person and Qualified Person* as defined in National Instrument 43-101 and the JORC Code respectively.

**Clayton Reeves** – BSc. Engineering Hons. (Mining)

Clayton has over 10 years of experience in the mining industry, initially with operational experience at a number of gold mines in South Africa, and later as a consultant. He has extensive experience of mine design, feasibility studies and cost modelling over a wide spectrum of commodities. Clayton is a member of the South African Institute of Mining and Metallurgy

**Nerys Walters** – BSc Geology, MSC Mining Geology, MCSM, FGS.

Nerys is a geologist with over 5 years of experience within the extractive industries. Initially she worked as a mine and project geologist in Western Australia, later as a consultant. Nerys has exploration and production experience, and has participated in Competent Persons reports and Due Diligence reports. She has also undertaken exploration planning and project management work for exploration projects on a number of commodities. Nerys is a fellow of the Geological Society of London.

**Michael Anthony** - BSc CEng FIMMM FMES

Michael Anthony is a graduate chemical engineer and a Fellow of the Institute of Materials, Minerals and Mining and the Minerals Engineering Society. Michael has in excess of 35 years of relevant experience in mineral processing. His career started in the Copper belt, followed by substantial consultant experience worldwide in a diverse number of commodities.

**John Wearmouth** – BA (Hons) Accounting

John is an environmental consultant with experience in due diligence work worldwide having performed environmental due diligence and audit work of projects in Peru, Bolivia, The Philippines, Egypt, Bangladesh, Pakistan and Sri Lanka. He has a good understanding of the potential environmental liabilities that are of importance to potential investors including environmental permitting and potential liabilities relating to groundwater, seawater or air pollution.

## 5.13 GLOSSARY OF TECHNICAL TERMS

**Aa flow** - Lava whose surface is covered with random masses of angular jagged blocks.
**Absarokite** – a porphyritic basalt with a small amount of orthoclase in the groundmass.
**Acid-volcanic rocks -** a rock containing 70 percent or more of silica.
**Adit**
A horizontal or sub-horizontal tunnel used to access ore.
**Aeromagnetic survey**
A survey of the earth's magnetic field carried out from a helicopter or airplane.
**Air photo interpretation**
The identification of geology and structures from interpretation and examination of aerial photos.
**Alluvial**
Descriptive of sediments, which have been deposited by rivers or streams.
**Amphibolite** - A faintly foliated metamorphic rock developed during regional metamorphism rocks. Composed mainly of hornblende and plagioclase feldspars. A crystalloblastic rock consisting mainly of amphibole and plagioclase with little or no quartz. As the content of quartz increases, the rock grades into hornblende plagioclase gneiss. CF: feather amphibolite *AGI*
**Andesite** - A fine-grained igneous rock with no quartz or orthoclase, composted of about 75 percent plagioclase feldspars, balance ferromagnesian silicates. Important as lavas; possibly derived by fractional crystallization from basaltic magma. Widely characteristic of mountain-making processes around borders of Pacific Ocean. Confined to continental sectors.
**Anomaly**
Value higher or lower than the expected or norm.
**Archaean** The earlier part of Precambrian time, corresponding to Archaean rocks.
**Arc Polarity** – direction in which a plate is being subducted below a magmatic arc.
**Arsenopyrite-** a. A monoclinic mineral, 8[FeAsS] ; pseudo-orthorhombic, prismatic, and metallic silver-white to steel gray; the most common arsenic mineral and principal ore of arsenic; occurs in many sulphide ore deposits, particularly those containing lead, silver, and gold.
**Auger sampling –** Sampling performed using a hand or mechanised auger, used for unconsolidated or poorly consolidated materials.
**Banakite** - A basaltic rock composed of olivine and clinopyroxene phenocrysts in a groundmass of labradorite with alkali feldspar rims, olivine, clinopyroxene, some leucite, and possibly quartz. Banakite grades into shoshonite with an increase in olivine and clinopyroxene and with less alkali feldspar, and into absarokite with more olivine and clinopyroxene
**Basic** - a. Said of an igneous rock having a relatively low silica content, sometimes delimited arbitrarily as 44% to 51% or 45% to 52% ; e.g., gabbro, basalt. Basic rocks are relatively rich in iron, magnesium, and/or calcium, and thus include most mafic rocks as well as other rocks. Basic is one of four subdivisions of a widely used system for classifying igneous rocks based on their silica content: acidic, intermediate, basic, and ultrabasic. b. Said loosely of dark-coloured minerals. CF: silicic; mafic.
c. Said of a plagioclase that is calcic.
**Basin**
A regional depression, which may be structural in origin.
**Biotite** - "Black mica," ranging in colour from dark brown to green. Rock-forming ferromagnesian silicate mineral with tetrahedra in sheets.

**Block model**
A 3D array of cells constructed to enable recording of variables of interest such as grade and geology.
**Blow** – Pipe like shape at the intersection of similar structures, any widening of a structure.
**Boudinage** - A structure common in strongly deformed sedimentary and metamorphic rocks, in which an original continuous competent layer or bed between less competent layers has been stretched, thinned, and broken at regular intervals into bodies resembling boudins or sausages, elongated parallel to the fold axes.
**BQ** - Letter name specifying the dimensions of bits, core barrels, and drill rods in the B-size and Q-group wireline diamond drilling system having a core diameter of 36.5 mm and a hole diameter of 60 mm.
**Breccia** - Clastic rock made up of angular fragments of such size that an appreciable percentage of rock volume consists of particles of granule size or larger. A coarse-grained clastic rock, composed of angular broken rock fragments held together by a mineral cement or in a fine-grained matrix; it differs from conglomerate in that the fragments have sharp edges and unworn corners. Breccia may originate as a result of talus accumulation, explosive igneous processes, collapse of rock material, or faulting. Etymol: Italian, broken stones, rubble.
**Bulk sample** - One of the large samples of a few hundred tonnes or more taken at regular, though widely spaced, intervals.
**Caldera** - Roughly circular, steep-sided volcanic basin with diameter at least three or four times depth.
**Calk-alkaline** - Said of a series of igneous rocks in which the weight percentage of silica is between 56 and 61 when the weight percentages of CaO and of $K_2O + Na_2O$ are equal.
**Carbonate -** A mineral compound characterized by a fundamental anionic structure of $(CO_3)^{2-}$ . Calcite and aragonite, $CaCO_3$ , are examples of carbonates. A sediment formed by the organic or inorganic precipitation from aqueous solution of carbonates of calcium, magnesium, or iron; e.g., limestone and dolomite. See also: carbonate rock, d. Ores containing a considerable proportion of metal carbonates
**Cataclasite -** A cataclastic rock that has been formed by shattering (or cataclasis), which has been less extreme than in mylonite.
**Chalcopyrite** - A mineral, a sulphide of copper and iron, $CuFeS_2$.
**Channel sample**
Sample obtained by cutting a representative channel or grove across a rock face or profile.
**Chloride -** Family of tetrahedral sheet silicates of iron, magnesium, and aluminium, characteristic of low-grade metamorphism. Green colour, with cleavage like mica except that chlorite small scales are not elastic.
**Chloritisation** - The replacement by, conversion into, or introduction of chlorite.
**Clinopyroxene -** A group name for monoclinic pyroxenes.
**Compression**
When tectonic elements oppose and form a certain type of resulting structures.
**Convergent boundaries** - see subduction zone, where two plates meet, with one plate being subducted below the other.
**Cretaceous** - Applied to the third and final period of the Mesozoic Era.
**Decline**
An inclined tunnel-like excavation into the ground to allow vehicle and equipment access for the mining of ore bodies.
**Diamond drilling -** The act or process of drilling boreholes using bits inset with diamonds as the rock-cutting tool.
**Dip -** Acute angle that a rock surface makes with a horizontal plane. Direction of dip is always perpendicular to strike.

**Dolerite –** a fine to medium grained mafic igneous rock, mineralogically and chemically equivalent to basalt, commonly forming minor intrusions.
**Dykes –** a tabular near vertical minor igneous intrusion that cuts across horizontal to gently dipping planar structures in the host rock.
**$D^1$** – the first deformation event.
**$D^2$** – the second deformation event.
**Eocene –** an epoch of the Palaeogene, 56.5 – 35.4 Ma.
**En-echelon -** Said of geologic features that are in an overlapping or staggered arrangement, e.g., faults. Each is relatively short, but collectively they form a linear zone, in which the strike of the individual features is oblique to that of the zone as a whole.
**Epidotisation** - The replacement by, conversion into, or introduction of epidote.
**Epithermal -** Said of a hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees C, occurring mainly as veins.
**Face sampling**
Sampling of an exposed rock face in underground development fire assay. The assaying of metallic ores, usually gold and silver, by methods requiring a furnace heat.
**feldspatho-alkaline-granites –** granites that are of a feldspar rich alkaline affinity.
**Fire assay –** Fire assaying is the quantitative determination in which a metal or metals are separated from impurities by fusion processes and weighed in order to determine the amount present in the original sample.
**Galena -** A mineral; lead sulphide, PbS. Principal ore of lead.
**Gaussian Model**
A function frequently used when fitting mathematical models to experimental variograms, often in combination with a nugget model.
**Geophysics –** Exploration method, using the physical properties of the earth to identify anomalous areas, includes measuring magnetic fields, force of gravity, electrical properties, seismic-wave paths and velocities, radioactivity, and heat flow.
**Geostatistics**
A methodology for the analysis of spatially correlated data. The characteristic feature is the use of variograms or related techniques to quantify and model the spatial correlation structure. Also includes the various techniques such as kriging, which utilize spatial correlation models.
**Gneiss -** Metamorphic rock with gneissic banding. Commonly formed by metamorphism of granite.
**Gondwanaland -** Supercontinent thought to have broken up in Mesozoic. Resulting fragments are postulated to form present-day South America, Africa, Australia, India, and Antarctica.
**Grade** -grams per tonne (g/t), carat per tonne (ct/t)
**Granite-greenstone terrain –** ancient terrain comprised in the main part by granite and greenstone rocks.
**Granitoids -** Pertaining to or composed of granite.
**Granodioritic -** Coarse-grained igneous rock intermediate in composition between granite and diorite.
**Granulite -** A relatively coarse, granular rock formed at high pressures and temperatures, which may exhibit a crude gneissic structure due to the parallelism of flat lenses of quartz and/or feldspar.
**Greywacke -** A variety of sandstone generally characterized by hardness, dark colour, and angular grains of quartz, feldspar, and small rock fragments set in matrix of clay-sized particles. Also called lithic sandstone. They are generally of marine origin and are believed to have been deposited by submarine turbidity currents.
**Groundmass –** fine grained crystalline material found in all igneous rocks.
**Heterolithic –** containing clasts of the same source rock.

**HQ Diameter -** A letter name specifying the dimensions of bits, core barrels, and drill rods in the H-size and Q-group wireline diamond drilling system having a core diameter of 63.5 mm and a hole diameter of 96 mm.
**Hydrothermal alteration -** Of or pertaining to hot water, to the action of hot water, or to the products of this action, such as a mineral deposit precipitated from a hot aqueous solution, with or without demonstrable association with igneous processes; also, said of the solution itself. Hydrothermal is generally used for any hot water but has been restricted by some to water of magmatic origin.
**Ignimbrite -** The rock formed by the widespread deposition and consolidation of ash flows and neues ardentes.
**Illite -** A general term for a group of three-layer (14Aa), mica like clays (K,H (sub 3) O)(Al,Mg,Fe)$_2$ (Si,Al)$_4$ O$_{10}$ [(OH)$_2$ ,H (sub 2) O].
**Infracrustal –** within the crust.
**JORC Code**
Code and Guidelines for the assessment of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy.
**Kaolinitisation** - The replacement by, conversion into, or introduction of kaoline.
**Kimberlite**
A highly serpentinised porphyritic peridotite, commonly brecciated, which occurs in vertical pipes, dikes, and sills. It is the principal original environment of diamond, but only a small percentage of the known kimberlite occurrences are diamondiferous. See also: blue ground; yellow ground. The name is derived from Kimberley, South Africa.
**Lag**
A distance class interval used for variogram computation. Linear Model A function frequently used when fitting mathematical models to experimental variograms, often in combination with a nugget model.
**Lapilli -** Pyroclastic debris in pieces about walnut size.
**Leucosyenitic-granites –** light coloured granites with a syenitic affinity.
**Magmatic -** Of, pertaining to, or derived from magma.
**Magnetite -** A mineral; iron oxide, $Fe_3O_4$. Black; strongly magnetic. Important ore of iron.
**Marcasite -** White iron pyrites, $FeS_2$ , the orthorhombic dimorph of pyrite, having a lower specific gravity, less stability, and a paler colour.
**Metamorphic -** Pertaining to the process of metamorphism or to its results.
**Mica -** A group of phyllosilicate minerals having the general composition, X $_2$ Y$_{4-6}$ Z$_8$ O$_{20}$ (OH,F) where X=(Ba,Ca,Cs,H (sub 3) O,K,Na,NH$_4$ ), Y=(Al,Cr,Fe,Li,Mg,Mn,V,Zn), and Z=(Al,Be,Fe,Si).
**Micaceous –** containing mica.
**Microcline -** A triclinic mineral, $KAlSi_3 O_8$ ; feldspar group; pseudomonoclinic; dimorphous with orthoclase; a major rock-forming mineral in granites, pegmatites, and metamorphic rocks; may be a detrital mineral in arkoses and greywackes.
**Mini-bulk sampling -** One of the large samples of a few tens of tonnes or more taken at regular, though widely spaced, intervals.
**Miocene –** an epoch of the Neogene, 23.3 – 5.2 Ma.
**Monzonite -** A granular plutonic rock containing approx. equal amounts of orthoclase and plagioclase, and thus intermediate between syenite and diorite. Quartz is minor or absent.
**NQ Diameter -** A letter name specifying the dimensions of bits, core barrels, and drill rods in the N-size and Q-group wireline diamond drilling system having a core diameter of 47.6 mm and a hole diameter of 75.7 mm.
**Oligocene -** the youngest epoch of the Palaeogene, 35.4 – 23.3 Ma.
**Olivine -** Rock-forming ferromagnesian silicate mineral that crystallises early from magma and weathers readily at earth's surface. Crystal structure based on isolated

$(SiO_4)^{4-}$ ions and positive ions of iron, magnesium, or both. General formula: $(Mg, Fe)_2SiO_4$.

**Oriented core –** diamond drill core that has XYZ coordinates.

**Orogenic –** pertaining to or resulting from the creation of a mountain belt by tectonic activity, generally by the collision of plates or microplates. Characterised by regional metamorphism, igneous activity and vertical movements.

**Pangaea -** Supercontinent from which all others are postulated to have originated through process of fragmentation and drifting.

**Pegmatite -** An exceptionally coarse-grained igneous rock, with interlocking crystals, usually found as irregular dikes, lenses, or veins, esp. at the margins of batholiths. Most grains are 1 cm or more in diameter.

**Phanerozoic –** post Precambrian time.

**Phenocryst -** A crystal significantly larger than crystals of surrounding minerals.

**Pipes -** A vertical conduit through the Earth's crust; e.g., a kimberlite pipe of South Africa, through which magmatic materials have passed. It is usually filled with volcanic breccia and fragments of older rock. As a zone of high permeability, it is commonly mineralized.

**Plates -** Earth's lithosphere, varying in thickness from several tens of kilometres to as much as 100 km and including crust and part of upper mantle above asthenosphere.

**Pliocene -** an epoch of the Neogene, 5.2 – 1.64 Ma.

**Plunging -** The inclination of a linear structure, measured in the vertical plane.

**Porphyritic -** Textural term for igneous rocks in which large crystals, called phenocrysts, are set in finer groundmass, which may be crystalline or glass or both.

**Porphyry -** Igneous rock containing conspicuous phenocrysts in fine-grained or glassy groundmass.

**Precambrian –** the oldest (>570 Ma) era characterised by paucity of organisms with hard parts capable of fossilisation.

**Proterozoic –** the younger eon of the Precambrian.

**Pyrite -** A sulphide mineral, iron sulphide, $FeS_2$.

**Qualified Person**

"Qualified Person" means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; has experience relevant to the subject matter of the mineral project and the technical report; and is a member or licensee in good standing of a professional association.

**Quaternary -** the most recent subperiod of the Cenozoic, 1.64 Ma – present.

**Quartz -** A silicate mineral, $SiO_2$.

**Quickbird images –** a type of commercially available satellite image.

**Range**

For a spherical model, the distance at which the model reaches its maximum value, or sill. For the exponential and Gaussian models, which approach the sill asymptotically, one uses the range to mean the "practical", or "effective" range, where the function reaches approximately 95% of the maximum. The nugget model effectively has a sill with a range of zero; the linear model uses "sill/range" merely to define the slope.

**Relative Variogram**

A variogram in which the ordinary variogram value for each lag has been divided by the square of the mean of the sample values used in computing the lag. This is sometimes useful when a "proportional effect" is present; i.e., when areas of higher than average concentration also have higher than average variance. When relative variogram models are used in kriging, the resulting kriging standard deviations represent decimal fractions of the estimated values.

**Reverse Circulation (RC)**
A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination; commonly used with a percussion hammer bit.
**Rock chip sampling**
The collection of selective or representative samples of rock fragments within a limited area.
**Roscoelite -** A monoclinic mineral, $K(V,Al,Mg)_2 (AlSi_3 )O_{10} (OH)_2$ ; mica group; soft; a source of vanadium.
**Saccharoidal –** with the appearance of sugar.
**Sandstone**
A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains.
**Schists -** Metamorphic rock dominated by fibrous or platy minerals. Has schistose cleavage and is product of regional metamorphism.
**Search Neighborhood**
In any estimation, an elliptical area centred on a point or block being kriged. Only samples within the ellipse will be used for kriging. When the next point is kriged, the ellipse will be re-centred, and a different (perhaps) set of samples will be used.
**Semi-variogram**
Identical to the term “variogram” as defined here. There is disagreement in the geostatistical literature as to which term should be used.
**Sericitisation** - The replacement by, conversion into, or introduction of sericite.
**Serpentine -** Silicate of magnesium common among metamorphic minerals. Occurs in two crystal habits: platy, known as antigorite; fibrous, known as chrysotile, an asbestos. "Serpentine" comes from mottled shades of green on massive varieties, suggestive of snake markings.
**Serpentinised** - The replacement by, conversion into, or introduction of serpentine.
**Shear zone -** A tabular zone of rock that has been crushed and brecciated by many parallel fractures due to shear strain. Such an area is often mineralized by ore-forming solutions.
**Shield –** an extensive area of exposed bedrock with long term tectonic stability, generally of Precambrian age and forming the central core of a continent.
**Shield volcano -** A volcano in the shape of a flattened dome, broad and low, built by flows of very fluid basaltic lava or by rhyolitic ash flows.
**Sill -** A concordant pluton that is substantially wider than it is thick. Sills form within a few kilometres of the Earth's surface.
**Simple Kriging**
A variety of kriging, which assumes that local means are relatively constant and equal to the population mean, which is well known. The population mean is used as a factor in each local estimate, along with the samples in the local neighborhood. This is not usually the most appropriate method for environmental situations.
**Slickenside -** The striations, grooves, and polish on joints and fault surfaces.
**Smectite -** Any clay mineral with swelling properties and high cation-exchange capacities; an expansive clay.
**Soil sampling -** The collection of soil specimens for mineral analysis.
**Special Mining Lease** – Granted for 5 to 21 years and are subject to special terms (including acreage) and conditions negotiated between the Director of Mines and the applicant.
**Special Sight Rights** – Granted to a holder of a Mining Tenement for the purpose of the construction and use of passageways other than roads, water rights with erection of machinery, and disposal of earth and tailings.
**Specific gravity -** Ratio between weight of given volume of material and weight of equal volume of water at 4º C.
**Spherical Model**

A function frequently used when fitting mathematical models to experimental variograms, often in combination with a nugget model.

**Stockwork -** a three-dimensional network of planar to irregular veinlets closely enough

**Strike -** Direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip.

**Structural lineations –** a repeated or penetrative linear structure in a rock mass, applied to fault planes and folds.

**Subduction -** Act of one tectonic plate descending under another.

**Sulphide -** A mineral compound characterized by the linkage of sulphur with a metal or semimetal; e.g., galena, PbS, or pyrite, $FeS_2$.

**Supracrustal -** something that lies on top of the crust.

spaced that the whole mass can be mined.

**Tennantite -** An isometric mineral, $(Cu,Fe)_{12}$ $As_4$ $S_{13}$ ; tetrahedrite group; forms a series with tetrahedrite; may contain zinc, silver, or cobalt replacing copper; in veins; an important source of copper.

**Tertiary -** a period of the Cenozoic comprising the Palaeocene to Pliocene, 65.0 – 1.64 Ma.

**Transform faulting -** Point at which strike-slip displacements stop and another structural feature, such as a ridge, develops.

**Trench -** A long but narrow depression of the deep-sea floor having relatively steep sides.

**Trench sampling**

A sampling technique in which a shallow linear excavation is made in the ground surface, which is then methodically sampled, generally along one wall.

**Tuff –** a rock consolidated from volcanic ash.

**Ultrabasic -** Ultrabasic is one subdivision of a widely used system for classifying igneous rocks on the basis of silica content; the other subdivisions are acidic, basic, and intermediate.

**Variogram**

A plot of the variance (one-half the mean squared difference) of paired sample measurements as a function of the distance (and optionally of the direction) between samples. Typically, all possible sample pairs are examined, and grouped into classes (lags) of approximately equal distance and direction. Variograms provide a means of quantifying the commonly observed relationship that samples close together will tend to have more similar values than samples far apart.

**Volcaniclastic -** a clastic rock containing volcanic material.

**Vug –** a small, irregular cavity in an intrusive or carbonate rock.

**XRF Analysis -** a analytical method where by the reflection at definite and characteristic angles from space lattices of crystals of X-rays that have been caused to bombard them, thus giving data for identification of characteristic lattice structure of a given species of mineral.

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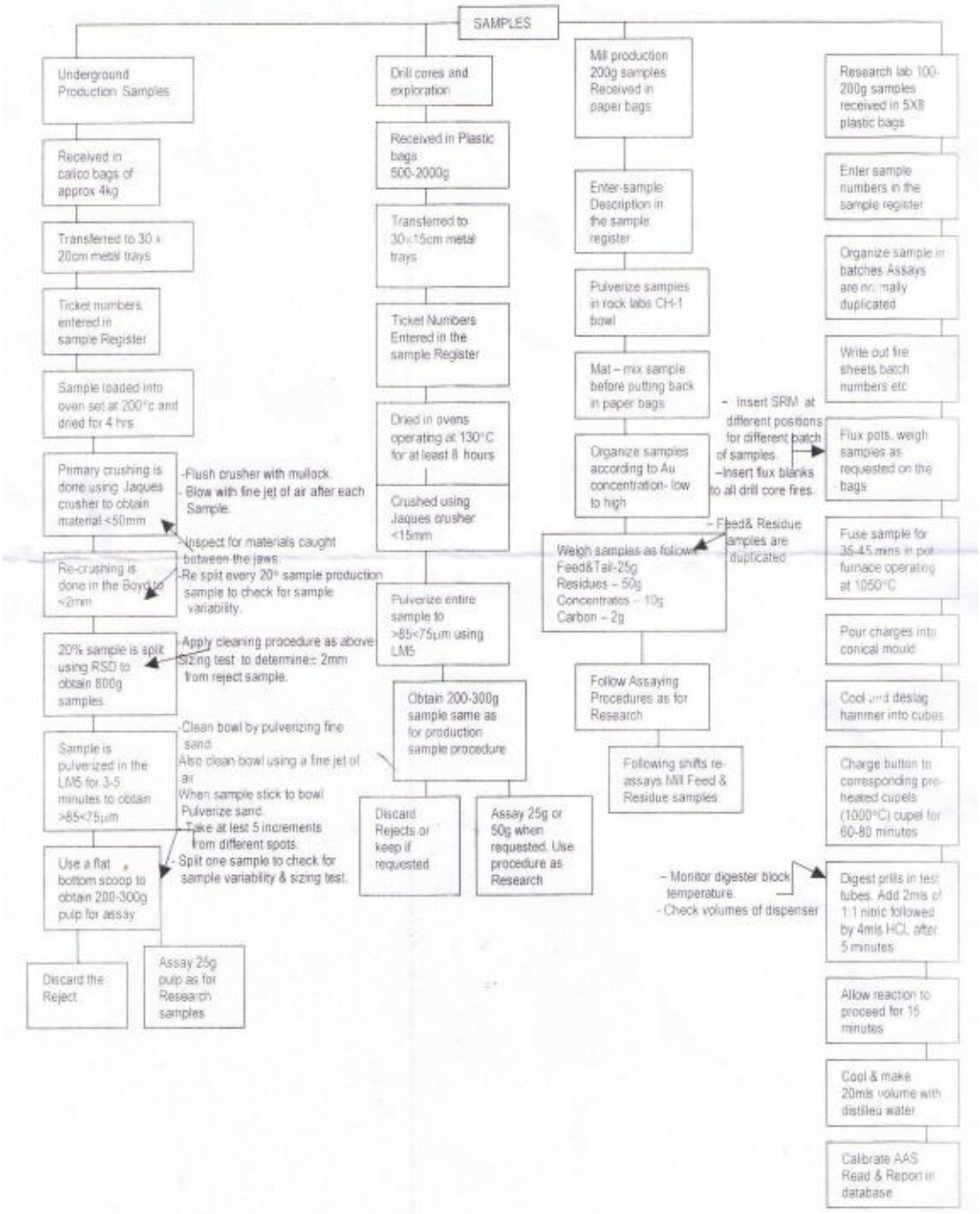
## 7. APPENDICES

## APPENDIX A: LABORATORY FLOW DIAGRAMS FOR THE VATUKOULA GOLD MINE, FIJI.


FLOWSHEET SHOWING DIFFERENT STAGES OF SAMPLE PREPARATION
SAMPLE
PRODUCTION
4kg in calico bags
LOGGING
Transferred to metal trays and registered
DRYING
PRIMARY CRUSHING
When cool-crushed to -
RECRUSH
Using Boyd -2mm
SPLITTING
20% of the bulk sample is split using R.S.D. Every 15th production sample is re split for checking sample variability.
EXPLORATION
2kg received in plastic bags
LOGGING
Transferred to metal trays and registered
DRYING
CRUSHING
When cool, crushed to -15mm using jaw crusher
PULVERIZING
Entire samples using LM5 /Rocklab Machines to >85%/-150um
BAGGING
200g 5 x 8 plastic bag
MILL
200g samples retrieved in paper bags
CROSS CHECK RECEIPTS
PULVERIZE
Using Rock labs to >85 %/-150um
READY FOR FUSION
25g – Feed
50g – Residues
10g – Concentrates
2g - Carbon
RESEARCH
100g samples in plastic bags
CROSS CHECK RECIPTS
READY FOR FUSION
25g for Feed
Tail and 10g for sulfur Concentrates
Reject Bin or stored When requested
LM5 Available
80% REJECT
BDS
20% of split sample is Pulverized>85 %/- 75um
200g Pulp for Assay. Every 15th sample is re-split for checking pulverized variability
REJECT
ARRANGED IN SEQUENCE
READY FOR FUSION
25g pulps
ARRANGED IN SEQUENCE
READY FOR FUSION
25g pulps unless 50g Requested

## Flow sheet showing the Analytical Process



## APPENDIX B: DATA REVIEWED

### Emperor

1 Milling operations quarterly reports, Sep 2000 – June 2006.
2 Operations process plant monthly reports, June 2003 – Sep 2006.
3 Process flowsheets (various).
4 Site plan (Feb 1994).
5 Mill assets list.
6 Proposed MS Project mill re-start activities list.
7 Korowere Heap Leach Trial reports, 1998 and 1999.
8 Gold Tailings Re-Treatment Project Note, 2006.
9 Process plant costs data - various
10 Heap Leach Costs & Sensitivities
11 October Planning Spreadsheet*
12 Working Capital Document - 4 jan 07

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12 Colbert P., 1980. Gold Treatment at Emperor Gold Mining Co. Ltd., Vatukoula, Fiji. Mining and Metallurgical Practices in Australasia.

13 Loosely. Gold Ore Treatment at Emperor Gold Mining Company, Ltd., Vatukoula, Fiji. Gold. Aus. IMM.

14 B. Wesson. Mining in Fiji. PACRIM 2004.

15 Independent Technical Review – Emperor Gold Mine. 2002/03. BDA.

16 Emperor Mine Expansion Study. Bateman Kinhill. Sep 1997.

## APPENDIX C: SITE PHOTOGRAPHS*

30 m crusher slimes thickener

60 foot slimes thickener

Calcine decant thickener

Calcine leach area

Calcine leach tanks

CIP plant

CIP plant 2

Concentrate thickener

Crushing and FOB

Cyanide mixing

Elution tanks

Main flotation plant side panel defects

Metallurgical plant view

Morgandshammer mill 2

Smidth mill

120 ft tails thickener

Copper trap

Flash flotation

Flotation basement

Lime mixing

Oxygen plant

Power house – No 1 Generator set

Rake classifier

Xanthate bund 2

Flocculent tank

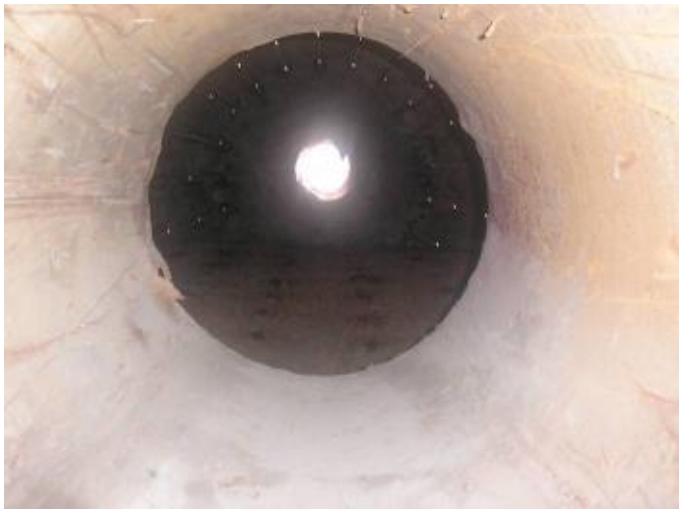
Flotation floor

Flotation sidewall 2

Gold casting

Gold furnace

Inside ESP 2



Inside Morgardshammer mill

Inside roaster

Inside Smidth mill

M mill liners

Mill exterior

Oil store


Reagent store – S

Settling ponds

Slimes rougher cells

Smidth mill liners

Sulphide roughers

Carbon adsorption

Clarifier

ESP

Gold room

Gold room 2

Gold room 3

Gold room 5

Gold room 6

No 1 (Toko) dam

No 5 dam

Potential valley for new tails

Slimes cleaner

Slimes rougher

Zinc addition

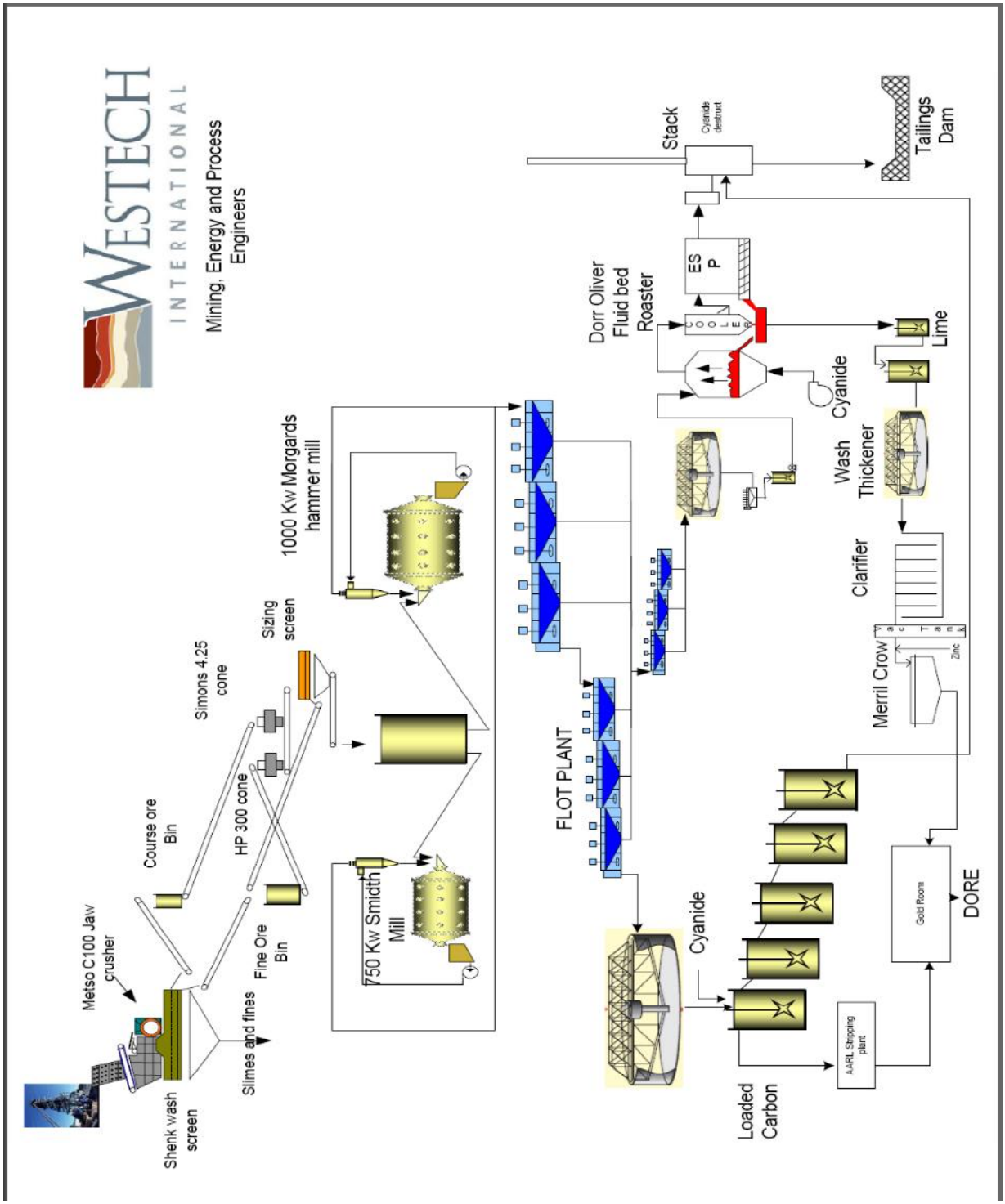
Zinc mixing

## APPENDIX D: SPREADSHEETS*

1 Index
2 Plant data general
3 Annual data
4 Mass balance
5 Ten year data
6 Exchange rates
7 Costs by element
8 Costs by cost centre
9 Maintenance costs
10 Section recoveries
11 Power cost distribution
12 Forward plan summary data

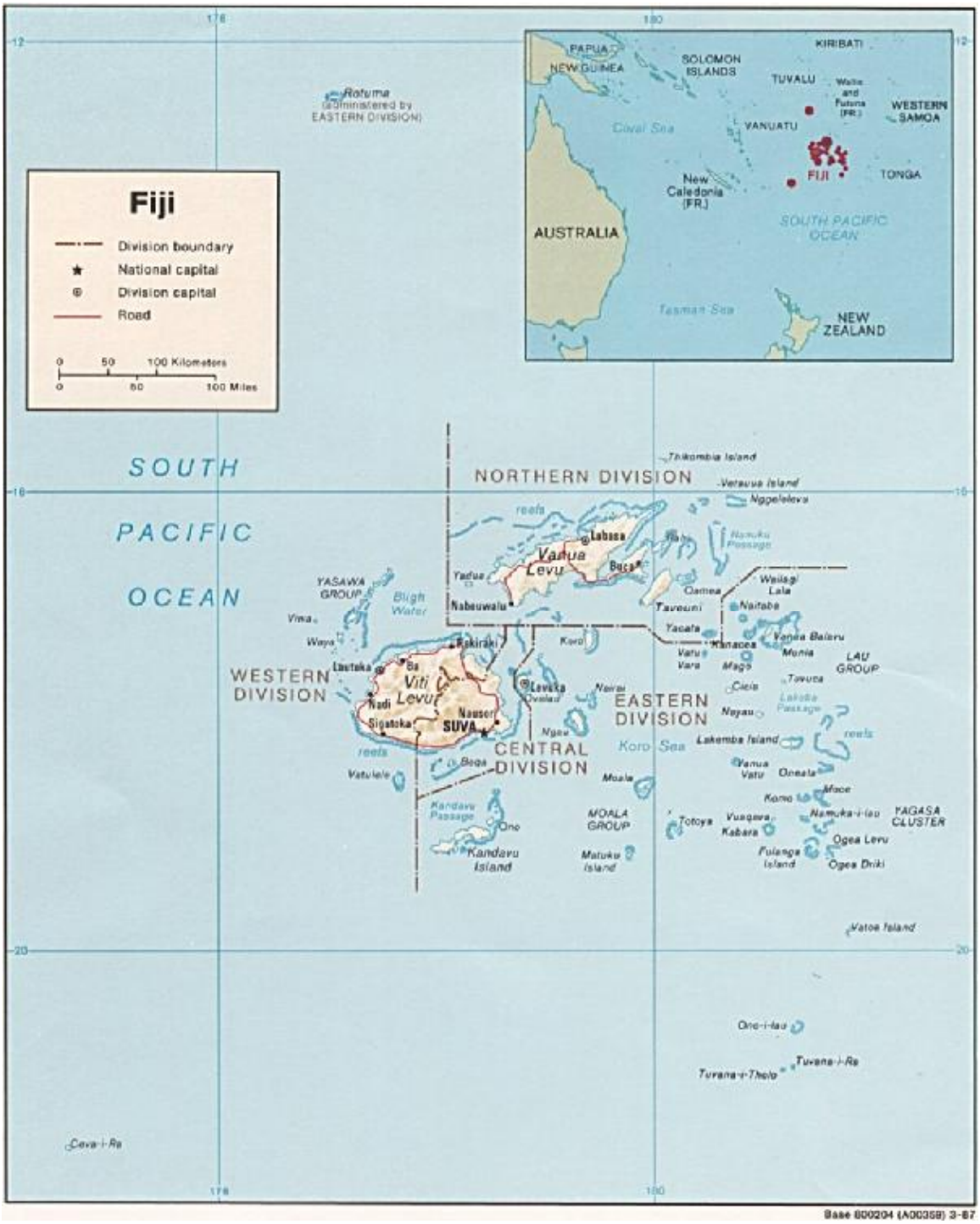
## APPENDIX E: PLANT LAYOUT

* Available in electronic format and as basic flowsheet below.

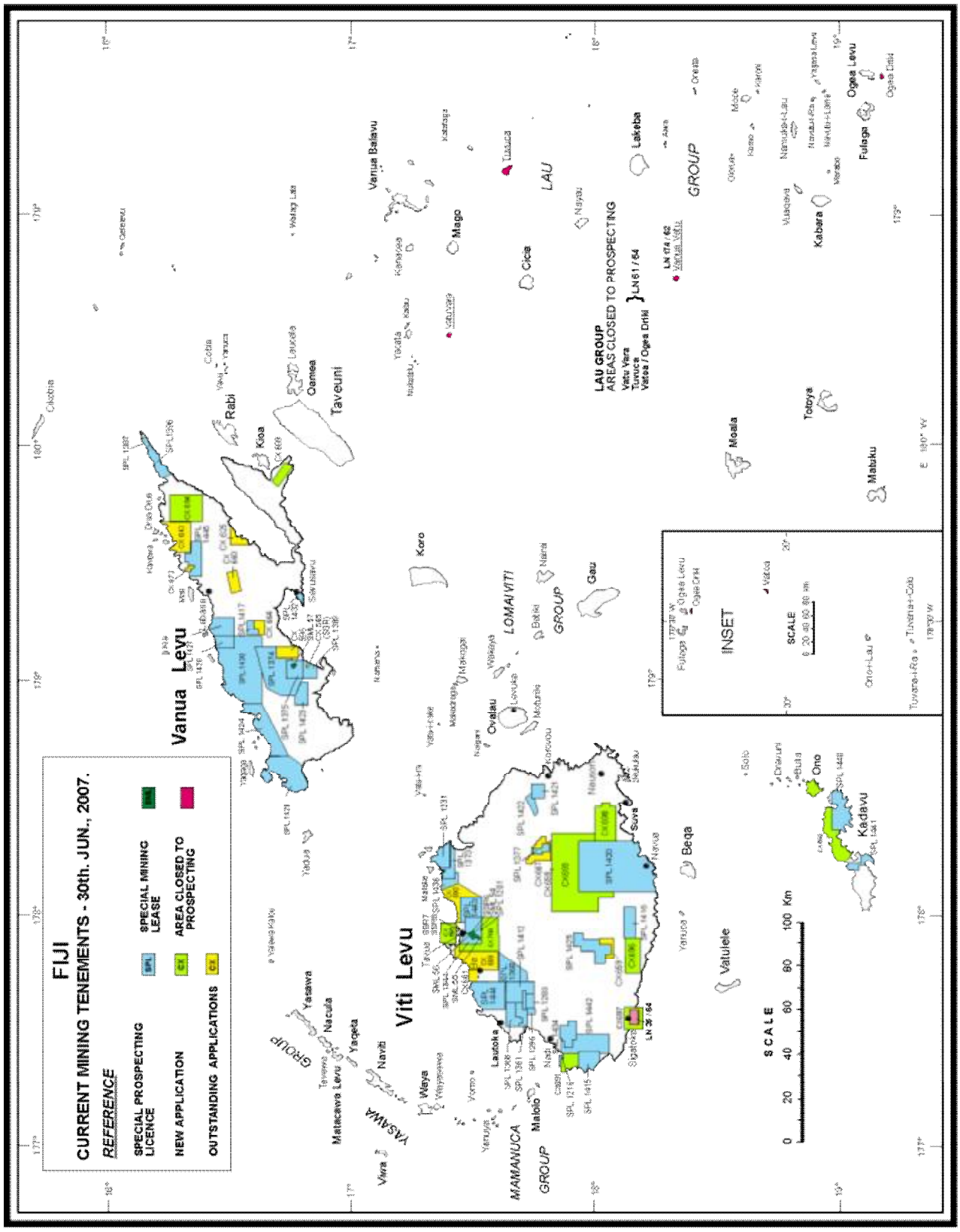


# APPENDIX F: MINING

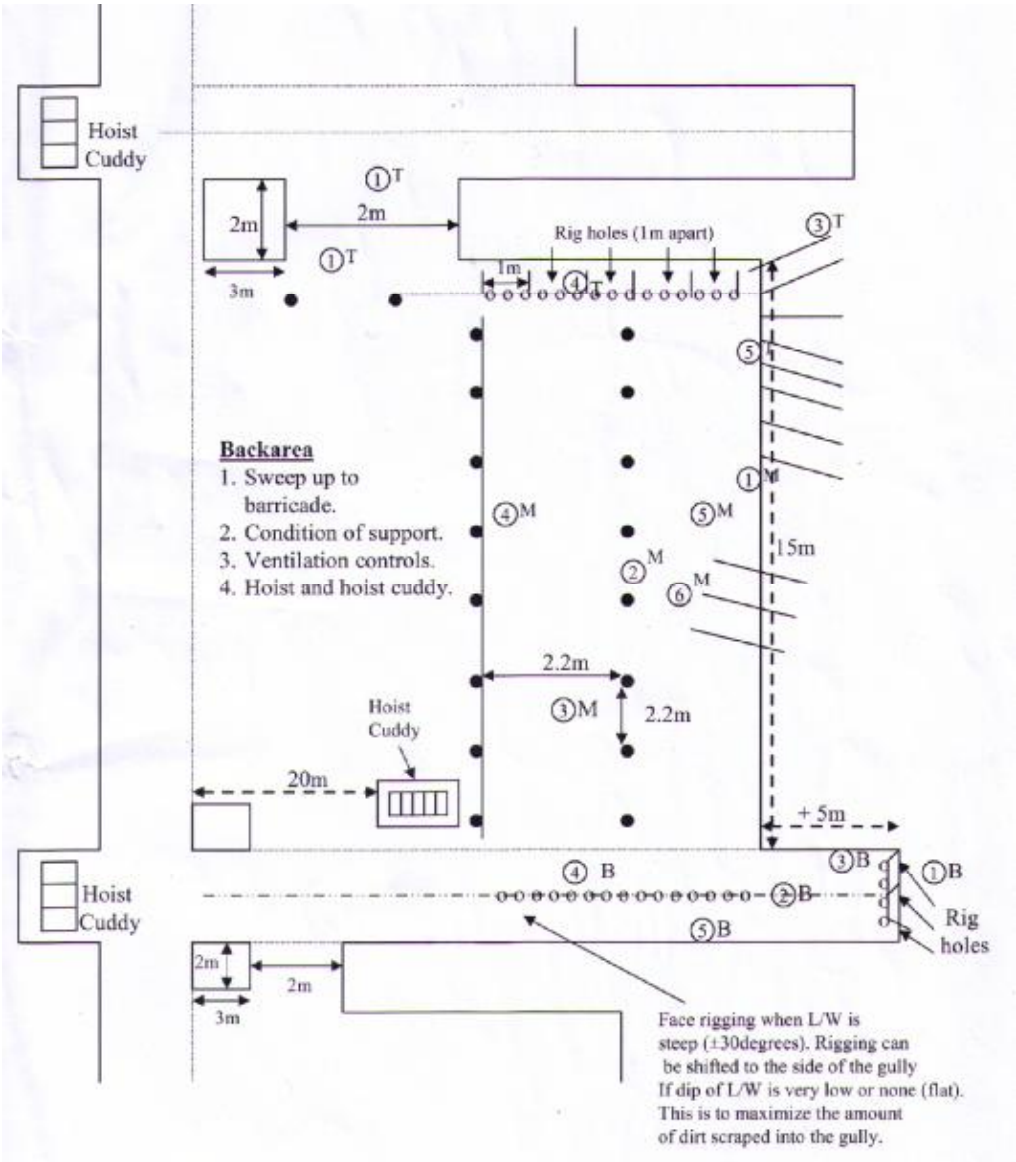
Location and Regions of Fiji



Current Mining Tenements of Fiji Showing



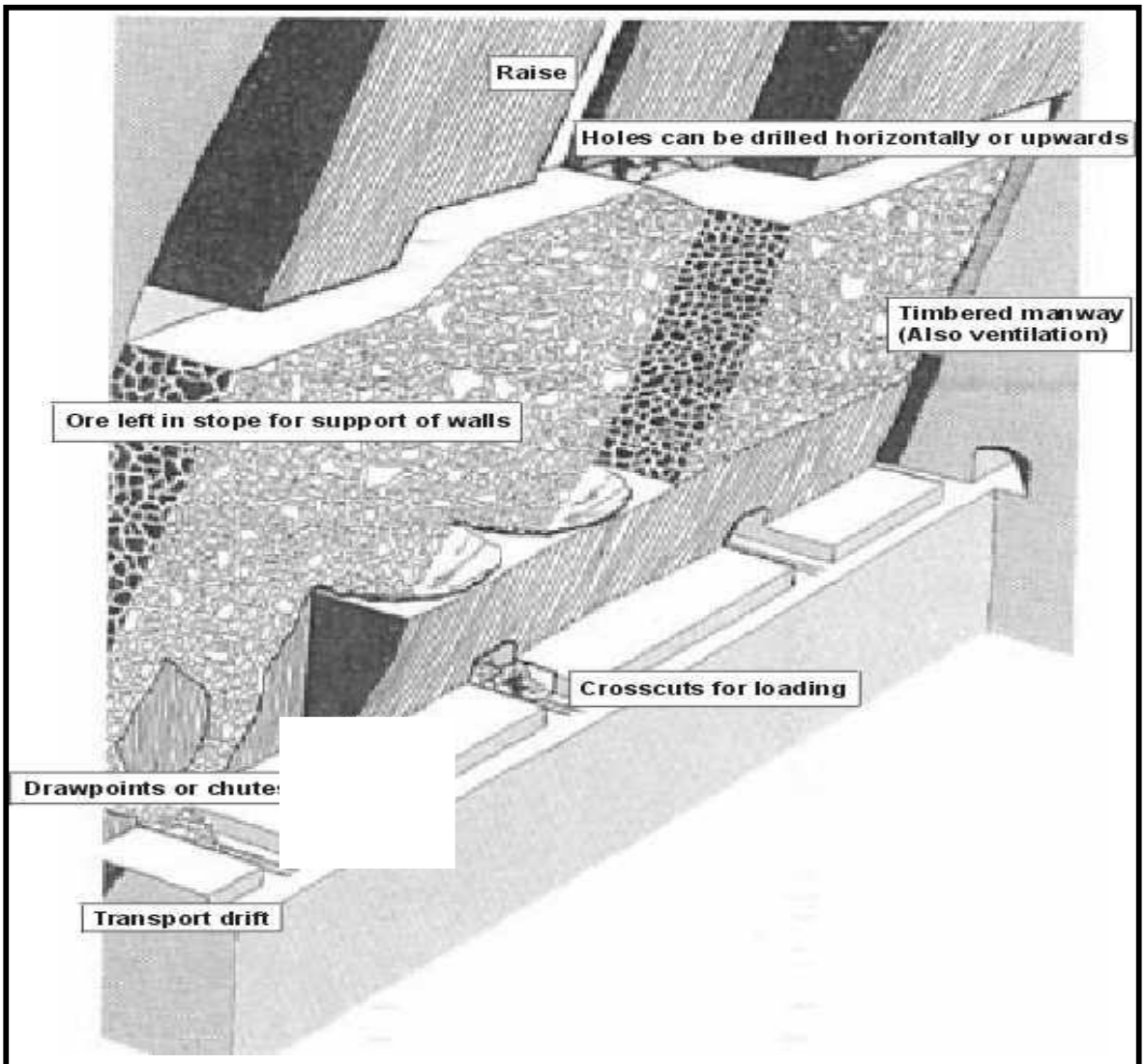
Typical Layout of a Longwall Breast Panel at Vatukoula Gold Mine




CSA International

Typical Stope Panel Layout at Vatukoula Gold Mine

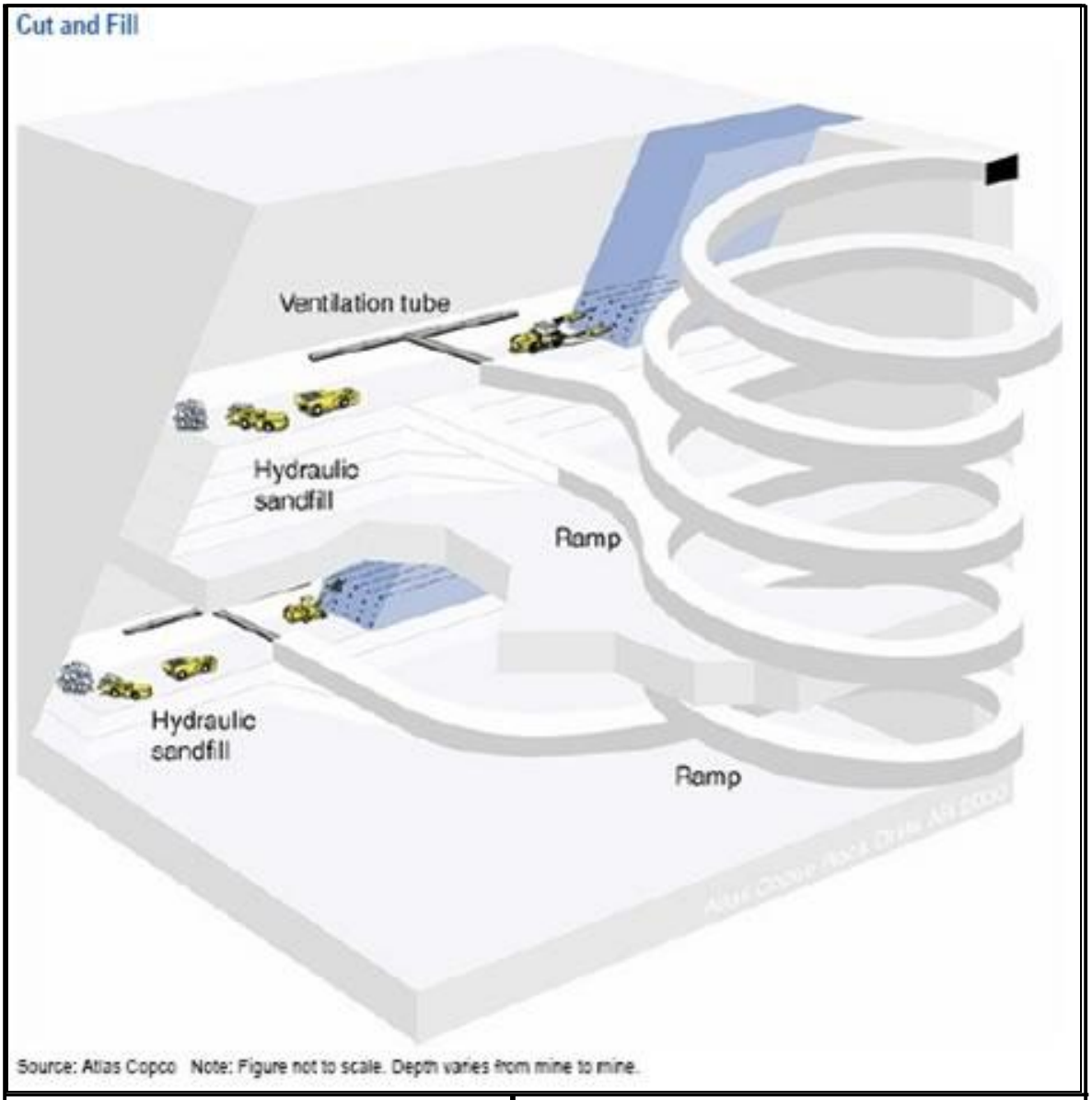
Typical Layout of a Shrinkage Stope




CSA International

**Typical Shrinkage Mining Method**

Typical Layout of a Cut and Fill Stope




| | |
|---|---|
| CSA International | **Typical Cut and Fill Mining Method** |

Philip Shaft Headgear

Philip Shaft Winder

Dispersion of Fissure Water Pumped Out of Philip Shaft

Smith Shaft Headgear

Smith Shaft Winder

Cayzer Shaft Headgear

Dispersion of Fissure Water Pumped Out of Cayzer Shaft

Cagi Vou Upcast Shaft Fans

Covering over Sautu Downcast Shaft

Diesel Generators

Ingersoll Rand Reciprocating Air Compressors

Wilson Snyder 3 Cylinder Positive Displacement Pumps - Smith Shaft 19 Lev

Sulzer Multi Stage Water Pumps - Cayzer Shaft 16 Lev

Dewatering Holes - R1/Cayzer Decline 17 Lev

Diesel Bay – Smith Shaft

Toro 006 LHD – New Equipment at Storage Yard

EJC 12-Tonne Diesel Dump Truck – New Equipment

Toro 006 LHD – New Equipment at Emperor Decline

Single Boom Tamrock Drill Rig at Emperor Decline

Spare Tyres for LHDs and Dump Trucks at Storage Yard

Split Sets in Storage Yard

New Drill Steeles in Storage Yard

General Stores

Winches in Storage Yard

Spare Motors for LHDs and Dump Trucks in Storage Yard

Spare Parts for Snyder Pumps

New Impeller for Vision Upcast Shaft Fan

Stope Panel Support at 2000N Section – Smith Shaft

Localised Hazardous Ground Conditions – Philip Shaft 15 Lev

Sautu Downcast Shaft – Shaft Bottom

R1/Cayzer Decline Dewatering at 18 Lev

Good Hanging Wall Conditions at 166N – Emperor Decline

15kW Winch at 166N – Emperor Decline

Pneumatic Rock Drill at 166N – Emperor Decline

Stope Support at 166N – Emperor Decline

Reef Channel 166N – Emperor Decline

Anfo Mixing Station

Nasivi River Pump Station

Diesel Power Generation Station

Cementation Pump

Refuge Bay – Emperor Decline

Emergency Services Equipment

Vatukoula Village Accommodation

# PART V

# ADDITIONAL INFORMATION

## 1. Incorporation and Status of the Company

(a) The Company was incorporated in England and Wales on 1 March 2004 with company name River Diamonds Group Plc under registered number 05059077 and was issued with its certificate under Section 117 of Companies Act 1985 enabling it to do business and to borrow on 9 March 2004.

(b) The registered office of the Company is at Fifth Floor, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0LS (telephone number 020 7842 8000). The head office of the Company is at Level 5, 22 Arlington Street, London SW1A 1RD (telephone number 020 7016 5100). The Company is domiciled in England. The ISIN number of the Ordinary Shares is GB00B00SV774.

(c) The Company's principal activity is that of a holding company.

(d) The principal legislation under which the Company operates is the Act and the regulations made thereunder.

(e) The liability of the members is limited.

(f) The following are the subsidiaries of the Enlarged Group, all of which will be wholly 100% beneficially owned:

| *Company Name* | *Date of Incorporation* | *Registered Number* | *Registered Office* | *Authorised Share Capital* | *Issued Share Capital* |
|---|---|---|---|---|---|
| River Diamonds UK Limited | 8 August 2000 | 4048755 | Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0LS | £2,500,000 divided into 250,000,000 ordinary shares of 1p each | 196,358,698 ordinary 1p shares |
| Panguma Diamonds Limited | 24 May 2006 | C.F.143/2006 | 19 Siaka Stevens Street, Freetown, Sierra Leone | | |
| SLL.3,000,000 | | | SLL.3,000,000 | | |
| São Carlos Mineração Ltda | 13 May 2002 | 51200822561 (Federal registered number : CNPJ/MF 05044949/ 0001-07) | Av. Historiador Rubens de Mendonça, Ed. Empire Centre, No 990, sala 405, Bairro Centro, Cuiabá-MT CEP 78008-000 | R$500,000 | R$500,000 |
| Viso Gero International Inc., | 5 July 2007 | 141577 | Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands | 50,000 (no par value) | 10,937 |
| Westech Gold Pty Limited | 20 February 2007 | 124 046 788 | 38 Sandhurst Crescent, Glenhaven, NSW 2156 | n/a | AUS$3.00 |
| Westech Australia Pty Limited | 22 November 1991 | 054 383 470 | Westech Gold Pty Ltd, 38 Sandhurst Crescent, | n/a | AUS$2.00 |

| *Company Name* | *Date of Incorporation* | *Registered Number* | *Registered Office* | *Authorised Share Capital* | *Issued Share Capital* |
|---|---|---|---|---|---|
| | | | Glenhaven, NSW 2156 | | |
| Westech Finance Pty Limited | 7 April 1997 | 078 110 451 | Westech Gold Pty Ltd, 38 Sandhurst Crescent, Glenhaven, NSW 2156 | n/a | AUS$62,608,808 |
| Jubilee Mining Company Limited | 04 May 1971 | 1481 | c/o Emperor Gold Mining Ltd, Private Mailbag, Vatukoula, Fiji | F$10,000 | F$10,000 |
| Koula Mining Company Limited | 17 January 1983 | 5518 | Private Mailbag, Vatukoula, Fiji | F$10,000,000 | F$1,000,002 |
| Westech Gold Mining Limited | 21 September 1934 | 155 | Muaror&Co Barristers and Solicitors, 25 Gorrie Street, Suva, Fiji | F$4,000,000 | F$4,000,000 |

(g) The Company has no administrative, management and supervisory bodies other than the Board of Directors, the remuneration committee, the nomination committee and the audit committee.

**2. Share capital of the Company**

(a) The authorised and issued ordinary share capital of the Company as at the date of the document, and as it will be upon Re-Admission, is as follows:

| *Authorised* | | *Issued (as at the date of this document)* | | *Issued (upon Re-Admission)* | |
|---|---|---|---|---|---|
| *Number* | *£* | *Number* | *£* | *Number* | *£* |
| 3,500,000,000 | £3,500,000 | 1,104,705,388 | £1,104,705.388 | 1,685,155,387 | £1,685,155.387 |

In addition the authorised share capital of the Company includes 50,000 redeemable preference shares of £1.00 which were issued upon incorporation and have now been redeemed and will not be available for re-issue.

(b) The Company has the following outstanding warrants to subscribe and conversion entitlements for Ordinary Shares:

| *Warrant Holders* | *Latest Exercise Date* | *Number* | *Exercise/ Conversion Price* |
|---|---|---|---|
| Anthony Balme | 30/06/2008 | 3,000,000 | £0.01 |
| Kobus Gregory | 29/10/2008 | 3,000,000 | £0.01 |
| Mike Shaw Walker | 29/10/2008 | 2,000,000 | £0.01 |
| Tiger Resource Finance plc | 23/10/2008 | 6,666,666 | £0.015 |
| Tiger Resource Finance plc | 25/02/2009 | 6,666,666 | £0.015 |
| *Conversion Entitlement* | | | |
| City of London Group plc | 31/12/2009 | 8,333,333 | £0.012 |
| **Total** | | 29,666,665 | |

(i) In addition, under the terms of the Working Capital Facility, loan notes, if issued, of up to a maximum aggregate nominal amount of £3,000,000, are convertible into Ordinary Shares at the rate of one Ordinary Share for each 6p of loan note converted (being accordingly a maximum conversion into 50,000,000 Ordinary Shares). However, if any loan notes are converted in the

period after the end of the sixth month following the passing of the Resolution and until the anniversary thereof and the bid price of Ordinary Shares at that time is less than 6p, then the conversion rate shall be adjusted so that the loan notes would be converted in such number of Ordinary Shares as would if sold at the bid price have a value equal to the aggregate nominal value of the loan notes converted and accrued interest thereon and (ii) under the terms of the warrants to be issued, conditional upon Re-Admission to Hichens Harrison under the Hichens Harrison Warrant Instrument and to WH Ireland under the WH Ireland Warrant Instrument Hichens Harrison and WH Ireland will be entitled respectively to subscribe for up to 16,851,554 and 25,277,331 Ordinary Shares at a subscription price of 6 pence per share.

(c) The following outstanding options to subscribe for Ordinary Shares have been granted to employees and directors:

| *Holder* | *Expiry Date* | *Number* | *Exercise Price* |
|---|---|---|---|
| Colin Orr Ewing | 24/08/2010 | 3,500,000 | £0.025 |
| Kiran Morzaria | 24/08/2010 | 3,500,000 | £0.025 |
| David Lenigas | 24/08/2010 | 3,500,000 | £0.025 |
| Anthony Balme | 24/08/2010 | 2,000,000 | £0.025 |
| Nick Shaw Hardie | 24/08/2010 | 1,900,000 | £0.025 |
| Philip Harris | 24/08/2010 | 1,200,000 | £0.025 |
| Kobus Gregory | 24/08/2010 | 4,700,000 | £0.025 |
| Mike Shaw Walker | 24/08/2010 | 1,200,000 | £0.025 |
| Marcus Maciel | 24/08/2010 | 1,200,000 | £0.025 |
| Alex Chapman | 24/08/2010 | 500,000 | £0.025 |
| Steven Parris | 24/08/2010 | 500,000 | £0.025 |
| **Total** | | 23,700,000 | |

(d) The Company intends to issue the following options following Re-Admission:

| *Holder* | *Expiry Date* | *Number* | *Exercise Price* |
|---|---|---|---|
| Colin Orr-Ewing | 31/03/2013 | 10,000,000 | £0.06 |
| Kiran Morzaria | 31/03/2013 | 15,000,000 | £0.06 |
| David Lenigas | 31/03/2013 | 30,000,000 | £0.06 |
| Donald Strang | 31/03/2013 | 15,000,000 | £0.06 |
| John Stalker | 31/03/2013 | 30,000,000 | £0.06 |
| Neil Herbert | 31/03/2013 | 20,000,000 | £0.06 |
| Emma Curnow | 31/03/2013 | 1,000,000 | £0.06 |
| | | 121,000,000 | |

(e) The following is a summary of the changes in share capital of the Company since incorporation:

(i) The Company was incorporated with an authorised share capital of £500,000 divided into forty-five million ordinary shares of 1p each and 50,000 Redeemable Preference Shares of £1.00 each of which two ordinary shares of 1p each were subscribed on incorporation.

(ii) On 5 March 2004 the Company issued 50,000 preference shares to Colin Orr-Ewing at a subscription price of £1 per share of which 25p per share was paid upon issue. The Preference Shares were redeemed for the amount paid up on the shares on 26 August 2004 on the Original Admission from the proceeds of the placing.

(iii) On 30 April 2004 the ordinary share capital of the Company was subdivided into Ordinary Shares of 0.1p each on the basis of 10 shares for each ordinary share of 1p.

(iii) On 30 April 2004 the Company allotted 19,358,490 ordinary shares of 1p each to the shareholders of River Diamonds UK Limited pursuant to the terms of the scheme of arrangement dated 23 March 2004 (''Scheme of Arrangement'').

(iv) On 30 April 2004 the Company allotted 188 Ordinary Shares for cash at par value in respect of fractional entitlements that had been ignored under the Scheme of Arrangement.

(v) On 17 May 2004 the Company issued 5,171,818 Ordinary Shares for cash at a price of 2.75p per share.

(vi) On 30 June 2004 the Company issued 1,534,909 Ordinary Shares at a price of 2.75p per share.

(vii) On 21 July 2004 the Company issued 875,000 Ordinary Shares at a price of 1.6p per share.

(vii) On 26 August 2004 pursuant to a placing and the first admission of the Company's share capital to trading on AIM, the Company issued 67,310,000 Ordinary Shares at the placing price of 2.5p. In respect of the placing the Company paid commissions equal to £85,000 of the gross proceeds of the placing.

(viii) Following the admission to AIM the Company has issued the following Ordinary Shares pursuant to the exercise of warrants and cash subscriptions:

| *Date of allotment* | *Number of Ordinary Shares* | *Price per Ordinary Share* |
|---|---|---|
| 3/9/04 | 500,000 | 1p |
| 15/10/04 | 400,000 | 1p |
| 30/11/04 | 400,000 | 1p |
| 9/1/05 | 500,000 | 1p |
| 24/1/05 | 25,000,000 | 1p |
| 3/2/05 | 400,000 | 1p |
| 2/3/05 | 400,000 | 1p |
| 2/5/05 | 400,000 | 1p |
| 3/6/05 | 600,000 | 1p |
| 1/7/05 | 500,000 | 1p |
| 16/8/05 | 500,000 | 1p |
| 3/1/06 | 150,000,000 | 1p |
| 27/6/06 | 2,700,000 | 1p |
| 1/3/07 to 3/4/07 | 34,209,089 | 1.1p |
| 6/7/07 | 237,500,000 | 1.3p |
| 10/7/08 | 3,000,000 | 1p |
| 4/10/08 | 250,000,000 | 1.5p |
| 3/3/08 | 7,750,000 | 2p |
| 3/3/08 | 8,333,333 | 1.3p |
| Total | 899,287,422 | |

(ix) On 2 January 2007 93,985,000 Ordinary Shares were issued as consideration for the purchase of Panguma Diamonds Limited.

(x) On 20 April 2007 1,477,541 Ordinary Shares were issued to discharge an outstanding and due loan in the amount of £24,970.44p.

In the period covered by the historical financial information set out in Part III(A) of this document more than 10% of the share capital issued in that period has been paid for with assets other than cash.

(f) The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Re-Admission on the Ordinary Share capital.

(g) Except as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

(h) Except as disclosed in this document, since the date of incorporation of the Company:

(i) no share or loan capital of the Company has been issued or agreed to be issued; and

(ii) no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.

(i) To the best of the Directors' knowledge, no person or persons, directly or indirectly, acting alone or jointly with others, exercises or could exercise control over the Company and there are no arrangements whereby a person or persons will exercise, or could exercise, control over the Company at a date subsequent to the date of this document.

(j) Save for as stated elsewhere in this document, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option and there are no other acquisition rights or similar rights affecting the share capital of the Company and no agreement or undertaking to increase the share capital of the Company.

(k) As at the date of this document, no Ordinary Shares are held by any company within the Group.

(l) The Company's Articles permit the Company to issue shares in uncertificated form.

(m) The nominal value of the Ordinary Shares is 0.1 pence and they have been conditionally placed at a premium of 5.9 pence per Ordinary Share.

(n) Save as disclosed in this document no founders, management or deferred shares have been issued by the Company.

(o) The Ordinary Shares are ordinary shares of 0.1 pence in the capital of the Company and were created under the Act and are issued in British Pounds Sterling with International Security Identification Number ("ISIN"): GB00B00SV774.

(p) The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Company's registrars Capita Registrars Limited are responsible for keeping the Company's register of members.

(q) The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 3 of this Part V.

(r) Section 89(1) of the Act gives the Company's shareholders pre-emption rights on any issue of shares by the Company to the extent not disapplied by a special resolution passed pursuant to section 95 of the Act. By a special resolution passed on 30 November 2007, the Directors are authorised to allot, in addition to the Placed Shares, new Ordinary Shares up to a maximum nominal amount of £1,500,000.

(s) The New Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital, further details of which are set out in paragraph 3 of this Part V.

(t) The New Ordinary Shares shall be entitled on a *pari passu* basis with the Existing Ordinary Shares to share in any surplus on a liquidation of the Company.

(u) The New Ordinary Shares have no redemption or conversion provisions.

(v) The New Ordinary Shares which are part of the Company's authorised but unissued share capital were created by the ordinary resolution passed on 30 November 2007.

(w) The Directors were authorised to allot and issue the New Ordinary Shares pursuant to:

  (i) an ordinary resolution passed on 30 November 2007 authorising them pursuant to Section 80 of the Act to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum nominal amount equal to the amount of the Company's authorised but unissued share capital immediately after the increase in the authorised share capital to a nominal amount of £1,500,000, unless the authority is renewed, varied or revoked by the Company in a general meeting (except that the Company may before such expiry, make offers or agreements which would or might require relevant securities to be allotted after expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements);

  (ii) a special resolution passed on 30 November 2007 authorising them pursuant to Section 95 of the Act to allot equity securities (which expression shall be construed in accordance with Section 94 of the Act) pursuant to the resolution referred to in (i) above as if section 89(1) of the Act did not apply thereto provided that following Re-Admission the authority conferred by this resolution be limited to the allotment of new Ordinary Shares up to an aggregate nominal amount of £300,000, unless the authority is renewed, varied or revoked

by the Company in a general meeting (except that the Company may before such expiry, make offers or agreements which would or might require relevant securities to be allotted after expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements).

(x) The New Ordinary Shares will be freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.

(y) The Ordinary Shares are subject to the Code. Under Rule 9 of the Code ("Rule 9"), if:

(i) any person, or group of persons acting in concert, acquires, whether by a series of transactions over a period of time or not, shares which taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30%. or more of the voting rights of a company which is subject to the Code; or

(ii) any person who, together with persons acting in concert with him, holds not less than 30%. but not more than 50%. of the voting rights of such a company, acquires, or any person acting in concert with him acquires, additional shares which increase his (or their) percentage of the voting rights;

such person (or persons acting in concert) is normally required by the Panel to make a general offer in cash to acquire the remaining shares in the company to all its shareholders at not less than the highest price paid by him (or any persons acting in concert with him) within the preceding twelve months. Rule 9 is subject to a number of dispensations.

In addition, in the event an offeror makes an offer to acquire all the shares, or all the shares of any class or classes, in a company and acquires at least nine-tenths in value of the issued share capital of the Company to which the offer relates, the offeror may in accordance with the procedure set out in sections 428-430 of the Act require the holders of any shares to which the offer relates that he has not acquired to sell them subject to the terms of the offer, and such shareholders may in turn require the offeror to purchase such shares on the same terms.

(z) No person has made a public takeover bid for the Company's issued share capital since the Company's incorporation.

(AA) A shareholder is required pursuant to sections 89A to 89I of FSMA and DTR 5 to notify the Company of the percentage of voting rights held if the percentage held as a Shareholder (directly or indirectly) reaches, exceeds or falls below 3% or any whole percentage figure above 3%.

**3. Memorandum and Articles of Association**

The Company's Memorandum provides that the Company's principal objects are to carry on business of a general commercial company. The objects of the Company are set out in clause 3 of the Memorandum.

The material provisions of the Company's Articles are as detailed below.

(a) *Voting Rights*

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a body corporate) is represented by a duly authorised representative shall have one vote and on a poll every member present in person or by proxy or (being a body corporate) by duly authorised representative shall have one vote for every share held by him.

No member shall, unless the Directors otherwise determine, be entitled to vote if any call or other sum presently payable by him/her to the Company in respect of the shares remains unpaid.

(b) *Alteration of Capital*

(i) The Company may from time to time by ordinary resolution (a) increase its capital as the resolution shall prescribe; (b) consolidate and divide all or any of its shares into shares of larger amount; (c) sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division; and (d) cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(c) *Variations of Rights*

Subject to the provisions of the Act, if the capital of the Company is divided into different classes of shares, the rights attached any class may be varied, either whilst the Company is a going concern or during or in contemplation of a winding-up either (a) in such manner as may be provided by such rights or (b) in the absence of any such provision with the written consent of the holders of the three fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of shares of that class.

Any meeting for the purposes mentioned above should be convened and conducted in all respects as nearly as possible in the same way as an Extraordinary General Meeting but no member who is not a Director shall be entitled to notice of the meeting and no person who is not a Director or a duly appointed proxy of a member entitled to shares of the class shall be entitled to attend at the meeting unless he holds shares of the class intended to be affected by the resolution. Votes shall only be given in respect of shares of that class and at any such meeting the quorum shall be persons holding or representing by proxy at least one-third of the issued shares of the class. If at an adjourned meeting such a quorum is not present the quorum shall be one holder of the class present in person or by proxy.

(d) *Purchase of Own Shares*

The Company may purchase its own shares of any class (including redeemable shares) at any price, subject to the provisions of the Act and to the written approval of not less than three quarters of the holders of that class or to an extraordinary resolution passed at a separate meeting of the holders of such class.

(e) *Transfer of Shares*

Any member may transfer all or any of their shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual or common form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares that are not fully paid or on which the Company has a lien. The provisions of the Articles of Association apply equally to uncertificated shares transferred under Crest as they do to certificated shares of the Company.

The Board may decline to register any instrument of transfer unless the duly stamped instrument of transfer

(i) is in respect of only one class of share;

(ii) is lodged at the registered office or such other place as the Board may appoint;

(iii) is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

(iv) in the case of a transfer to joint holders, the number of joint holders does not exceed four

(f) *Dividends and Other Distributions*

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid *pro rata* to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

In a winding up, the liquidator may, with the sanction of an extraordinary resolution and subject to the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(g) *Restrictions on Shares*

No member shall, unless the Board otherwise determines, be entitled to vote in respect of any share if a member has not paid to the Company all calls and other sums then payable by them in respect of that share in the Company.

No member shall, unless the Board otherwise determines, be entitled to vote in respect of any share held by them if they have been served with a notice under Section 212 of the Act in respect of that share and have failed to provide the information requested in the notice within 28 days of service.

(h) *Directors*

(i) At each annual general meeting of the Company all those directors who were elected or last re-elected at or before the annual general meeting held in the third calendar year prior to the date of that annual general meeting shall retire from office by rotation and shall be eligible for re-election.

(ii) Save as provided in paragraph (iii) below, a Director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the Directors concerning a matter in which he has an interest which together with any interest of any person connected with him is a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries; (b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (c) a Director being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures, or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange; (d) the subscription or purchase by a Director of shares, debentures or other securities of the Company pursuant to an offer or invitation to members or debenture holders of the Company, or any class of them; (e) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one % or more of either any class of the equity share capital or the voting rights in such company; (f) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any Director any privilege or benefit not accorded to the employees to whom the arrangement relates; and (g) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

(iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed £100,000 each per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

(v) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(i) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party provided that such borrowing may not without prior shareholder approval exceed in aggregate £5,000,000.

(j) *Overseas Members*

A member who (having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notice shall not be entitled to receive notices from the Company.

(k) *Meetings of shareholders*

All meetings of the shareholders other than annual general meetings are called general meetings and shall be held at such time and place in the United Kingdom as the board shall decide.

At least 21 clear days' notice of every annual general meeting and of every general meeting at which it is proposed to pass a special resolution and at least 14 clear days' notice of every other general meeting shall be given to shareholders.

**4. Directors' and Other Interests**

(a) The Board will comprise the Directors set out in paragraph 11 of Part I of this document.

Biographical details of Directors are set out in paragraph 11 of Part I of this document.

(b) The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of Section 252 and 253 of the Act in the issued share capital of the Company which have been notified to the Company pursuant to DTR 5 and sections 89A-L of FSMA as at the date of this document and as expected to be immediately following Re-Admission are as follows:

| | *Holding as at the date of this document* | | *Following Re-Admission* | |
|---|---|---|---|---|
| *Director* | *Number of Ordinary Shares* | *% of Existing Ordinary Shares* | *Number of Ordinary Shares* | *% of Enlarged Share Capital* |
| Colin Orr-Ewing | 22,634,154 | 2.05% | 22,634,154 | 1.4% |
| Kiran Morzaria | 1,647,000 | 0.15% | 1,647,000 | 0.10% |

(c) Neither the Proposed Directors nor members of their immediate families have any interests in the issued share capital of the Company.

(d) In so far as the Directors are aware, the following persons as at the date of this document are interested and/or will following Re-Admission be interested in 3% or more of the Company's issued share capital.

| | *Holding at the date of this document* | | *Following Re-Admission** | |
|---|---|---|---|---|
| | *Number of Ordinary Shares* | *% of Existing Ordinary Shares* | *Number of Ordinary Shares* | *% of Enlarged Share Capital* |
| Templar Minerals Limited | 285,000,000 | 26.18% | 428,290,000 | 25.42% |
| Euroclear Nominees | 109,521,154 | 10.06% | 109,521,154 | 6.50% |
| Olympus Mining Corporation Limited | 93,985,000 | 8.63% | 93,985,000 | 5.58% |
| Bear Stearns Securities Corp. | 57,650,000 | 5.3% | 57,560,000 | 3.42% |
| Teawood Nominees Ltd | 47,500,000 | 4.36% | 47,500,000 | 2.82% |
| HSBC Global Custody Nominee UK Ltd | 45,700,000 | 4.20% | 45,700,000 | 2.71% |
| Pershing Keen Nominees Limited | 44,795,000 | 4.11% | 44,795,000 | 2.66% |
| St Peters Port Capital | 38,500,000 | 3.54% | 38,500,000 | 2.28% |
| Viso Gero Global, Inc | 0 | 0% | 143,290,000 | 8.50% |
| Fair Choice Limited | 0 | 0% | 143,290,000 | 8.50% |

* Assuming completion of the Acquisition, the Placing and the Templar Agreement.

(e) The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

(f) Those persons, including the Directors, referred to in paragraphs (a), (b) and (c) of this paragraph 4 of Part V, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.

(g) None of the Directors or any person connected with them (within the meaning of Sections 252 and 253 of the Act) is interested in any related financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet.

**5. Directors' Service Agreements/Letters of Appointment**

(a) The aggregate remuneration paid and benefits in kind granted to Directors for the last full financial year from 1 September 2006 to 31 August 2007, under the arrangements in force at the date of this document, amounted to £121,048.

(b) Colin Orr-Ewing is currently engaged by the Company by a service agreement dated 28 July 2004. The agreement is terminable by either party giving to the other not less than 3 months' notice. He is entitled to a basic annual salary of £39,000.

Upon Re-Admission Mr Orr-Ewing basic annual salary shall increase to £60,000, with no other variation to his service agreement.

(c) Kiran Morzaria is currently engaged by the Company by a service agreement dated 28 July 2004. The agreement is terminable by either party giving to the other not less than 3 months' notice. He is entitled to a basic annual salary of £39,000.

Upon Re-Admission Mr Morzaria's basic annual salary shall increase to £60,000, with no other variation to his service agreement

(d) David Lenigas is engaged by the Company by an agreement dated 1 June 2004. The agreement is terminable by either party giving to the other not less than 3 months' notice. His services are provided at a monthly rate of £2,000.

Upon Re-Admission Mr Lenigas will provide his services in an executive capacity and his monthly rate shall increase to £5,000, with no other variation to the terms of his engagement.

(e) Donald Strang is engaged by the Company by an agreement dated 12 March 2008. The agreement is terminable by either party giving to the other not less than 3 months' notice. His services are provided at a monthly rate of £2,000.

(f) John Stalker and Neil Herbert will be engaged, conditional upon Re-Admission, under agreements terminable by either party giving to the other not less than 3 months' notice at a monthly rate. The monthly rate for John Stalker is £5,000 and for Neil Herbert it is £2,000.

**6. Additional Information on the Directors**

(a) In addition to directorships of the Group, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

| *Director* | *Current Directorships* | *Past Directorships* |
|---|---|---|
| Colin Orr-Ewing | Stratic Energy Corporation<br>Tubutama Borax plc<br>Tubutama Limited | Thames Mining Services Limited |
| Kiran Morzaria | Brinkley Mining plc<br>Green Park Finance plc<br>Hot Tuna (International) plc<br>Hot Tuna (UK) Limited<br>Immersion Technologies International plc<br>Kimell Consulting Limited<br>MAP Print Limited<br>Our Forgotten Children Limited<br>The World's Children Limited<br>Tubutama Borax plc<br>Tubutama Limited | Arlington Resources plc<br>Green Hair Services Limited<br>Green Park Finance plc<br>Microfuze International plc |
| David Lenigas | GCM Resources plc<br>Hot Tuna (International) plc<br>Hotel Cardoso SARL<br>Immersion Technologies International plc<br>Leni Gas & Oil plc<br>Lonrho Africa (Holdings) Limited<br>Lonrho Air (BVI) Limited<br>Lonrho Finance Limited<br>Lonrho Holdings Limited<br>Lonrho Investments Limited<br>Lonrho Mining Limited<br>Lonrho plc<br>Lonrho Resources Limited<br>Lonrho Springs Limited<br>Lontel Limited<br>Lonzim Management Limited<br>Lonzim plc<br>Luba Freeport Limited<br>Norse Air Limited<br>Our Forgotten Children Limited<br>SA Independent Liner Services<br>Swissta Holdings Limited<br>Templar Minerals (Pty) Limited<br>Wardlaw (1989) Limited<br>Zimbabwean Investments Limited | BDI Mining Corp.<br>Braemore Resources plc<br>Consolidated New Saga Resources Limited<br>Deep Green West Virginia Inc<br>Mediterranean Oil & Gas plc<br>Peninsula Minerals Limited<br>Templar Resources plc |
| Donald Strang | Brinkley Mining plc<br>Lonrho plc<br>Leni Gas & Oil plc | None |

| *Director* | *Current Directorships* | *Past Directorships* |
|---|---|---|
| John Stalker | Goldencrest Enterprises Limited<br>Haro Mercantile Inc<br>Niger Uranium plc<br>Promaco Limited<br>Red Dragon Resources Corp.<br>Regent Pacific Group Limited<br>Templar Minerals Limited<br>Victorian Properties Limited | UraMin CAR Limited<br>UraMin Chad Limited<br>UraMin Exploration Limited<br>UraMin Inc |
| Neil Herbert | Goldencrest Enterprises Limited<br>Haro Mercantile Inc<br>Sunrise Diamonds plc<br>Templar Georgia Limited<br>Templar Minerals Limited<br>Victorian Properties Limited | Galahad Commodities Limited<br>Galahad Gold plc<br>Galahad Grain Limited<br>Galahad Minerals Limited<br>Galahad Mining Limited<br>Galahad Resources Limited<br>Galahad Uranium Limited<br>HPD Mining Limited<br>International Molybdenum Limited<br>Kalahari Diamond Resources plc<br>Ludgate 341 Limited<br>Ludgate 347 Limited<br>Niger Uranium plc<br>Patagonia Gold plc<br>Sekaka Diamonds (pty) Limited<br>Shambhala Gold Limited<br>UraMin CAR Limited<br>UraMin Chad Limited<br>UraMin Exploration Limited<br>UraMin Inc<br>UraMin UK Limited |

(b) Save as disclosed in this document none of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had any bankruptcy order made against him or entered into any voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory or creditor's voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(iv) been a partner in any partnership which has been placed in compulsory or creditor's voluntary liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

(vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

(c) Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

(d) No loans made or guarantees granted or provided by the Company to, or for the benefit of any Director are outstanding.

(e) Save as set out in paragraphs 2 and 4 of this Part V above, none of the Directors has any interest in the share capital of the Company.

(f) Save as disclosed in the document, no Director has any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, the Company or which are proposed to be so acquired, disposed or leased.

(g) No other Director has any direct or indirect interest in any contract or arrangement subsisting at the date of this document which is significant to the business of the Company.

(h) In the case of those Directors who have roles as directors of companies which are not a part of the Group, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the companies in the Group. The Directors are not currently aware of any such potential conflicts of interest.

(i) There are no liquidated damages or other compensation payable by the Company, or any other benefits that accrue, upon early termination of the contracts of the Directors and none of the Directors have any commission or profit sharing arrangements with any company in the Group.

(j) There are no existing or proposed service contracts between the Company and any of the Directors which are not terminable on 12 months' notice or less.

(k) The Company has put in place directors' and officers' liability insurance.

**7. Material contracts entered into by the Company and members of the Enlarged Group**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and members of the Enlarged Group (i) within the period of two years immediately preceding the date of this document and are, or may be, material or (ii) contain a provision under which any member of the Enlarged Group has an obligation or entitlement which is or may be material to the Company at the date of this document.

***7.1 Material Contracts entered into by the Company and members of the Existing Group***

(a) An agreement dated 20 October 2006 between the Company (1) and African Precious Minerals Limited, Olympus Development Company Limited and Olympus Mining Corporation Limited ("the Vendors") (2) whereby the Vendors agreed to sell and the Company agreed to purchase the whole of the issued share capital of Panguma Diamonds Limited in consideration of the issue of 93,985,000 Ordinary Shares.

(b) An agreement dated 23 April 2007 between the Company and GDR (2) whereby the Company subscribed £400,000 for the issue of 1,212,121 Ordinary Shares in GDC representing approximately 0.5% of GDC's enlarged share capital. Under the terms of the agreement the Company was entitled to subscribe for a further 10,909,090 shares in GDC at a subscription price of £3,600,000 with a right to acquire by subscription a final tranche of 6,060,606 shares for £2,121,212 These further rights have lapsed without having been exercised.

(c) An agreement dated 20 April 2007 between the Company and City of London Group plc whereby the City of London Group advanced a convertible loan of £100,000 repayable by December 2009 with a rate of interest of 1% per annum convertible at the rate of 1.2p per share into 8,333,333 Ordinary Shares and in respect of which the City of London Group were granted warrants to subscribe for a further 8,333,333 Ordinary Shares at a subscription price of 1.3p. These warrants were exercised in full on 3 March 2008.

(d) An agreement dated 12 July 2007 between the Company and VGI whereby the Company subscribed for 1,250 Ordinary Shares in the capital of VGI representing 12.5% of the enlarged share capital of VGI at an aggregate subscription price of £2,500,000.

(e) An agreement dated 28 September 2007 between the Company, Red Lion, Westech and the Vendor whereby the Company agreed to subscribe for a further 750 Ordinary Shares in the capital of VGI, representing an additional 7.5% of its fully diluted share capital for a subscription price of £1,750,000.

(f) A promissory note between VGI and the Company dated 12 December 2007 relating to the terms of advances by the Company to VGI of up to £4,250,000. Under the terms of the promissory note the advances outstanding at the date of completion of the Acquisition will from such date bear interest at the rate of 3% per annum and ahll be repayable in 60 equal monthly instalments. If the Acquisition is not completed the advances shall be interest free and repayable upon demand.

(g) An agreement dated 14 December 2007 between the Company (1) the Vendor (2) and VGI (3) whereby the Company agreed to purchase and the Vendor agreed to sell the 8,750 Ordinary Shares in VGI held by the Vendor being all the outstanding share capital in VGI not held by the Company The consideration for the sale is the payment of cash consideration to the Vendor or persons nominated by the Vendor of AUS$2,100,000 and the issue to the Vendor persons nominated by the Vendor of the Consideration Shares The completion of the acquisition is conditional upon VGI acquiring all those shares in Westech not held by VGI in consideration of the issue to the Vendor of 286,580,000 Consideration Shares and the issue, at the direction of the Vendor, of 143,290,000 Consideration Shares to Fair Choice Limited and the issue of 15,921,111 Consideration Shares to each of Brian Wesson, Amelia Wesson and Clyde Wesson The agreement is also conditional upon VGI transferring to Koula Springs (Fiji) Limited certain properties not associated with Vatukoula Gold Mine.

The Vendor has given limited warranties and representations in relation of the sale and the Company also gave limited warranties in relation to itself and for consideration shares. The representations and warranties are limited to claims made within a period of six months following closing and are subject to exclusions for claims of a value less than £200,000 and claims may not be made until the value of eligible claims exceeds £500,000. The liabilities of the respective parties are in the end case limited to £1,000,000.

(h) An agreement dated 6 March 2008 between Arlington Special Situations Fund Limited (''Arlington'') whereby, conditional upon the passing of the Resolution, Arlington agreed to subscribe for, if required by the Company, and the Company agreed to issue, if required by Arlington, up to £3,000,000 of unsecured convertible loan notes. If issued and not subsequently converted into Ordinary Shares, Loan Notes are to be redeemed 12 months following the passing of the Resolution (''the Redemption Date''). The Loan Notes, if issued, will bear interest at the rate of 7% per annum payable monthly in arrears. Loan Notes by notice given by Noteholders prior to their Redemption Date may be converted into Ordinary Shares at the rate of one Ordinary Share for each 6p of the nominal amount of Loan Notes converted. However if, in the period following the end of the sixth month following the passing of the Resolution and ending on the Redemption Date, the holder elects to convert any Loan Notes that have been issued to it and the bid price for Ordinary Shares is less than 6p the conversion rate will be adjusted so that the holder will receive such number of Ordinary Shares as would realise at the bid price a sum equivalent to the nominal value of the Notes being converted and accrued interest thereon. The agreement contains conditions precedent and event of default provisions regarding the solvency of the Enlarged Group and that there is no material disruption to the operations at the Mine which have not been rectified within 20 business days.

In consideration and providing the facilities the Company has entered into fee arrangements with Arlington which will enable Arlington to acquire the Arrangement Fee Shares.

(i) A letter of engagement dated 25 September 2007 between WH Ireland and the Company whereby WH Ireland is appointed as financial adviser in connection with the Acquisition and Re-Admission and appointed as nominated adviser to the Company. The letter of engagement sets out in detail the services which WH Ireland will provide to the Company. In exchange for the provision of these services, WH Ireland will receive a success fee of £200,000, a monthly retainer of £25,000 up to the date of Re-Admission, warrant success fee of 1.5% of the Enlarged Share Capital and an annual advisory fee of £25,000 for the performance of the role of nominated adviser, payable from Re-Admission. The role as financial adviser shall terminate on Re-Admission and the role of nominated adviser can be terminated by either party after 12 months. The Company has given a standard indemnity for a document of this type to WH Ireland and its associates.

(j) A letter of engagement dated 7 November 2007 between Hichens Harrison and the Company whereby Hichens Harrison is appointed as broker for the Placing. The Hichens Harrison letter of engagement sets out in detail the services which Hichens Harrison will provide to the Company. In exchange for the provision of these services, Hichens Harrison will receive a transaction fee of £25,000, a broking commission equal to 5% of the aggregate value of the New Ordinary Shares placed by Hichens Harrison pursuant to the Placing and options to subscribe for 1% of the Enlarged Share Capital at the Placing Price. In addition, Hichens Harrison is to receive an annual broker fee of £25,000 payable quarterly in advance. The Company has given a standard indemnity for a document of this type to Hichens Harrison and its associates.

(k) An agreement dated 12 March 2008 between (1) the Company, (2) the Directors, (3),WH Ireland and (4) Hichens Harrison whereby Hichens Harrison has conditionally agreed, as agent for the Company, on the terms and conditions set out in the Placing Agreement to procure subscribers for the Placing Shares at the Placing Price. Under the Placing Agreement, the Company has agreed, on the terms and subject to the conditions of the Placing Agreement, to pay to Hichens Harrison commission of 5% of the aggregate value at the Placing Price of all of the Placed Shares placed pursuant to the Placing, a transaction fee of £25,000 and a warrant to subscribe for 1% of the Enlarged Share Capital. The Company has also agreed to pay to WH Ireland a corporate finance fee of £200,000 (less the aggregate amount of the monthly retainer paid up to the date of Re-Admission under the terms of the WH Ireland Engagement Letter) and a warrant to subscribe for 1.5% of the Enlarged Share Capital. The Company has also agreed to pay the costs and expenses of the Placing together with any applicable VAT. The Placing Agreement contains warranties from the Company and the Directors and an indemnity from the Company to WH Ireland and Hichens Harrison. The Placing is not being underwritten. WH Ireland and Hichens Harrison are entitled to terminate their obligations under the Placing Agreement in certain specified circumstances prior to Re-Admission.

(l) An agreement dated 29 January 2008 between Sao Carlos Mineracao Ltda (1) and Mr Rubens Zilio (2) whereby Mr Zilio assigned the possession and exploration rights granted under exploration permits number 14,296 and 14,572 to Sao Carlos Mineracao Ltda in return for a payment of US$80,000 per annum during the exploration phase and the equivalent of 5% of the production from the date that the exploration rights are granted by the Brazilian Ministry of Mines.

(m) An agreement dated 11 March 2008 between the Company (1) Templar (2) and Neil Herbert, John Stalker and David Lenigas (''the Templar Directors'') whereby Templar and the Templar Directors respectively agreed and undertook that, for so long as Templar and persons in concert with it hold shares or instruments capable of converting into shares conferring in aggregate 25% or more of the voting shares in the Company, they and their associates would use the votes attaching to any Ordinary Shares held by them so as to ensure that the Enlarged Group is capable of carrying on its business independently and in the best interests of the Enlarged Group and that any dealing between the Enlarged Group and any such persons will be made on an arms length basis and on normal commercial terms,

(n) The Lock-in and Orderly Market arrangements described in paragraph 13 of Part 1 of this document.

***7.2 Material Contracts entered into by VGI and its subsidiaries***

(a) An agreement dated 22 March 2007 between Emperor Mines and Westech whereby Emperor Mines agreed to sell and Westech agreed to purchase the issued share capital of Westech Australia Pty Limited (then named Emperor Pty Limited) and Westech Finance Pty Limited (then named Emperor Finance Pty Limited) for a consideration of AUS$1 Under the terms of the agreement Emperor Mines gave limited warranties save as to its corporate capacity and title to the sale.

(b) An agreement dated 28 March 2007 between Emperor Gold Mining Company Limited, Koula Mining Company Limited (''Retiring Obligors'') (1), Emperor Mines (2) and Australia and New Zealand Banking Group Limited (''ANZ'') (3) whereby ANZ released

the Retiring Obligors from their obligations to ANZ of certain financing facilities and commodity hedging agreements and Emperor Mines assumed the obligations and liabilities of the Retiring Obligors under such agreements.

(c) A deed dated 5 June 2007 (''the Loan Note Deed'') executed by Westech and Red Lion whereby Westech constituted and agreed to issue to Red Lion convertible loan notes (''Loan Notes'') in respect of accrued obligations of AUS$1,000,000 and in respect of future advances from time to time such loan notes being convertible into shares in Westech. The Loan Notes were convertible on the basis that the holder would be entitled to convert all or some of the Loan Notes into a specified percentage of the enlarged share capital of Westech according to the principal amount so converted. In particular if the principal sum subject to conversion was greater than AUS$5,000,001 that the shares in Westech thereby issued would equal 94% of the enlarged share capital of Westech. In addition by a fixed and floating charge of the same date (''the Loan Note Security'') Westech secured all its current and future obligations to Red Lion including those under the Loan Note Deed.

(d) An assignment dated 5 July 2007 whereby the Vendor assigned to VGI all its right title and interest in the Loan Note Deed, the Loan Note Security and the then issued Loan Notes in consideration of the issue to the Vendor of 8,750 Ordinary Shares in the capital of VGI (the right title and interest in the Loan Note Deed, and the then issued Loan Notes having been assigned by Red Lion to the Vendor).

On 20 July 2007 Vendor advanced to or to the benefit of Westech AUS$5,837,640 and was accordingly issued with further Loan Notes of that nominal amount in the capital of VGI and on 20 July 2007 VGI converted AUS$5,837,640 of Loan Notes into Westech shares constituting 94% of the issued share capital of Westech.

(e) A deed dated 10 August 2007 between the Government of the Republic of Fiji and Westech whereby Vatukoula Gold Mine was granted certain tax concessions and in particular:

(i) a reduction in tax and royalty payments from 6% to 3% on ore extracted for a period of five years;

(ii) a two year exemption on import duties on automotive diesel and industrial diesel oil for use at Vatukoula Gold Mine;

(iii) a five year exemption from export tax;

(iv) an exemption from fiscal duty on the import of plant equipment machinery and motor vehicles required to operate the mine for a period of three years and eligibility; and

(v) eligibility to seek exemption from payment of without holding tax on overseas payments of interest, consultants fees and dividends

In addition the 10 August Deed confirmed that the special mining leases, Special Site Rights and Special Prospecting Licences remained valid notwithstanding any previous breaches of the Fijian Mining Act.

Under the terms of the 10 August Deed Westech agreed to contribute funds to the Vatukoula rehabilitation trust fund aimed at the remediation of the environmental and social aspects of the local community around Vatukoula Gold Mine. Such contributions comprising the sum of £460,000 by November 2007 and four further annual contributions of approximately £350,000 each.

(f) The promissory note described in sub-paragraph 7.1 (f) above.

(g) By a letter agreement dated 21 February 2008 between FIRCA and Westech. Westech agreed to make certain without prejudice payments out of revenue in respect of a disputed tax assessment and relating penalties and FIRCA would permit further gold exports pending the courts decision in relation to the tax dispute.

(h) An agreement dated 10 March 2008 between the Company, the Vendor and VGI supplemental to the Acquisition Agreement and setting out the detailed terms upon which certain property held by Westech would be transferred to Koula Springs (Fiji) Limited (or as otherwise directed by the Vendor). In particular it was agreed, first, that,

notwithstanding the transfers, Westech may continue mining operations under such property and, second, that the Enlarged Group will be indemnified against the tax consequences of such transfers.

(i) A gold refining agreement dated 1 January 2008 between Westech and AGR Matthey, a partnership of Western Australia. The agreement provides Westech with the right to require AGR Matthey to either purchase or swap outturned fined gold, the purchase price being the Reuters Inter Bank Quoted Price. The refining costs are AUS$0.78 per gross ounce with a minimum of AUS$245 per melt. The agreement is terminable on 20 days' notice following the expiry of one year.

(j) Letter arrangements between Emperor Mines and Westech Gold Limited dated 4 and 7 March 2008 by which Emperor Mines agrees to release or procure the release of in aggregate AUS$4.6 million of indebtedness owing by Westech Gold Limited to Emperor Mines and Sovereign Company Limited, a wholly owned subsidiary of Emperor Mines, in consideration of Westech Gold Limited (i) ensuring the release of Emperor Mines from certain bond security agreements by which it is bound, (ii) paying F$1,000,000 into the Rehabilitation Trust Fund referred to in paragraph 4 of Part I of this document and (iii) procuring the delivery of a letter of acknowledgement from the Government of Fiji acknowledging Emperor Mines as the source of the payment referred to above.

## 8. Mining and Exploration Licences

### *8.1 Brazilian Licences*

SCML currently holds the following exploration licences in Brazil:

| *Number* | *Date Granted* | *Term* | *Location* | *Rights* |
|---|---|---|---|---|
| 866.851/2005* | 28 September 2005 | 3 Years | Alto Paraguai and Diamantino | Exploration licence for diamond mining |
| 866.021/2005* | 10 June 2005 | 3 Years | Paranatinga | Exploration licence for gold and diamond mining |
| 866.027/2005* | 10 June 2005 | 3 Years | Paranatinga | Exploration licence for gold and diamond mining |
| 850.862/2006 | Pending | | Itaituba | Exploration licence for gold ore |
| 850.863/2006 | Pending | | Itaituba | Exploration licence for gold mining |
| 850.216/2007 | 13 December 2007 | 3 years | Itaituba | Exploration licence for gold mining |
| 850.217/2007 | 23 January 2008 | 3 years | Itaituba | Exploration licence for gold mining |
| 851.036/2007 | Pending | | Itaituba | Exploration licence for gold mining |
| 851.052/2007 | Pending | | Itaituba | Exploration licence for gold mining |

* These licences are subsisting but application has been made for them to be abandoned and accordingly these rights were not considered material for the puposes of the Competent Persons Report.

### *8.2 Fijian Licences*

Westech holds the following mining and has rights in Fiji which have been granted and are administered in accordance with the provisions of the Mining Act of Fiji by the Mineral Resources Department ("MRD"):

| *Mining right* | *Location* | *Area* | *Description* | *Duration* |
|---|---|---|---|---|
| Special Mining Lease No. 54 | Vatukoula, Viti Levu | 610.76 ha | The exclusive rights to mine for precious metals and other minerals in, under and upon the ground, | Granted from 22 March 1983 and extended for a further 21 years from 22 March 2004 to 21 March 2025. |

| *Mining right* | *Location* | *Area* | *Description* | *Duration* |
|---|---|---|---|---|
| | | | subject to royalty payments of 3% of the value of gold exported. | |
| Special Mining Lease No. 55 | Vatukoula, Viti Levu | 395.88 ha | The exclusive right to mine for precious metals and other metals in, under and upon the ground, subject to royalty payments of 3% of the value of gold exported. | Granted from 22 March 1983 and extended for a further 21 years from 22 March 2004 to 21 March 2025. |
| Special Mining Lease No. 56 | Vatukoula, Viti Levu | 248.27 ha | The exclusive right to mine for precious metals and metalliferous minerals excluding geothermal resources and their heat, subject to royalty payments of 3% of the value of gold exported. | Granted on 1 March 1984 and extended for a further 21 years from 22 March 2004 to 21 March 2025. |
| Special Site Right No. 6 | Vatukoula, Viti Levu | 535.63 sq.m | Grant of authority to extract water for the purposes of the Special Mining Leases 54 and 55. | Granted from 4 November 1987 and expired on 21 March 1990. Application for renewal submitted on 21 March 2004. MRD confirms agreement in principle has been reached for the renewal but that terms and conditions have yet to be negotiated between Government and the permit holder. |
| Special Site Right No. 7 | Vatukoula, Viti Levu | Approximately 67 ha | Right to use the site for the purpose of the deposit of tailings | Granted from 20 September 1991 and expired on 30 September 1994. Application for renewal submitted on 8 May 2007. MRD confirms agreement in principle has been reached for the renewal but that terms and conditions have yet to be negotiated between Government and the permit holder. |
| Special Site Right No. 8 | Vatukoula, Viti Levu | Approximately 1.7 ha | Grant of access rights to area comprised in Special Mining Lease 56 | Granted from 20 September 1991 and expired on 30 September 1994. Application for renewal submitted on 8 May |

| *Mining right* | *Location* | *Area* | *Description* | *Duration* |
|---|---|---|---|---|
| | | | | 2007. MRD confirms agreement in principle has been reached for the renewal but that terms and conditions have yet to be negotiated between Government and the permit holder. |
| Special Prospecting Licence No. 1201 | Vatukoula, Viti Levu | 6,123 ha | Exclusive exploration rights for precious metals and metalliferous minerals but excluding geothermal resources and heat. | Granted on 17 March 1983 and expired on 21 March 2004. Application for renewal submitted on 8 May 2007. MRD confirms agreement in principle has been reached for the renewal but that terms and conditions have yet to be negotiated between Government and the permit holder. |
| Special Prospecting Licence No. 1344 | Vatukoula, Viti Levu | 2,395 ha | Exclusive exploration rights for precious metals and metalliferous minerals but excluding geothermal resources and heat. | The licence has expired and application for renewal submitted on 8 May 2007. MRD confirms agreement in principle has been reached for the renewal but that terms and conditions have yet to be negotiated between Government and the permit holder. |
| Special Prospecting Licence No. 1360 | Vatukoula, Viti Levu | 11,200 ha | Exclusive exploration rights for precious metals and metalliferous minerals but excluding geothermal resources and heat. | Expired on 30 June 1994. Application for renewal submitted on 8 May 2007. MRD confirms agreement in principle has been reached for the renewal but that terms and conditions have yet to be negotiated between Government and the permit holder. |

***8.3 Payments to Government or regulatory authorities***

Neither the Company nor any person on behalf of the Company has made any payment to any government or regulatory authority with regard to the acquisition of its assets.

In respect of the maintenance of the mining licences and rights described in paragraphs 8.1 and 8.2 above the holders of those licence and rights are required to pay certain annual fees. In the case of the licences and rights in Fiji these amount to annual fees of approximately F$60,000. In the case of the licences and rights in Brazil these amount at present to annual fees of R$15,169 but are subject to upward adjustment to reflect inflation.

## 9. Principal Premises

### *9.1 Freehold*

The Company holds the following freehold interests in Fiji:

| *Number* | *Address* | *Description* | *Title number* | *Area* | *Plan* | *Registered Proprietor* | *Rights benefiting the Property* | *Third party rights to which the Property is subject* |
|---|---|---|---|---|---|---|---|---|
| CT 6147 | Tova Tova (Back Block) part of | Lot 3 on Deposited Plan No. 841 | 6147 | 235 acres, 2 roods, 10 perches | Deposited Plan No. 841 | EGM-8/10 KML-2/10 | Special Mining Lease No. 54; Special Mining Lease No. 55 | Nil |
| CT 6556 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 1120 | 6556 | 17 acres and 5 perches | Deposited Plan No. 1120 | EGM-8/10 KML-2/10 | Nil | Nil |
| CT 6557 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 1121 | 6557 | 100 acres | Deposited Plan No. 1121 | EGM-8/10 KML-2/10 | Nil | Nil |
| CT 11943 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 3039 | 11943 | 2 acres | Deposited Plan No. 3039 | EGM | Nil | Easement Nos. 96947, 128612 |
| CT 13598 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 3445 | 13598 | 20 acres, 1 rood and 8 perches | Deposited Plan No. 3445 | EGM-8/10 KML-2/10 | Nil | Nil |
| CT 10813 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 2148 | 10813 | 250 acres | Deposited Plan No. 2148 | EGM-8/10 KML-2/10 | Nil | Nil |
| CT 23517 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 5677 | 23517 | 176 hectares 4241 square metres | Deposited Plan No. 5677 | EGM-8/10 KML-2/10 | Special Mining Lease No. 54 | Caveat No. 120199; Encumbrance No. 128612 (easement); Lease No. 575717 to Macpatel Investment Limited |
| CT 23516 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 5629 | 23516 | 31 hectares 6600 square metres | Deposited Plan No. 5629 | EGM-8/10 KML-2/10 | Special Mining Lease No. 54 | Caveat No. 120199; Encumbrance No. 128612 (easement) |
| CT 17628 | Tova Tova (Back Block) part of | Lots 1, 2, 3 and 4 on Deposited Plan No. 4510 | 17628 | 17 acres 1 rood and 7/10ths of a perch | Deposited Plan No. 4510 | EGM-8/10 KML-2/10 | Special Mining Lease No. 54 | Caveat No. 120199; Encumbrance No. 128612 (easement); Mortgage No. 160278 to the Housing Authority; Lease No. 288057 (There are fifty leases registered on DP4349) |
| CT 23518 | Tova Tova (Back Block) part of | Lot 1 on Deposited Plan No. 5870 | 23518 | 352 hectares | Deposited Plan No. 5870 | EGM-8/10 KML-2/10 | Special Mining Lease No. 54 | Caveat No. 120199; Encumbrance No. 128612 (easement) |

*9.2 Leasehold*

The Company holds the following leasehold interests in Fiji:

| *Number* | *Address* | *Description* | *Title number* | *Area* | *Plan* | *Registered Proprietor* | *Term* | *Annual rent* |
|---|---|---|---|---|---|---|---|---|
| CL 30676 | Nadarivatu | Lot 27, Nadarivatu | 30676 | 11 Acres and 1 rood | RR 807 | EGM-8/10 KML-2/10 | Expires on 31 March 2017 | |
| CL 341950 | Nasivi | Lot on RR722 | 341950 | 1.8661 hectares | RR722 | EGM-1/2 KML-1/2 | Expires on 31 October 2009 | $3110 |
| CL301876 | Nasivi | Lot 1 on plan RR 832 | 301876 | 5 acres, 1 rood and 16 perches | RR 832 | EGM-1/2 KML-1/2 | Expires on 31 October 2009 | $677 |
| CL 11296 | Tovatova | Lot 6 on plan RR1237 | 11296 | 166.1679 Hectares | RR1237 | EGM | Expires on 30 November 2009 | $3000 |
| CL302196 | Nasivi (Part of) | Lot 1 on Plan RR 721 | 302196 | 1 acre, 2 roods and 1 perch | RR 721 | EGM-8/10 KML-2/10 | Expires on 31 October 2009 | |

## 10. Litigation

Save as disclosed in this document, no member of the Enlarged Group is, nor has at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against any member of the Enlarged Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Company's or the Enlarged Group's financial position or profitability.

## 11. Working capital

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Placing that following Re-Admission the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Re-Admission.

## 12. Significant Changes

Save as disclosed in this document, there has been no significant change in the financial or trading position or prospects of the Enlarged Group since 30 June 2007.

## 13. Taxation

The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of shareholders who are resident (and in the case of individuals, ordinarily resident and domiciled) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. Unless otherwise noted the paragraphs below are based on current UK legislation and HM Revenue & Customs practice. It should be noted that a number of the UK tax treatments referred to below relate to unquoted shares as shares listed on the AIM market are generally treated as unquoted for these purposes.

An investor should consult his/her own tax professional about the tax consequences of an investment in the shares of the Company.

***Taxation of Dividends***

(a) Under current UK legislation, no tax is withheld from dividend payments by the Company.

(b) Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten percent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend basic rate (10%.) or the dividend higher rate (32.5%.).

The effect will be that the taxpayers who are otherwise liable to pay at only the lower rate or basic rate of income tax will have no further liability or income tax in respect of such a dividend. Higher rate payers will have an additional liability (after taking into account the tax credit) of 22.5% of the aggregate of the cash dividend and the associated tax credit, or an

effective rate of 25% of the dividend actually received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such individuals.

(c) A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

(d) Trustees of discretionary trusts are liable to account for income tax at the dividend trust rate, currently 32.5%.

(e) Persons who are not resident in the UK should consult their own tax advisers on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

***Taxation of capital gains made by shareholders***

(a) A UK resident individual shareholder who disposes of, or who is deemed to dispose of, their shares in the company may be liable to capital gains tax in relation thereto at rates up to 40% of any chargeable gain thereby realised. In computing the chargeable gain, the shareholder should be entitled to deduct from proceeds the cost to him of the shares (together with incidental costs of acquisition and disposal).

Under current legislation any gain arising on the disposal of ordinary shares by individual shareholders may be reduced by taper relief, depending upon the period the shares were owned. However, in the Chancellor's Pre Budget Report proposals were announced to abolish taper relief with effect from 6 April 2008 and replace it with a flat rate of capital gains tax at 18% irrespective of the length of the period of ownership. These changes have yet to be legislated for and are potentially subject to change.

(b) A UK resident corporate shareholder disposing of its shares in the company may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently 20-30% depending on the taxable profits of the shareholder, with the top rate reducing to 28% from 1 April 2008). In computing the chargeable gain liable to corporation tax, the shareholder is entitled to deduct from the disposal proceeds, the cost to it of the shares, together with incidental costs of acquisition, as increased by indexation allowance, and disposal costs.

In some circumstances, a shareholder may be exempt from corporation tax in relation to its disposal of shares under the substantial shareholding exemption or be able to reduce the quantum of the gain by capital and/or income losses arising to the corporate shareholder

***Inheritance Tax***

The company's shares are treated as unquoted shares for UK inheritance tax (IHT) purposes. Individuals and Trustees subject to IHT may be entitled to business property relief of up to 100% after a holding period of two years, providing all the relevant conditions for the relief are satisfied at the appropriate time.

***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

(a) No liability to stamp duty or SDRT should arise on the allotment of Placing Shares by the Company under the Placing, save that special rules apply to persons operating clearance services or depositary receipt services.

(b) Subsequent sales of Placing Shares inside CREST will generally be liable to SDRT at the rate of 0.5% of the amount or value of the consideration calculated to the nearest penny. The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as the sale, but otherwise is payable on the "accountable date" for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made.

(c) Subsequent sales of Placing Shares outside CREST will generally be liable to *ad valorem* stamp duty, at the rate of 0.5% of the amount or value of the consideration. An obligation to account for SDRT at the rate of 0.5% of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Placing Shares is not completed by a duly stamped instrument of transfer before the "accountable date" for SDRT purposes, as described above. Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Placing Shares. However, where an instrument of transfer which completes an unconditional

agreement to transfer shares is duly stamped within six years after the agreement was entered into (or becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered.

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

**14. General**

(a) The total gross proceeds of the Placing will amount to £4,669,000. The total costs and the expenses in connection with the Placing and Re-Admission are estimated to be £738,000 excluding VAT and are all payable by the Company.

(b) Mazars LLP, has given and not withdrawn its written consent to the inclusion of references to them herein in the form and context in which they appear and to the inclusion of their reports in this document and have authorised the contents of the accountants' reports for the purposes of Schedule Two of the AIM Rules for Companies. Mazars LLP has also confirmed to the Company and WH Ireland that the financial information in Part I of this document has been accurately extracted from Part III (D) of this document.

(c) WH Ireland Limited has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

(d) CSA, whose registered office appears on page 4 of this document, has given and not withdrawn its consent to the inclusion of its report in Part IV of this document and references to it elsewhere in this document and accept responsibility for the Competent Person's Report accordingly. To the best of the knowledge of CSA, having taken all reasonable care to ensure such is the case, the Competent Person's Report in Part IV of this document is in accordance with the facts and makes no omission likely to affect its import. CSA has also confirmed to the Company, Hichens Harrison and WH Ireland that it has reviewed the information which relates to information contained in the Competent Person's Report but is contained in a portion of the document other than in the Competent Person's Report and confirmed such information is accurate, balanced and complete and not inconsistent with the Competent Person's Report.

(e) The accounting reference date of the Company is 31 August.

(f) The minimum amount, which in the opinion of the Directors, must be raised and received by the Company pursuant to the Placing is £4,669,000. The estimated net proceeds are intended to be applied as follows;

  (i) Funding the cash consideration for the Acquisition

  (ii) Further re-commissioning costs

  (iii) Working capital and operational costs at the Mine

(g) It is expected that definitive share certificates in respect of the Placed Shares will be despatched by hand or first class post by 10 April 2008. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited by 1 April 2008.

(h) Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

(i) Save as disclosed in this document there are no patents, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

(j) Save as disclosed in this document there are no environmental issues that may affect the Company's utilisation of the Company's tangible fixed assets.

(k) The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act.

(l) The name and address of the auditors of the Company is Mazars LLP, Tower Bridge House, St Katharine's Way, London E1W 1DD who are members of the Institute of Chartered Accountants in England and Wales.

(m) The principal activities of the Company are described in Part I of this document. Save as disclosed in Part I of this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.

(n) Save as set out in this document, there are no significant projects in progress by the Company nor where the Board has already made a firm commitment to future investments.

(o) Third party information set out in paragraph 4 of Part I of this document has been sourced from documents as indicated at the end of each relevant paragraph. The Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from the information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

(p) Except as disclosed in this document, no person (other than professional advisers named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for Re-Admission or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Re-Admission any of the following:

  (i) fees totalling £10,000 or more; or

  (ii) securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price; or

  (iii) any other benefit with a value of £10,000 or more at the date of Re-Admission.

(q) The dilution factor is 34.4% calculated as New Ordinary Shares as a percentage of the Enlarged Share Capital.

**15. Availability of this document**

Copies of this document are available free of charge from the Company's registered office and at the offices of W H Ireland Limited, 24 Martin Lane, London EC4R 0DR during normal business hours on any weekday (Saturdays and public holidays excepted) and on the Company's website at http://www.riverdiamonds.co.uk/ and shall remain available for at least one month after Re-Admission.

13 March 2008

# NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting (''Meeting'') of River Diamonds plc (''Company'') will be held at Laytons, Carmelite, 50 Victoria Embankment, Blackfriars, London, EC4Y 0LS on 31 March 2008 at 10 am to transact the following business:

## ORDINARY RESOLUTION

1. That the acquisition by the Company of the issued share capital of Viso Gero International, Inc., not already owned by the Company, on the terms described in the circular to shareholders dated 13 March 2008 of which the notice containing this resolution forms part, be and it is approved.

By order of the Board:

Laytons Secretaries Limited
Company Secretary
River Diamonds Plc
Carmelite 50 Victoria Embankment
London EC4Y 0LS

13 March 2008

## NOTES TO THE NOTICE OF GENERAL MEETING

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

**Appointment of proxy using hard copy proxy form**

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

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

- completed and signed;
- sent or delivered to Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR; and
- received by the registrars no later than 48 hours before the General Meeting is scheduled to take place.

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

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

**Electronic appointment of proxies**

6. As an alternative to completing the hard-copy proxy form, you can appoint a proxy electronically by emailing info@riverdiamonds.co.uk. For an electronic proxy appointment to be valid, your appointment must be received by the Company no later than 10 am on 29 March 2008.

This email address should not be used for any other purposes unless expressly stated.

**Changing proxy instructions**

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

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR..

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

**Termination of proxy appointments**

8. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   - By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, Proxies Department, PO Box 25, Beckenham, Kent, BR3 4BR. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
   - By sending an e-mail to info@riverdiamonds.co.uk.

In either case, the revocation notice must be received by the Company no later than 10 am on 29 March 2008.

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

**Communication**

9. Except as provided above, members who have general queries about the Meeting should contact Kiran Morzaria (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.