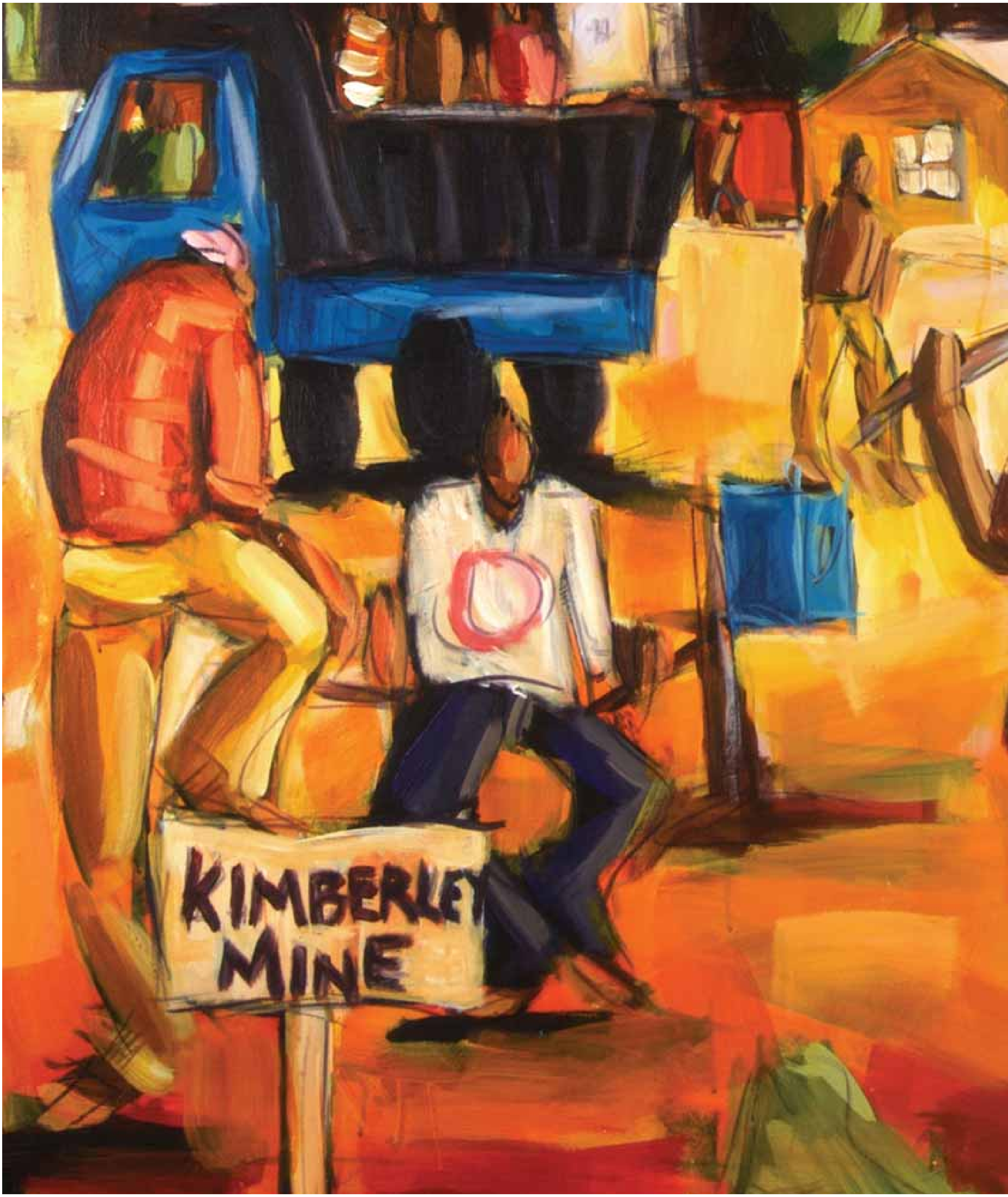


Annual Report 2007

diamondcore resources ltd.

Corporate profile

Diamond Core Resources (Diamond Core) is in the business of exploring and mining for diamonds in South Africa, with current activities focused on the Northern Cape area. The company is actively involved in two kimberlite exploration projects, the Paardeberg East Project, 58km west of Kimberley, and the Skeyfontein Joint Venture (JV), 15km south-east of Postmasburg.

Diamond Core is also engaged in three alluvial projects, Uitdraai and Silverstreams, 15km north of Prieska, and the De Kalk Project, 22km south of Douglas.

The company has made applications for prospecting permits in respect of other diamondiferous kimberlite pipes and fissures, as well as alluvial deposits at other locations throughout South Africa.

The objectives of Diamond Core are to carry out systematic greenfields diamond exploration programmes, to bring to account economically viable diamond discoveries and to use its technical skills, entrepreneurial spirit and low-cost operating structure to bring assets previously considered uneconomic or marginal into operation.

Diamond Core re-listed on the JSE in March 2004 with a new management team, and followed this listing with a capital raising exercise of R232 million subsequent to the merger with Samadi Resources in 2006.

Diamond Core Resources is traded on the JSE Limited under the symbol DMR.

Artist's profile

The artwork used in this report was painted by Allan Kupeto. Diamond Core has purchased several paintings from Allan to display in both its Johannesburg and Kimberley offices. The paintings reflect Allan's impressions of what a mine, and particularly a mine in the Kimberley area, might look like. Diamond Core is delighted to be showcasing this talented artist in its annual report.

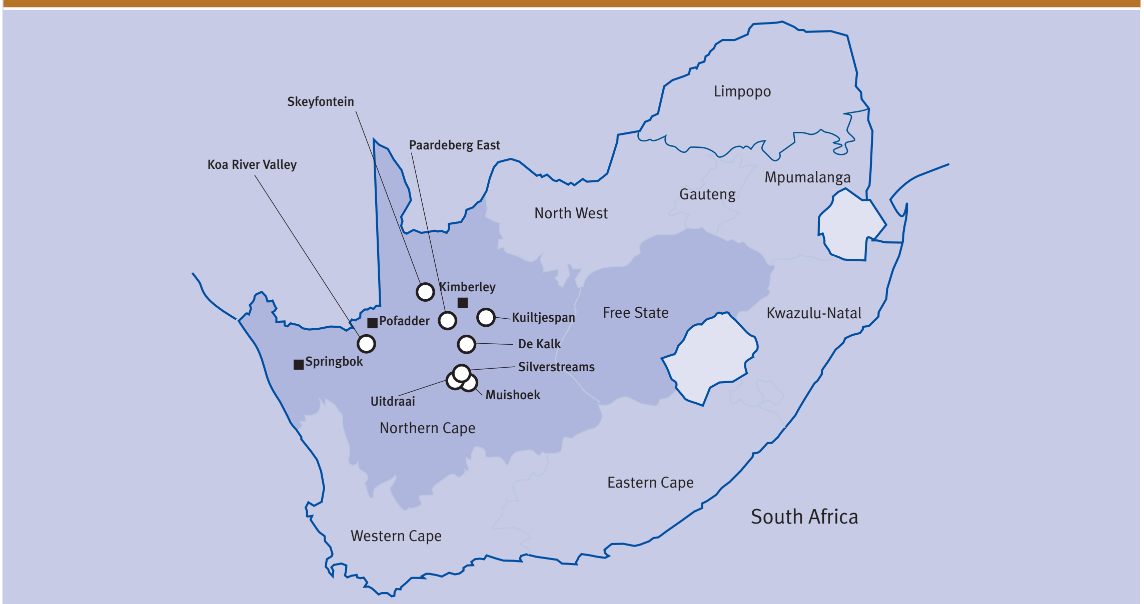
2007 highlights

- Commissioning of the Paardeberg East plant.
- Silverstreams sampling plant completed and operational.
- Bulk sampling operations in place at Paardeberg East and Silverstreams.
- Continuation of exploration activities and identification of drilling targets in the Silverstreams project area.
- Continued implementation of numerous BEE initiatives in the Northern Cape.
- Appointment of a consultant to complete the Kimberley Process and Chain of Custody documentation.

Mission

The creation of wealth for all stakeholders in the company by developing sustainable, environmentally-friendly diamond mines on solid fundamental geological, technical and financial information in a transparent manner taking into account the tenets of good corporate governance.

Operations map



Contents

Chairman’s letter to shareholders

Dear shareholder

It gives me great pleasure to introduce myself to you as the new Chairman of Diamond Core Resources and to reflect on a year that has seen the continuation of the good work achieved by the board, the executive, management and employees of the company under the very able leadership of my predecessor.

We were fortunate to attract highly talented and experienced people to the company’s reconstituted board, which has worked tirelessly through the year to progress the work done in the capital raising exercise of the previous year. The market responded positively to our restructuring and we are gratified that the steady upward progression of our share price has rewarded those investors.

Diamond Core share price

The capital raising gave us the funds required to move forward into a disciplined investment phase. We have deployed those funds to attract and develop the skills we need to continue on our consistent growth path, both in the corporate office in Johannesburg and on the ground in Kimberley. This strategy has started to bear dividends, with bulk sampling operations taking place at Paardeberg East and trial mining at Silverstreams and the commissioning of plants for both projects. The unique mining methodologies put in place by our technical team reinforce our position as a low-cost, high-margin operator as we look to take our exploration programme forward. During a period of skills shortages in South Africa, the quality of the key operational team we have established is testament to the strength and value of our assets and strategies.

Exploring for diamonds can be a bit of an unknown quantity and despite the significant increase in worldwide exploration budgets, no new major diamond mines are due to come into production over the next three years. This not only highlights the challenges of discovering a sustainable new diamond mine but also indicates that despite these difficulties, the forecast shortage of gem diamonds and firmer prices will continue to drive demand.

Diamond Core will look to take advantage of the forecast diamond market demand by re-inforcing our vision of growth. Options available to us to achieve this growth include not only identification and development of our own resources, but also possible mergers and acquisitions. Shareholders will be aware that we are currently in the advanced stages of discussions regarding a possible merger.

I alluded earlier to the challenges companies face in developing a sustainable diamond mine. In South Africa, a society and economy in transition, we have unique challenges. Our mining legislation seeks, understandably, to ensure greater equity in the mining sector and we have been enormously encouraged by our experience of constructive engagement with the key regulator, the Department of Minerals and Energy. With the DME’s co-operation we have been able to advance our exploration permitting, having implemented a range of social initiatives in the communities in which we operate. There has been a particular emphasis on the procurement of skills and services from within these communities; the establishment of skills development and training programmes; and facilitation in the creation of new businesses. The work that we do in this sphere must be of long-term benefit to these communities and must deliver sustainable value.

I would like to make special mention of our involvement with the Prostate Cancer Foundation of South Africa, an organisation which is doing exceptional work in the Northern Cape Province, both in educating people about the dangers of this disease and providing treatment. Prostate cancer is particularly prevalent in the Northern Cape area, our province of operation.

It is an exciting time for Diamond Core as we continue with the operational commitments planned in our capital raising and our technical team’s innovative and creative approach bears fruit on the ground. I would like to thank both the previous and current board members for their efforts over the past year. The new board has brought improved governance structures into the company as we continue to focus on developing our operations.

Roger Davids
7 December 2007

Review of the Chief Executive Officer

It is with great pleasure that I present our Annual Report to shareholders, our fourth since re-listing on the JSE Securities Exchange in 2004. Diamond Core has grown over the past year into a fully-fledged diamond exploration company with the support of a diversified shareholder base and a matching level of technical and management expertise which has enabled us to implement our development strategy on the ground. It is a prerequisite of our technical teams that your company subscribes at all times to best practice as a benchmark for all of our projects, an objective we have met in a capital-efficient manner.

The management team is focused on creating value for shareholders by generating a robust exploration portfolio, exploring optimally and bringing to account any commercially viable orebodies we delineate. The company has a quality shareholder base of both institutional and private investors.

Merger with BRC Diamond Corporation

During the financial year the executive management of your company has been pro-active in planning and implementing a sustainable, achievable strategy and growth path in order to complement and expand on the growth initiated through the Samadi merger of 2006.

In June this year, the company announced the intention of both BRC Diamond Corporation (BRC) and Diamond Core to merge, creating a growth-focused, African diamond explorer and developer with the in-house technical knowledge, managerial skills and access to capital markets which would be capable of delivering a leading growth-focused diamond company.

The proposed merger is a transaction we expect will be concluded in the next two months and will deliver both critical mass to our own portfolio of operations and new growth opportunities for our shareholders. Whilst the properties Diamond Core currently has in its portfolio are significant in the context of the Northern Cape in South Africa, the merged company will have access to a massive and commanding land position in the Democratic Republic of Congo (DRC) which will make our objective of a sustainable and value enhanced merged entity that much more achievable in the longer term.

The merger with BRC is in keeping with, and complements, our strategy for the future which we will continue to implement in terms of the positive forecasts in terms of supply and demand for rough diamonds. It has been stressed often by our management teams that diamond exploration, both for primary sources as well as for alluvials, remains an activity fraught with risk. The primary objective of our strategy is to diversify risk and achieve sustainability and returns for our shareholders over the long term.

BRC is a Canadian-based diamond exploration company active principally in the DRC, and held 27.5% by Banro Corporation (Banro) a mineral exploration company which has been active in that country for three years. Led by a management team with extensive in-country experience, BRC was one of the first companies to identify emerging diamond opportunities in the DRC and today has a commanding land position, directly controlling approximately 8 458km^2 and retaining a further 10 922 km^2 through option agreements on three separate exploration properties. These properties are located in some of the most prospective diamond regions of the country. BRC is led by CEO Dr Mike de Wit, who has extensive experience in exploration geology in southern Africa, and specifically in the DRC and South Africa, while veteran mining executive and Banro Chairman Simon Village also chairs BRC.

Diamond Core and the legislative environment in South Africa

Diamond Core fully subscribes to the concept of creating a fully inclusive minerals industry in which all South Africans can participate, regardless of race or gender. Our commitment to participating in the initiatives of the South African government in this regard are borne out by the socio-economic initiatives which we have implemented in parallel to our exploration activities, which we anticipate will leave a positive footprint in terms of local development in the areas in which we operate, irrespective of whether economically viable discoveries are made. The empowerment strategy of the company is a holistic one, encompassing equity participation, strategies with regards to procurement, co-operation with Local Economic Development Forums in areas in which we operate, and active participation on the operations by our BEE partners.

As an exploration company a critical element of our business is gaining access to acreage in geologically prospective areas and to conclude exploration programmes on that acreage. The executive management of Diamond Core is conscious of the obligations we have in working towards turning the mineral wealth of South Africa to account for the benefit of all stakeholders. Operating, as we do, in a region of South Africa which has development challenges, brings a visible reality to the requirements of the Mining Charter.

We have worked extensively and co-operatively with stakeholders and local government to ensure that the communities living in the areas in which we operate gain significant, long-term benefit from our presence. This consciousness has translated into the implementation of a strategy, which has become integrated within our business and around our exploration targets in the areas of Kimberley, Tsantsabane, Douglas and Prieska in the Northern Cape Province of South Africa. The Memorandum of Understanding that we have entered into with the Prieska Municipality is an example of this process at work. We have employed and trained people in the local areas in which we operate; this is not only an investment in growing a skilled labour force, but provides local people with choices for their own economic empowerment.

One of our continuing challenges is the implementation of broad-based Black Economic Empowerment (BEE) transactions, which Diamond Core management has itself negotiated, and to which the company has committed itself, in a meaningful and transparent manner. The implementation of any partnership requires a large measure of commitment, transparency, participation and constant work from all the stakeholders involved if that partnership is to work. Taking this into account, any partnership or transaction to which the company commits itself must be beneficial and commercially sound for all stakeholders, not least the shareholders of the company, and must take into consideration the risk inherent to the providers of capital in the exploration for, and mining of, diamonds.

In pursuit of this common objective, our relationship with Sefalana Resources Consortium has not been successful and has not met our own stringent objectives in terms of our BEE strategy. As a consequence of Sefalana not having met certain of the basic Conditions Precedent to the Preference Share Agreements, the Agreement with Sefalana was rendered void ab initio. The directors and executive of the company truly regret the failure of this transaction which has unfortunately led to unnecessary tension and acrimony, the energy of which would have been more usefully directed to the implementation of the exploration projects. The management of your company have introspected and examined the reasons for the failure of this relationship in order to ensure that the identified pitfalls are avoided in future.

By contrast, our transaction with the Selang Consortium is an example of the meaningful and participative relationship we strive to build with our partners, and which we believe is in line with the requirements of the South African Government. For this we pay tribute to the contribution of the Selang management, who are fully integrated and participate in our management structures and who also provide valued professionals to our Executive Committee.

Corporate governance and security

KIMBERLEY PROCESS: CHAIN OF CUSTODY AND DIAMOND CONTROL

As a responsible corporate citizen and diamond producer, we have retained the services of an independent diamond consultant, Mr Ramon Ferraris of QTS-Kristal Dinamika, to audit the bulk sampling plants and bulk sampling process on both the Paardeberg East and Silverstreams sites. Mr. Ferraris has 30 years' experience in the rough diamond industry, including tenure at both De Beers and Rio Tinto. In addition to Mr Ferraris, we have retained the services of Maurice Barker on a contract basis. Mr Barker has many years of experience in the operational requirements of diamond companies in several countries in Africa.

Mr Ferraris, working in conjunction with our security officials, has been mandated to design and develop a chain of custody process for Diamond Core's diamond product, as well as to design an effective diamond control process. This process, already in the

Theo Botoulas, Chief Executive Officer

The Diamond Core exploration model and strategy

A strategy of aggressively exploring for, and developing mineral properties, has been articulated by Diamond Core management.

Our model is based on the understanding that the company undertakes the entire exploration risk and programme, with a parallel sustainable development strategy in place regardless of whether the exploration yields an economically viable deposit or not.

The company is being re-structured into two distinct divisions with discrete business plans, budgets and objectives:

- exploration and alluvial mining division
- exploration for kimberlites

Any intended project will be executed in three phases:

- a drilling and geological modelling phase;
- plant design and commissioning
- bulk sampling phase to determine the grade of the gravel deposit.

Should the geological and metallurgical work merit designing a metallurgical plant and mining the deposit, then the fourth phase, the mining phase, will be initiated. Projects will be phased in this way in order to cause minimal environmental impact with a maximum return on the geological knowledge gained with regard to the gravel deposit.

Review of the Chief Executive Officer *(continued)*

implementation phase, has been designed to achieve compliance with international best practice and the requirements of the Kimberley Process. Mr Ferraris is responsible for auditing this process as well as for providing technical expertise with regards to the diamond product.

Security is paramount in the activities of any diamond company. Diamond Core has entered into a contract with niche security consultants, with whom we have had a long-standing relationship, in order to implement a security system which keeps up with our progress as we move towards trial mining.

During July 2007, the company experienced an armed robbery at our Paardeberg East bulk sampling site. It is a testament to the professionalism and commitment of our security contractor that our systems could only be breached by the use of extreme force, and that those suspected of this crime have been subsequently arrested as a result of the actions of our security contractors, and criminal charges laid against them.

Establishing our support infrastructure

The past year has seen significant developments in both our internal capabilities and support infrastructure through the establishment of company premises in Johannesburg, Kimberley and Prieska and the upgrading of the staff facilities on site at Paardeberg East.

Our human resource policies and procedures have been finalised and are being implemented; our strategy going forward is to align these policies and procedures with the strategic business plan and relevant legislative requirements.

The Accpac mining module, which significantly enhances our financial control process, has been successfully installed and is operational throughout the group. IT and reporting systems for the company's accounting and technical controls have been implemented by the CFO.

The year under review

We have achieved various milestones during the year, particularly at our Paardeberg East and Silverstreams projects. Our major projects are detailed below:

PROJECTS

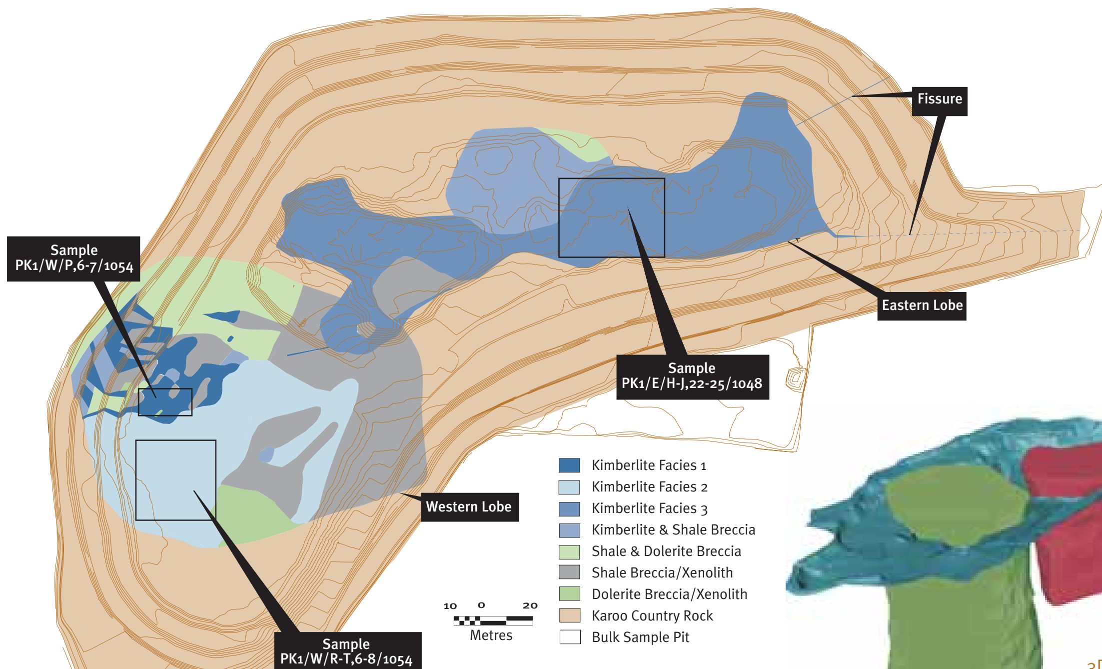
Paardeberg East

Deposit: Kimberlite

Location: Approximately 58km west of Kimberley in the Northern Cape Province.

Diamond Core interest: The Paardeberg East kimberlite project is held in Diamond Core Mining and Exploration (Pty) Ltd, a 100% held subsidiary of the company.

PAARDEBERG EAST - PK1 KIMBERLITE EXPOSURES IN PIT AREA




3D MODEL OF THE PK1 PIT

Mineral rights: Diamond Core owns both surface and mineral rights to the project. The Mining Licence is valid until 2009, whereupon it will be converted to a new order Mining Right.

Geology: A number of kimberlites occur on the property, largely represented by the PK1 and PK3 kimberlites. Mapping of the western lobe of the PK1 pipe has been completed and two kimberlite facies have been identified, with a third in the eastern lobe of the PK1 pipe. Trenching at the PK3 site some 3km to the west will be completed by December 2007. The purpose of the trenching operation is to correlate the kimberlite:country rock contacts with the drill results, observe and record the nature of the overburden, and to determine the included waste content of the kimberlite. Bulk sampling operations at PK1 will be completed by December 2007. The results of the sampling operations at PK1 have been handed over to Hatch who will compile a scoping study, which will be published once complete. Due to the various intrusions and zones within the kimberlite pipe, the company will complete the bulk sampling operations for all the targets on Paardeberg East before publishing the results as per the SAMREC Codes.

Developments in 2007: The Paardeberg East project is the most advanced of our kimberlite targets and bulk sampling of PK1 is almost complete. Progress during the year includes the:

- commissioning of the 50 tonne per hour DMS module and final recovery unit;
- making safe of the PK1 pit;
- re-commissioning of the water pipeline used for taking water from the Vaal River, some 18km west of site;
- completion of the plant water recovery facilities at site; and
- completion of central logistics and stores facilities for use throughout the group.

Plans for 2008: The future path for Paardeberg East as a standalone project can be summarised as:

- further bulk sampling and economic valuation of PK1 and PK3;
- reporting bulk sampling results in compliance with the SAMREC code;
- further exploration of proven kimberlites and prospective anomalies and identification of targets for drilling; and
- using the DMS facility as a regional facility to sample additional kimberlite exploration targets which have been targeted in the Northern Cape.

Silverstreams

Deposit: Alluvial and Kimberlite
Location: Silverstreams is located on the northern bank of the Orange River some 14km north-east of Prieska in the Northern Cape Province.

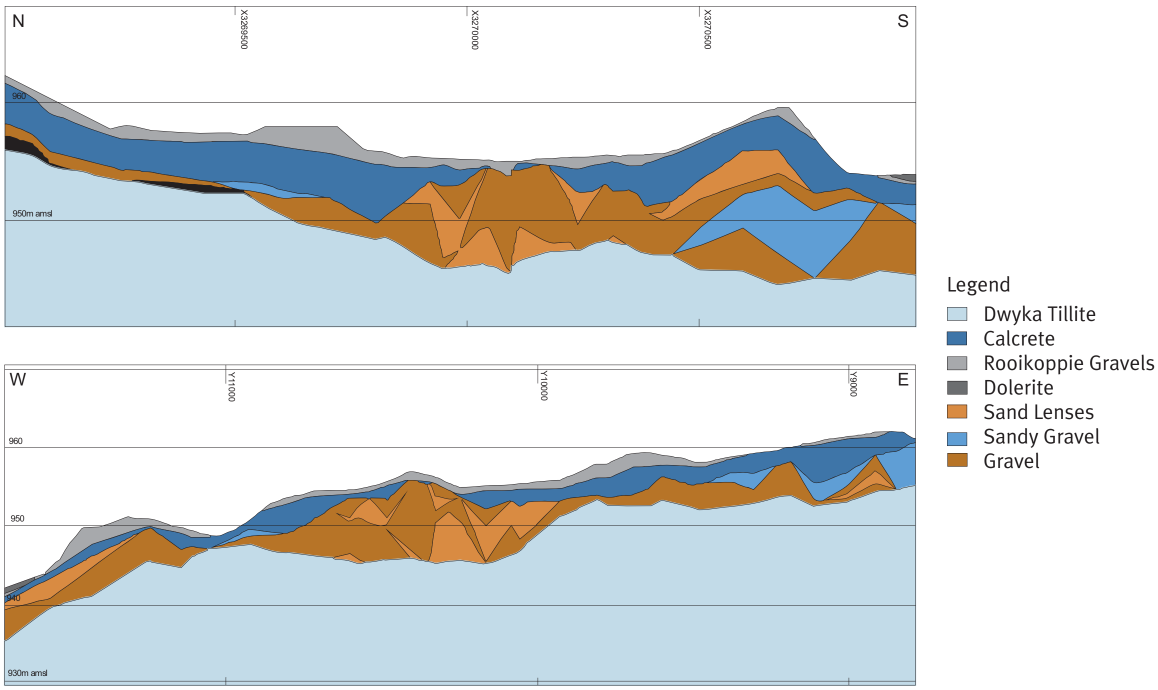
Diamond Core interest: The Silverstreams project is held in Sandstraat Eksplorasie (Edms) Bpk, a 100% held subsidiary of Diamond Core. Diamond Core has an 85% economic interest in the project, the remainder being allocated to a qualifying BEE Consortium.

Mineral rights: A new order Mining Right was granted in the last quarter of 2005.

Geology: Alluvial exploration: The first bulk sampling trenches have been placed diagonally across parts of the channel feature. The first of the two trenches includes well-developed upper gravels, whilst the second trench has well-developed basal gravels. Both trenches have a Rooikoppie gravel component which will be sampled separately.

Review of the Chief Executive Officer *(continued)*

CROSS SECTION THROUGH SILVERSTREAM GRAVEL HORIZONS



Kimberlite exploration: The presence of a number of diamondiferous fissures and kimberlitic occurrences on the 1:250 000 scaled geological map of the area has warranted the kimberlite exploration programme over the northern part of the Silverstreams property with a stream sediment sampling exercise completed by MSA Geoservices during December 2006. The recovery of potential kimberlitic indicator minerals from samples collected is underway and depending on the results of this soil sampling programme, further greenfields exploration work for primary kimberlite targets might be undertaken.

Developments in 2007: Silverstreams is in an advanced stage of exploration, with the project currently in progressive stages of trial mining with:

- infrastructural development completed, including roads, offices, and a water pipeline of approximately 2km from the Orange River to the plant site;
- sampling plant completed and operational;
- ongoing infill drilling on the channel feature; and
- excavation and processing of two trenches initiated: Rooikoppie gravels stockpiled and calcrete exposed for drilling and blasting.

The diamondiferous Sanddrift kimberlite project, acquired from Minex/Southern Era in 2006, is situated to the immediate north of Silverstreams.

Plans for 2008: The future path for Silverstreams as a standalone project can be summarised as:

- further bulk sampling and economic valuation of the extensive alluvial terraces present on the site;
- reporting bulk sampling results in compliance with the SAMREC code;
- further exploration for kimberlites and prospective anomalies and identification of targets for drilling; and
- using the DMS facility as a regional facility to sample additional kimberlite exploration targets which have been targeted in the Prieska area.

Uitdraai

Deposit: Alluvial

Location: The Uitdraai deposit is situated along the southern bank of the Orange River on an ancient alluvial gravel terrace on the farm Uitdraai 15km north-east of Prieska. The project area lies adjacent and to the south-east of the Silverstreams project.

Diamond Core interest: The Uitdraai alluvial project is owned via a 100% equity interest in Prieska Diamond Mining (Pty) Ltd, a subsidiary company. Diamond Core has an 85% economic interest in the project, the remainder allocated to a qualifying BEE Consortium.

Mineral rights: The new order Prospecting Right was issued in the final quarter of 2005.

Developments in 2007: The Uitdraai terrace has been drilled and a geological model has been created for the alluvial gravel body. First stage bulk sample planning has been done by Hatch, and management has completed a preliminary plant layout. The use of contractors is also being evaluated. The business plan involves the construction of a 150tph exploration plant with a 1Mtpa capacity. The objective is to determine the economics of the deposit as a basis on which further planning can be undertaken. The creation of the requisite infrastructure on site for bulk sampling operations has been delayed by a dispute between surface owners regarding the use of the access road to the site, the completion of an archeological study by the University of the Witwatersrand on what is defined as a medium-level site of archeological interest, as well as the delay caused by the Department of Water Affairs and Forestry (DWAF) in issuing the requisite Water Use Licence. In addition, the company is examining some innovative materials-handling techniques in order to complete this exercise in a more capital-efficient manner than that currently planned, by making use of the facilities at the adjacent Silverstreams site.

Plans for 2008: Construction of this project will begin once the archeological study has been completed, the Water Use Licence issued by DWAF, and the dispute between surface owners regarding the use of the access road has been resolved. Additional mapping and infill drilling are planned in the interim.

De Kalk

Deposit: Alluvial
Location: This prospect is situated on the south bank of the Orange River, on the farm De Kalk, approximately 22km south of Douglas, in the Hopetown district in the Northern Cape Province.

Diamond Core interest: The project is held by Samadi (Douglas) Exploration (Pty) Ltd, a 100%-held subsidiary. Diamond Core has an 85% economic interest in the project, the remainder allocated to a qualifying BEE Consortium.

Mineral rights: A new order Prospecting Right was granted in the final quarter of 2005.

Geology: The drilling programmes identified four gravel horizons on De Kalk, delineated from the base of the sequence as:

- a Basal A gravel deposit, which occurs immediately above the bedrock formation;
- a Basal B gravel deposit, which either occurs immediately above the Basal A deposit, or above the bedrock but has a sand layer separating it from the bedrock;
- a suspended gravel, which occurs near surface in between overburden sandy layers; and
- a poorly developed Rooikoppie gravel that occurs as a surface deflation deposit on portions of the project area. This gravel, and other near surface gravels, has been the focus of the previous mining activities.

Developments in 2007: The De Kalk terrace has been drilled and a geological model has been created for the alluvial gravel body. Using the geological model as a reference, your management has completed the preliminary plant layout and planned the surface infrastructure. The first stage bulk sample planning will be done using the geological model as a reference. Similarly to Uitdraai, the business plan involves the construction of a 150tph exploration plant with a 1Mtpa capacity.

Plans for 2008: The construction of the requisite infrastructure on site for bulk sampling operations will start once the Water Use Licence has been issued. A tonnage of between 10.9 million tonnes and 12.1 million tonnes has been calculated for De Kalk by independent geological contractors and consultants.

Skeyfontein

Deposit: Kimberlite
Location: The Skeyfontein project is situated on the farm Skeyfontein, approximately 15km southeast of Postmasburg in the Northern Cape Province.

Diamond Core interest: Diamond Core has a 50:50 joint venture with the Skeyfontein Communal Property Association (CPA), through Dikeing Mining (Proprietary) Limited (Dikeing). The 50% equity interest attributable to the CPA will be transferred as soon as the CPA has provided a legal entity within which to base its interest.

Mineral rights: Dikeing has a new order Prospecting Right over the entire Skeyfontein property.

Developments in 2007: A pitting and trenching programme was started at the beginning of February 2007 over a number of photo-geological linear features which were previously sampled and which delivered a positive result with respect to kimberlite indicator minerals. The property is known to host at least one diamondiferous kimberlite fissure.

Plans for 2008: The company intends taking one 200kg sample of kimberlite for micro-diamond analysis, whereafter the future participation of the company in the Skeyfontein Project will be re-evaluated. The disposal of the company interest in Dikeing to either the CPA or a qualifying BEE entity may be considered.

Sanddrift

Deposit: Kimberlite and alluvial
Location: The Sanddrift project is located north east of Prieska in the Northern Cape Province of South Africa.

Diamond Core interest: Diamond Core entered into a purchase agreement with Southern Era Management Services (Pty) Ltd and Minex Projects (Pty) Ltd to acquire the Sanddrift project on the basis that it has the potential to add to Diamond Core's alluvial gravel resources in the Middle Orange River. Upon successful transfer of the mineral rights, Diamond Core's interest will be held by Sandrif Exploration (Pty) Ltd, a 50% held subsidiary, the remainder being held by Selang Resources (Pty) Ltd, a broad-based BEE Consortium.

Mineral rights: The prospecting rights are currently held by Southern Era Management Services (Pty) Ltd and are in the process of being ceded to Sandrif Exploration (Pty) Ltd.

Review of the Chief Executive Officer *(continued)*

All our operations and projects have taken considerable steps forward over the past year and it is imperative that we continue with that forward momentum into the 2008 financial year. Diamond Core continues to review new projects on an ongoing basis and will only make acquisitions if these projects fit our strategy and philosophy and are value accretive to our shareholders. As a result of the merger with BRC Diamond Corporation, a review of all the projects in the new entity will be undertaken once the merger has been concluded and the portfolio of projects reviewed and re-prioritised. New projects will be acquired and others disposed of as part of this process.

Key issues going forward

A critical area for the sustained success of our business remains the development of a skills base. A burgeoning resources industry has resulted in fierce competition for skills, and our rollout strategy will depend on our ability to attract appropriate levels of human capital and skills. We have already made some progress in this area by conducting a skills database road show, in co-operation with the Gold Fields Business and Leadership Academy in the labour-sending areas surrounding our projects in the Northern Cape, to determine the skills base available to the company. This initiative was supported by all local municipalities in areas in which we operate and has delivered results in the Kimberley and Prieska areas.

Our business plan in the coming year focuses on bringing cash-generative alluvial diamond assets into operation, as well as concentrating on turning our kimberlite assets to account in a systematic and professional manner, characterised by a back-to-basics approach. The kimberlite exploration targets, with the exception of Paardeberg East, have different time horizons, and are only expected to yield cash flow after a two-year time period.

The directors and management of Diamond Core are focused on ensuring that the majority of the capital raised is applied directly to the business of exploration and mining, and bringing the ratio of administration and direct exploration costs in line with international averages of 30:70 for projects at the research stage and 15:85 once the drilling progresses and active exploration occurs on project sites

The authority to move forward has been based on a well-articulated and formulated understanding of the future prospects of the diamond industry in South Africa, the issues surrounding BEE and tenure, and the future political prospects and risks inherent in our country. Exploration and mining is a long-term, high-risk business activity, which will destroy capital if not planned and implemented optimally. Diamond Core has a debt-free balance sheet and it is our intention to optimise and maximise the application of our capital in future.

In conclusion

Diamond Core finds itself in an exciting stage of development and exactly where we planned to be. It has been a remarkable year, and I would like to extend my thanks to our non-executive directors, Messrs Prinsloo, Hunter, Barker and Nachom, as well as our non-executive Chairman Roger Davids, whose experience and guidance have already made a significant impact on the fortunes of the company. The great strides made by Diamond Core over the last year have in no short measure been as a direct result of their experience and input. I would also like to thank Craig Campbell and Danie van der Merwe for the focused and professional manner in which they have conducted their business. The excellence prevalent in the financial and technical approach to our business, which has been created in such a short space of time are remarkable achievements and a testament to the commitment of these two individuals to your company.

I would also like to thank our site management, staff and consultants who have been an integral part of the construction phase of Diamond Core. I would take this opportunity to pay tribute to the late Robert Cooke, Consulting Geologist to the company who over the last few years brought his vast experience and a sense of direction to our exploration activities. Events of the past few months have proved that his experience and knowledge were truly unique and are sorely missed. Of all those who can claim ownership, it can never be disputed that Robert Cooke, through his company, Pioneer Minerals (Pty) Limited, was the first geologist to realise the potential of the Middle Orange River and to actively promote the area as a producer of high-quality diamonds. The current rush on the Middle Orange River is proof that his vision and faith were indeed valid. Post the merger with BRC Diamond Corporation, I look forward to working with professionals of the calibre of Simon Village, Arnold Kondradt, Dr Mike de Wit and the BRC geologists and staff in the Democratic Republic of the Congo. Exciting and challenging times lie ahead.

I am proud to be at the forefront of a team that thrives on a dynamic and innovative approach to the challenges at hand. I look forward with genuine anticipation to the year ahead, to continue to develop the new company, and deliver on our portfolio of projects, for the benefit of all our stakeholders.

Theo Botoulas
7 December 2007

Board of directors and management

BOARD OF DIRECTORS

Roger Davids
(Non-executive Chairman)
Roger has extensive experience as a director (executive and non-executive), augmented by Commerce and Management Sciences degrees.

He brings to Diamond Core his collective experience in business strategy and strategic project management and programme delivery.

Theo Botoulas
(Chief Executive Officer)
Theo holds a B.Eng (Mining), MSc (Mining Engineering), Mine Managers Certificate of Competency (Metalliferous Mines), and is a registered Professional Engineer with the Engineering Council of South Africa (ECSA). He has 18 years' mining, asset management and financial industry experience. Theo is responsible for all exploration, prospecting and operational aspects of the company.

Craig Campbell
(Chief Financial Officer)
Craig is a qualified Chartered Accountant and has occupied positions in both private and JSE-listed companies over the past ten years. He has significant exposure to special projects, corporate governance and corporate finance, which complements his experience in financial and operational management.

John Barker
(Non-executive director)
John holds a BSc in Minerals Estate Management (Sheffield City University) and a Diploma in Financial Management (Wits University). As a former Chairman of the Association of Mining Analysts in London, John has over 20 years experience in the industry, and currently works as an independent consultant to the mining world.

Greg Hunter
(Non-executive director)
Greg, who is currently the CEO and a board member of Central African Gold, holds a BSc in Mining Engineering (Wits University), and has worked extensively in the resource sector in both financial and technical capacities.

Shalom Nachom
(Non-executive director)
Shalom is an independent diamond dealer, with 40 years' experience in the diamond industry, specialising in the purchase and sale of "fancy coloured" diamonds.

Mike Prinsloo
(Non-executive director)
Mike holds a BSc in Mining Engineering (Wits University), an AMP (Harvard), an MDP (Unisa) and a DPCR (Unisa). Mike is currently Chief Executive Officer of Banro corporation and was formerly Executive Vice President and Head of South African Operations for Gold Fields Limited.

SENIOR MANAGEMENT

Danie van der Merwe
(Group Engineering Manager)
Danie holds a National Technical Diploma in Mechanical Engineering and has completed numerous supplementary courses, including courses in metallurgy, diamond recovery systems, safety, and management. He has extensive experience in the diamond mining sector and has gained a broad base of experience, covering metallurgy, engineering, and mining production.

Competent persons' statement

SAMREC Compliance and Competent Persons Declarations

Diamond Core requires that all work is carried out and reported according to "The South African Code for Reporting of Mineral Resources and Mineral Reserves" (the SAMREC Code) which sets out minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves in South Africa.

The Code provides a checklist for compliance, which includes such items as sample collection and treatment, as well as, importantly, sample security. Once actual diamonds become a part of the evaluation programme, the concept of "Chain of Custody" is critical to maintaining the integrity of the data. Diamond Core has prepared for the rigours of public scrutiny through the employment of reputable contractors and independent competent persons.

The responsibility for overseeing this process has been accepted by Mr Nick Norman, who is registered with the South African Council for Natural Science Professions (SACNASP) as required by the South African laws and is a competent person in diamond geology in terms of the SAMREC Code.

The SAMREC Code is directly linked to Section 12 of the JSE Listings Requirements. Although there is currently no requirement for listed mineral companies to discuss exploration information in annual financial statements, Diamond Core has decided to fully report such information in a SAMREC compliant manner.

PROJECT DETAILS AND STATUS

As at the date of this report, Diamond Core has 10 very exciting diamond projects in various stages of development. Our strategy will be to aggressively explore and develop these diamond properties once prospecting rights have been granted.

Project	Deposit	Rights	Project status
Paardeberg East	Kimberlite	Old Order Mining	Resource definition
Skeyfontein	Kimberlite	New Order Prospecting	Intermediate stage exploration
Muishoek	Alluvial	New Order Prospecting	Initial stage exploration
Kuiltjiespan	Kimberlite	New Order Prospecting	Initial stage exploration
Strydpan	Kimberlite	New Order Prospecting	Initial stage exploration
Silverstreams	Alluvial	New Order Mining	Advanced exploration/resource definition
Uitdraai	Alluvial	New Order Prospecting	Advanced exploration/resource definition
De Kalk	Alluvial	New Order Prospecting	Intermediate stage exploration
Koa Valley	Alluvial	New Order Prospecting	Initial stage exploration
Sanddrift	Alluvial/Kimberlite	Cession of New Order	

Glossary of terms

Alluvial – Diamond deposits which are located in sediments transported by river or marine systems.

Audit – Checking mechanisms to verify the veracity of results.

BEE – Black Economic Empowerment

Bulk sample – Large sample which is processed through a small-scale plant, not a laboratory.

CAPEX – Capital expenditure

Carat – Unit of weight for diamonds. The metric carat equals 200 mg.

Cross section – A diagram or drawing that shows features transected by a vertical plane drawn at right angles to the longer axis of a geologic feature.

ct – Carat

Cut-off grade – The lowest grade of mineralised material considered economic to extract; used in the calculation of the ore reserves in a given deposit.

Diamond drilling – A drilling method where the rock is cut with a diamond bit to extract a core.

Diamond grade – The content of diamonds, measured in carats, within a volume or mass of rock.

Diamond value – The estimated average value of diamonds from the deposit, quoted in US$/carat.

Diamondiferous – Containing diamonds

DME – Department of Minerals and Energy

DMS – Dense Medium Separation, a way of separating diamonds or heavy minerals from waste material using a flotation process.

Dolerite – A medium-grained igneous rock which is emplaced within the earth's crust in the form of dykes and sills, and has the same mineralogy as basalt.

Dyke – Intrusive igneous rock vertically or subvertically emplaced.

Exploration – Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralisation.

Feasibility study – A definitive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the economic viability of a project and to support the search for project financing.

Grade – The relative quantity or percentage of diamonds within the rock mass. Measured as carats per hundred tonnes in this report.

ha – Hectare

In situ – In its original place, most often used to refer to the location of the mineral resources.

Indicated Diamond Resource – That part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a reasonable level of confidence. It is based on exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed and sufficient diamonds have been recovered to allow a confident estimate of average diamond value (SAMREC Code).

Inferred Diamond Resource – That part of a diamond resource for which tonnage, grade and average diamond value can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified by geological and/or grade continuity and a sufficiently large diamond parcel is not available to ensure reasonable representation of the diamond assortment. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability (SAMREC Code).

JSE – JSE Limited

JV – Joint venture

Kimberlite – An ultra basic rock defined as a porphyritic alkalic peridotite containing phenocrysts of olivine and phlogopite. Occur as dykes or as characteristically carrot-shaped pipes.

km – Kilometre

km^2 – Square kilometres

m – Metre

M – Million

m^2 – Square metres

m^3 – Cubic metre

Measured Diamond Resource – A "Measured Diamond Resource" is that part of a diamond resource for which tonnage, densities, shape, physical characteristics, grade and average diamond value can be estimated with a high level of confidence. It is based on detailed and reliable exploration sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity and sufficient diamonds have

Glossary of terms *(continued)*

been recovered to allow a confident estimate of average diamond value.

Mineable – That portion of a resource for which extraction is technically and economically feasible.

Mineralisation – The presence of a target mineral in a mass of host rock.

MPRDA – Mineral and Petroleum Resources Development Act

NAV – Net asset value

NPV – Net present value

Opencast/Open pit – Surface mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the ore body.

Orebody – A continuous well-defined mass of material of sufficient ore content to make extraction economically feasible.

Parcel – A collection of diamonds of various sizes made available for sale as a single package.

Payability – Economic viability of a mineral deposit.

Percussion drilling – A drilling method where the rock is broken by a rotary bit into chips that are blown up the hole to be sampled.

Primary deposit – With reference to the deposition of diamonds, these deposits include kimberlite pipes, dykes, blows and fissures as well as lamproites. Contrasted with alluvial.

Primary Gravel – Potentially diamondiferous alluvial gravels occurring on the Hospitaal and Uitdraai properties.

Probable reserves – The economically mineable material derived from a Measured and/or Indicated Diamond Resource. It is estimated with a lower level of confidence than a Proved Reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined.Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

Proven reserves – The economically mineable material derived from a Measured Diamond Resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

Rehabilitation – The process of restoring mined land to a condition approximating to a greater or lesser degree its original state. Reclamation standards are determined by the South African Department of Minerals and Energy Affairs and address ground and surface water, topsoil, final slope gradients, waste handling and revegetation issues.

R/t – South African Rands per tonne

Rooikoppie Gravel – A thin deflationary (wind eroded) gravel surface on old terraces. The cobbles are usually weathered reddish brown. The volume of this gravel has been reduced by wind erosion and it usually has a higher diamond grade.

Sample – The removal of a small amount of rock pertaining to the deposit, which is used to estimate the grade of the deposit and other geological parameters. Kimberlite samples for the recovery of diamonds are usually several hundred tonnes per sample.

Sampling – Taking small pieces of rock at intervals along exposed mineralisation for assay (to determine the mineral content). Bulk samples in the case of kimberlites.

Stockpile – A store of unprocessed ore or marginal grade material.

Stone size – Average size of the diamonds, expressed as carats/stone.

Stones – Diamonds

t – Tonne

Tonnage – Quantities where the tonne is an appropriate unit of measure. Typically used to measure reserves of metalbearing material in situ or quantities of ore and waste material mined, transported or milled.

Trenching – Making elongated open-air excavations for the purposes of mapping and sampling. Volcanic Igneous rocks that have reached or nearly reached the earth's surface before solidifying, for example lavas.

tpa – Tonnes per annum

tph – Tonnes per hour

tpm – Tonnes per month

US$/ct – United States Dollar per carat

Yield/Recovered grade – The actual grade of ore realised after the mining and treatment process.

Corporate governance

Introduction

The Corporate Governance Report sets out the key governance principles and practices of the Diamond Core group. Diamond Core strives to ensure that the interest of stakeholders is foremost and that they are appropriately informed of all relevant developments in the group. The primary aim of the report is to correctly inform all of the stakeholders through adequate and understandable disclosure.

ENDORSEMENT OF KING II

Diamond Core, its directors and staff members have accepted and are fully committed to the following seven commonly accepted characteristics of good corporate governance in accordance with the King Report on Corporate Governance 2002 (King II): discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. Specifically, the directors report on their progress on adopting the code as outlined below:

Board charter

A board charter has been drawn up and accepted by the directors. A copy of the board charter can be found on the company's website.

Board of directors

COMPOSITION

Diamond Core has a fully functional board that leads and controls the group. At the date of this report the Board of Directors comprises two executive directors and five non-executive directors of whom four are independent. The Board of Directors is chaired by a non-executive director. The composition of the board ensures the necessary professional skills and experience needed to judge objectively matters regarding the strategic and business direction of the group. The board itself takes key decisions to ensure it retains proper direction and control of the company, strategic issues, the business plan, acquisitions, disposals and any other major contracts and commitments, company policies and reporting to stakeholders.

The board has adopted a policy detailing procedures for appointments to the board. All appointments are formal and transparent, and a matter for the board as a whole. There exists a clear division of responsibilities at board level that ensures a balance of power and authority, such that no one individual has unfettered powers of decision-making.

ROLE AND FUNCTION

The Board of Directors is responsible for the proper management and ultimate control of the company. In order to meet this responsibility to members and other stakeholders, the board is responsible for setting the strategic objectives of the company, determining investment and performance criteria, and taking ultimate responsibility for the proper management and ethical behaviour of the businesses of the group.

The Board of Directors meets on a formal basis at least quarterly, with additional meetings convened when circumstances necessitate them. Meetings are conducted in accordance with formal agendas, ensuring that all substantive matters are properly addressed. The company's overall daily operations are managed and overseen by the executive directors.

The roles of the chairman and chief executive officer (CEO) are separate. The chairman provides leadership of the affairs of the group at the group's expense.

In order to facilitate the discharge, by non-executive directors in particular, of the duties and functions of directors, the group will assist directors by arranging:

- strategy sessions with individual executive directors or the senior managers responsible for particular areas of operation;
- consultations with the company secretary for specific enquiries; and
- in the event of a director identifying an area of particular concern or conflict in relation to his/her future conduct as a director, independent professional advice, after consultation and through the office of the CEO and/or the company secretary.

A number of standing committees of the board have been established. These committees operate with written terms of reference and comprise, in the main, non-executive directors. The chairman of each committee is a non-executive director.

COMPENSATION AND NOMINATION COMMITTEE

The present members of the Compensation and Nomination Committee are Mike Prinsloo (Chairman), Shalom Nachom and Roger Davids.

The Compensation and Nomination Committee reviews and approves the remuneration and terms of employment of executive directors and senior employees of the company. The Remuneration Committee has satisfied its responsibilities during the year, in compliance with its terms of reference.

The Compensation and Nomination Committee met on three occasions during the year. A quorum was present at each of the meetings.

Non-executive directors do not have service contracts. Full details of the remuneration of the individual directors and information on share options are set out on page 27 of the annual financial statements.

AUDIT COMMITTEE

The Audit Committee consists of two non-executive directors, Greg Hunter (Chairman) and John Barker. Two executive directors, Theo Botoulas and Craig Campbell, attend as representatives of management as invitees and not as appointed members.

The external auditor has unrestricted access to the Audit Committee, which ensures its independence is in no way impaired. Meetings are held regularly and may be attended by representatives of the external auditors.

The Audit Committee monitors the issues relating to risk management, environmental management, the safeguarding of assets and internal controls, including the external audit, as well as the principles for recommending the use of the external auditor of the company for non-audit services, accounting policies and financial reporting within the mandate given by the board. The external auditors are appointed each year based on the recommendations of the Audit Committee. The Audit Committee has satisfied its responsibilities during the year in compliance with its terms of reference.

Four duly constituted Audit Committee meetings were held during the year.

NEW BUSINESS AND LEGAL COMMITTEE

The New Business and Legal Committee consists of two non-executive directors, John Barker (Chairman) and Greg Hunter, and two executive directors Theo Botoulas and Craig Campbell.

The New Business and Legal Committee will meet on regular occasions and deal with issues relating to any proposed new business and legal matters, and will ensure that all procedures and agreements are dealt with in the required manner.

TECHNICAL COMMITTEE

The Technical Committee consists of two non-executive directors, Mike Prinsloo (Chairman) and Greg Hunter, and one executive director Theo Botoulas.

The Technical Committee will meet on regular occasions and will deal with issues relating to the progress of all the group's projects and any operational issues that need to be managed.

The non-executive chairman is an ex-officio member of all the committees.

INDEPENDENCE

The independence of the Board of Directors is maintained by:

- keeping the roles of chairman and CEO separate;
- the non-executive directors not holding service contracts and their remuneration not being tied to the financial performance of the group; and
- giving all the directors access to the advice and services of the company secretary and, with prior agreement of the chairman, being entitled to seek independent professional advice on the affairs of the group at the group's expense.

Board appraisal

The board as a whole is responsible for the appointment of new directors and for the orientation of new directors.

Every non-executive director is selected for his or her knowledge and experience of other business and business sectors, and is expected to contribute effectively to decision-making and the formulation of policy.

The executive directors in turn contribute their detailed insight into the day-to-day operations of the company's businesses, enabling the board to identify goals, provide direction, and determine the feasibility of any proposed strategies. The executive directors generally make and implement all operational decisions.

The board intends to regularly review and assess the mix of skill and experience offered by the board as well as its composition in light of the country's demographics so as to ensure that the board is adequately equipped to achieve the company's objectives and to create shareholder value. In addition, the board will regularly review its effectiveness and the contribution of each director.

Company secretary and professional advice

The appointment and removal of the company secretary is a matter for the board as a whole. All directors have unlimited access to the advice and services of the company secretary who is responsible to the board for ensuring that proper corporate governance principles are adhered to. All directors are entitled to seek independent professional advice about the affairs of the company and have unrestricted access to company records.

Management reporting

Implementation of the new system provides for comprehensive management reporting disciplines that includes preparation of annual budgets by all operating units. The boards of directors of the operating companies and the holding company approve the individual operational budgets. Monthly results and the status of

Corporate governance

operating units are reported against approved budgets. Profit projections and forecast cash flows are updated regularly, while working capital and borrowing levels are managed on an ongoing basis.

Equal opportunities

The company believes in creating a stimulating work environment in which employees enjoy equal rights. Actions taken to bring about changes necessary to reflect the composition of the South African population include identifying and removing all discriminatory provisions.

Dealings in securities by directors and senior personnel

The company has adopted a code of conduct with respect to dealing in securities by directors and employees.

During closed periods, directors and employees are prohibited from dealing in the company's securities. Directors and employees may only deal in securities outside the closed periods with the authorisation of a director and the company secretary. All directors and employees are advised of closed periods.

Internal control and risk management

The board, through the Audit Committee, is responsible for the total process of risk management as well as for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating risk management into the day-to-day activities of the company.

The company maintains adequate accounting records and effective systems of internal control and risk management over financial reporting and the safeguarding of assets against unauthorised acquisition, use or disposition. These systems are designed to provide reasonable assurance to the company's management and Board of Directors regarding the preparation of reliable published financial statements. The system includes a documented and tested organisational structure and division of responsibility, and established policies and procedures, including a code of conduct, to foster a strong ethical climate. All of these are communicated to all personnel.

The board, operating through its Audit Committee, supervises the financial reporting process.

The company initiated the establishment of an internal audit function during the year. In order to provide further independence to the function, the company has elected to outsource the function. On consultation with external service providers, it was decided that the implementation would best be introduced in the 2008 financial year.

Code of conduct

The company is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders.

Financial contents

Directors' responsibility for the financial statements

Approval of financial statements for the year ended 30 June 2007

Directors' responsibility

The directors are required by the South African Companies Act, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and the group. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and the group and all employees are required to maintain the highest ethical standards in ensuring the business of the company and group is conducted in a manner that in all reasonable circumstances is beyond approach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company and group. While operating risk cannot be fully eliminated, the company and group endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The financial statements have been prepared on a going-concern basis, since the directors have every reason to believe that the company and the group have adequate resources in place to continue in operation for the foreseeable future.

Approval of the financial statements

The financial statements which appear on pages 22 to 50 were approved by the directors on 7 December 2007 and signed on their behalf by:

T Botoulas
Chief Executive Officer

AR Davids
Non-executive Chairman

Declaration by the company secretary

We declare that, to the best of our knowledge, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act, 1973, as amended, and that all such return are true, correct and up to date.

Statucor (Pty) Ltd
Company Secretary

7 December 2007
Johannesburg

Report of the independent auditors

To the members of

Diamond Core Resources Limited

We have audited the group annual financial statements and annual financial statements of Diamond Core Resources Limited, which comprise the consolidated and separate balance sheets as at 30 June 2007, and the consolidated and separate income statements, statements of changes in equity and the cash flow statements for the year ended, and a summary of significant policies and other explanatory notes, and the directors' report, as set on on pages 22 to 50.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements and group annual financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Diamond Core Resources Limited as at 30 June 2007 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to the Empowerment section in the directors' report. The financial statements have been prepared on the basis of the deemed unwinding of the partially implemented Sefalana transaction with effect from 2 January 2007, as supported by legal advice and opinions obtained by the group. Sefalana have indicated they intend to dispute the action taken by the group, and it has indicated that it will be defending its interests but has not yet done so.

Charles Orbach & Company
Chartered Accountants (SA)
Registered Auditors

Per: L. Vroom
Johannesburg
12 December 2007

Report of the directors

The directors have pleasure in submitting their report and the annual financial statements of the company and the group for the year ended 30 June 2007.

Nature of business

Diamond Core is in the business of exploring for and mining diamonds with a focus on the Northern Cape Province of South Africa.

Financial results

The annual financial statements on pages 29 to 50 set out in full the financial position, results of operations and cash flows for the company and group for the year ended 30 June 2007.

WATER LICENCES

The company has applied for water licences for all the farms on which it operates. The licences have not yet been issued due to a backlog at the Department of Water Affairs and Forestry. The directors have no reason to believe that the water licences will not be granted.

LITIGATION STATEMENT

There are currently no legal or arbitration proceedings against the company or its subsidiaries (including any proceedings which are pending or threatened) of which the company is aware which may have, or have had in the 12 months of preceding the date of this report, a material effect on the consolidated position of the company.

Without derogating from the above, we draw your attention to the Empowerment section of the directors' report on page 24.

GROUP FINANCIAL REVIEW

Financial review

The loss for the year under review amounted to R5 444 233 or 1.82 cents per share, compared with R60 333 217, or 47.61 cents per share for the prior year.

Included in the reported loss of R5 444 233 is a reversal of the minority interest of R11 894 586 which arose as a result of the unwinding of the transaction concluded between Samadi and Sefalana. In 2006 the company reported a loss R60 333 218 which included a non-cash goodwill impairment of R53 296 464 which arose from the application of IFRS 3: Business Combinations to the Samadi acquisition.

Headline loss per share decreased to 5.68 cents per share from 6.53 cents per share.

The net asset value per share decreased to 95.67 cents per share from 96.99 cents per share.

The main contributing factors that gave rise to the change in performance were:

- capitalisation of expenditure in terms of IFRS 6,
- construction of the Paardeberg East bulk sampling facility; and
- construction of the trial mining facility at the Silverstreams project.

Exploration costs capitalised in terms of IFRS 6 amounted to R19 590 008 (2006: R326 047) for the year under review. Operating expenses increased to R27 107 185 from R9 680 755 as a result of increased activity within the group.

Investment income increased to R11 225 999 from R2 714 084.

Cash on hand reduced to R77 390 094 from R219 703 429. This reduction is reflected predominantly in the increase in earthmoving fleet and processing plants, and the results of operations.

CAPITAL COMMITMENTS

The group has spent R118.6 million during the year under review (2006: R2.1 million), the bulk of which has been on earthmoving fleet and plants for the Paardeberg and Silverstreams projects.

Capital commitments at year end amounted to R 9.8 million (2006: R35.2 million).

REHABILITATION COSTS

The rehabilitation provision of R2.9 million was increased by R1 million to R3.9 million to provide for the rehabilitation at Silverstreams, and is considered to be adequate. No further provisions were raised during the year.

PROPERTY, PLANT AND EQUIPMENT

There have been no changes in the policy relating to the use of property, plant and equipment. The group acquired property, plant and equipment to the value of R117 816 446 (2006: R2 143 992).

DIVIDENDS

No dividends were declared or paid during the year under review.

GOING CONCERN

The going-concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group, or any company within the group, will not be going concerns in the future based on the cash resources available to the group.

SHARE CAPITAL

Authorised share capital

There was no change in the authorised share capital of the company during the year under review. The authorised share capital of the company comprises 500 000 000 ordinary shares of 0.001 cents per share.

Issued share capital

The movement in the issued and unissued share capital and share options for the year ended 30 June 2007 is set out below:

	2007		2006	
	Number	Rands	Number	Rands
Total share capital, share premium, shares to be issued and share-based payments reserve at beginning of year	**345 952 961**	**392 392 757**	64 793 929	66 266 547
Issues for cash and in lieu of fees	**64 500**	**–**	202 139 733	241 575 700
Issue for Samadi Resources (SA) (Pty) Ltd acquisition				
– Issued	**–**	**–**	27 342 236	49 216 026
– To be issued on achievement of profit targets	**–**	**–**	27 342 236	48 365 918
Options issued and credited to share-based payments reserve				
– For cash issues	**–**	**–**	19 334 827	19 334 827
– For Samadi Resources (SA) (Pty) Ltd acquisition	**–**	**–**	5 000 000	5 000 000
– Issued to staff and management	**8 380 000**	**1 848 187**	–	–
– Shares issued in respect of options exercised	**1 878 085**	**1 491 199**	–	–
– Options exercised and released, or cancelled	**(2 817 127)**	**–**	–	–
Share issue costs	**–**	**–**	–	(37 366 261)
Total at year-end	**353 458 419**	**395 732 143**	345 952 961	392 392 757
Broken down at year end as follows:				
– Shares issued	**296 218 483**	**320 692 438**	294 275 898	319 201 239
– Shares to be issued	**27 342 236**	**48 365 918**	27 342 236	48 365 918
– Options issued	**29 897 700**	**26 673 787**	24 334 827	24 825 600
	353 458 419	**395 732 143**	345 952 961	392 392 757

There were no share issues between the company's year-end and the date of this report.

In terms of the authority granted by shareholders at the annual general meeting held on 27 October 2006, all of the authorised but unissued share capital remaining at that date, after setting aside so many ordinary shares as may be required to be allotted and issued pursuant to the share incentive scheme, are placed under the control of the directors. This authority expires at the next annual general meeting where shareholders will be asked to renew this authority.

The options credited to the share-based payment reserve in respect of the capital raise and Samadi acquisition conferred the right to subscribe for one ordinary share at a price of 200 cents per share from the issue date until 30 September 2007. None of these option holders exercised their options and the listing of the options was terminated on 1 October 2007.

Report of the directors

DIAMOND CORE RESOURCES SHARE TRUST

Details of the options issued and the shares available for the share incentive scheme are set out below:

	2007 Number of options	2007 Average strike price (cps)	2006 Number of options	2006 Average strike price (cps)
Outstanding at 1 July	6 282 193	81.5	6 282 193	81.5
Movement during the year	5 562 873		–	
– granted during year	8 380 000	120.0	–	–
– exercised and released	(1 878 085)	79.4	–	–
– forfeited	–	–	–	–
– cancelled	(939 042)	79.4	–	–
Outstanding 30 June	11 845 066	109.1	6 282 193	81.5

The detail of the directors' participation in the above scheme is detailed on page 26.

	2007	2006
Number of shares that may be utilised for the scheme at 1 July	52 572 987	6 676 592
Shares issued between 1 July and 30 June	1 878 085	–
Number of shares that may be utilised for the scheme at 1 July	47 528 631	52 572 987

The directors are authorised to issue, allot and grant options to acquire up to a maximum of 59 243 697 (2006: 58 855 180) ordinary shares in the unissued share capital of the company in terms of the incentive scheme. The unexercised options under the scheme represent 4.0 percent of the shares in issue at 30 June 2007 (2006: 2.1%).

The salient features of the scheme are as follows:

- it comprises only share options;
- a maximum of a third of the total share option grants are released upon the first, second and third anniversaries of the grant date;
- share options not delivered are cancelled after the fifth anniversary of the grant date; and
- share options are settled in equity only.

INVESTMENTS IN SUBSIDIARIES

Details of the company's subsidiaries are set out in Annexure A on page 50 of the annual report.

During the year, 100 ordinary shares in each of Diamond Core Alluvial Projects (Pty) Ltd, Samadi Gemsbok Resources (Pty) Ltd and Sandrif Exploration (Pty) Ltd were issued to Selang Resources (Pty) Ltd, an HDSA company. Diamond Core's equity interest in the subsidiaries has been reduced to 50% as a result thereof.

The company's interest in the aggregate losses incurred after tax by the subsidiaries amounts to R16 297 259 (2006: R6 541 246).

EMPOWERMENT

The board of your company fully supports and subscribes to Government's policy of the empowerment of previously disadvantaged individuals and communities through the minerals and mining industry.

The company previously reported it had entered into agreement with Sefalana Mineral Resources (Pty) Ltd (Sefalana). Sefalana failed to meet the conditions precedent and the legal advice received by the company confirmed that the agreement with Sefalana had thereby been rendered void ab initio.

As a consequence of the aforesaid and in terms of the relevant provisions of the shareholders agreement Sefalana is deemed to have offered its shares to Samadi at the par value thereof and Samadi is deemed to have accepted such offer, serving to relieve Sefalana of its shares and effectively restoring the parties to their respective positions immediately prior to the conclusion of the contracts.

Sefalana have indicated they intend to dispute the action taken by the company but have not done so. The group has received legal advice that the success of any claim in this matter is remote.

The company has advised the Department of Minerals and Energy and is actively seeking a substitute empowerment partner.

During the year the company entered into agreements with Selang Resources (Pty) Ltd (Selang) in terms of which Diamond Core will fund the initial stages of exploration for the companies as detailed under "Investment in Subsidiaries". Should the initial exploration prove viable, each party shall be entitled, but not obligated to fund its proportionate share of further exploration. If the project is economically viable, the equity will be adjusted pro rata in accordance with the funds advanced. Notwithstanding the aforesaid, neither party's equity will fall below 15%.

The Chairman of Diamond Core, AR Davids, has a 23% equity interest in Selang.

The company reported that it had entered into an agreement, through Diamond Core Kimberlite Projects (Pty) Ltd with Morwakoma Exploration (Pty) Ltd (Morwakoma) on substantially the same terms as the Sefalana agreement. The agreement is in the process of being implemented.

Morwakoma are also a party to the agreements entered into with Selang.

DIRECTORATE

Composition of the board

The board currently consists of two executive directors and five non-executive directors, four of whom are independent.
The non-executive chairman is not considered to be independent.

The following changes in directorate occurred during the year under review:

Director	Nature of change	Date of change
David Levithan	Resignation	12 October 2006
Craig Campbell	Appointment	12 October 2006

The only director retiring in terms of the company's Articles of Association is Theo Botoulas and, being eligible, is available for re-election.

The boards of directors of various subsidiaries of Diamond Core comprise some of the executive officers and one or both of the executive directors, where appropriate.

Interests of directors

As at 30 June 2007, the directors' beneficial and non-beneficial, direct and indirect interest in the issued share capital of the company was 5.07% (2006: 6.63%) in aggregate. Save for Shalom Nachom, no director individually exceeds 1% of the issued share capital or voting control of the company.

	Beneficial							
	Direct				Indirect			
Director	Shares		Traded options		Shares		Traded options	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
AR Davids	**–**	–	**–**	–	**–**	–	**–**	–
T Botoulas	**1 088 344**	1 088 344	**108 353**	108 353	**–**	–	**–**	–
JK Barker	**–**	–	**–**	–	**–**	–	**–**	–
CI Campbell	**–**	–	**–**	–	**–**	–	**–**	–
GD Hunter	**–**	–	**–**	–	**–**	–	**–**	–
DN Levithan	**–**	–	**–**	–	**–**	–	**–**	–
S Nachom	**9 572 178**	12 572 178	**1 200 000**	1 200 000	**–**	–	**–**	–
MJ Prinsloo	**250 000**	250 000	**25 000**	25 000	**–**	–	**–**	–
	10 910 522	13 910 522	**1 333 353**	1 333 353	**–**	–	**–**	–

Report of the directors

Director	Non-beneficial Direct Shares **2007**	2006	Direct Traded options **2007**	2006	Indirect Shares **2007**	2006	Indirect Traded options **2007**	2006
AR Davids	**–**	–	**–**	–	**–**	–	**–**	–
T Botoulas	**–**	–	**–**	–	**–**	–	**–**	–
JK Barker	**–**	–	**–**	–	**–**	–	**–**	–
CI Campbell	**–**	–	**–**	–	**–**	–	**–**	–
GD Hunter	**–**	–	**–**	–	**–**	–	**–**	–
DN Levithan	**–**	790 062	**–**	–	**–**	–	**–**	–
S Nachom	**4 119 286**	4 800 000	**–**	–	**–**	–	**–**	–
MJ Prinsloo	**–**	–	**–**	–	**–**	–	**–**	–
	4 119 286	5 590 062	**–**	–	**–**	–	**–**	–

In addition to the above shareholding interests, the directors may participate in the Diamond Core Resources Share Trust. Details of the movement in options for the directors are set out below:

	Options held at 1 July 2006	Options awarded during the year[1]	Options exercised during the year[2]	Options held at 30 June 2007
AR Davids	–	560 000	560 000	**–**
T Botoulas	–	2 000 000	2 000 000	**–**
JK Barker	–	280 000	280 000	**–**
CI Campbell	–	1 200 000	–	**1 200 000**
GD Hunter	–	280 000	–	**280 000**
DN Levithan	–	–	–	**–**
S Nachom	–	280 000	280 000	**–**
MJ Prinsloo	–	280 000	280 000	**–**
	–	4 880 000	3 400 000	**1 480 000**

[1] The options were awarded at a strike price of 120 cents.
[2] First payment is due on 15 December 2007

Subsequent to the company's financial year end, the following options were issued to the board of directors:

	Options held at 1 July 2007	Options awarded 31 July 2007[1]	Options exercised	Options held at date of this report
AR Davids	**–**	**186 667**	**–**	**186 667**
T Botoulas	**–**	**500 000**	**–**	**500 000**
JK Barker	**–**	**93 333**	**–**	**93 333**
CI Campbell	**1 200 000**	**640 625**	**–**	**1 840 625**
GD Hunter	**280 000**	**93 333**	**–**	**373 333**
DN Levithan	**–**	**–**	**–**	**–**
S Nachom	**–**	**93 333**	**–**	**93 333**
MJ Prinsloo	**–**	**93 333**	**93 333**	**–**
	1 480 000	**1 700 624**	**93 333**	**3 087 291**

[1] The options were issued at a strike price of 160 cents.
First payment is due on 1 July 2010.

There were no options issued during the 2006 financial year.

REMUNERATION

The remuneration for the directors for the year ended 30 June 2007 is set out below:

	Directors' fees R	Salary R	Bonus R	Allowance R	Other R	Total R	2006 R
AR Davids[1]	515 010	–	–	–	–	515 010	–
T Botoulas	–	1 054 321	–	66 000	13 012[4]	1 133 333	2 998 330
JK Barker	120 000	–	–	–	–	120 000	–
CI Campbell[2]	–	613 643	–	25 839	9 486[4]	648 968	–
GD Hunter	123 000	–	–	–	–	123 000	31 000
DN Levithan[3]	30 000	–	–	–	270 585	300 585	2 335 113
S Nachom	120 000	–	–	–	–	120 000	–
MJ Prinsloo	123 000	–	–	–	–	123 000	31 000
Total directors' emoluments	1 031 010	1 667 964	–	91 839	293 083	3 083 896	5 395 443

[1] The chairman spent an additional 303 hours in the conduct of the company's business which additional hours were reimbursed in the amount of R203 010.
[2] Remuneration from 12 October 2006.
[3] This represents fees paid to David Levithan up to and including the date of his resignation.
[4] Pension fund contributions by company.

MAJOR SHAREHOLDERS

On the basis of the share register at 30 June 2007, the following shareholders, other than the directors of the company, held in excess of 5% in the capital of Diamond Core:

Name of shareholder	Diamond Core shares held	% of issued Diamond Core shares
Mellon bank NA	20 000 000	6.75
Clear Horizon	19 549 758	6.60

SHAREHOLDER SPREAD

The number of public shareholders and the percentage of shares held by public and non-public shareholders, as well as an analysis of the non-public shareholdings, at 30 June 2007 is set out below:

	Number of shareholders	% of shareholders	Number of shares held	% of issued shares
Non-public shareholders	5	0.19	15 029 808	5.07
– Directors	5	0.19	15 029 808	5.07
Public shareholders	1 514	99.81	281 188 675	94.93
Total	1 519	100.00	296 218 483	100.00

Report of the directors

SPECIAL RESOLUTIONS

No special resolutions were passed by the company during the year under review.

Sandstraat Eksplorasie (Pty) Ltd, Samadi Exploration (Pty) Ltd, Samadi (Douglas) Exploration (Pty) Ltd and Prieska Diamond Mining (Pty) Ltd all passed special resolutions on 24 November 2006 in terms of which:

1. the authorised share capital of the companies, being R1 000 (one thousand rand) divided into 1 000 (one thousand) ordinary par value shares of R1 (one rand) each, was increased to R1 010 (one thousand and ten rand) by the creation of:

2. 1 000 (one thousand) variable rate cumulative redeemable non-participating preference par value shares of R0.01 (one cent) each, having the terms and conditions set out in article 67 of the respective companies' Articles of Association.

The resolutions were passed to provide for Samadi's provision of loan finance to the Sefalana consortium through the creation of a preference share structure. As reported above, the conditions precedent to the preference share agreements were not met timeously or at all. The preference shares intended to be created in terms thereof have consequently not been issued.

ISSUE OF SHARES FOR CASH

No shares were issued for cash in terms of the general authority given to the company at the annual general meeting on 27 October 2006.

UNLISTED SECURITIES

There are no unlisted securities.

POST BALANCE SHEET EVENTS

In July 2007 the company announced in a joint news release that they had entered into an agreement to merge with BRC Diamond Corporation (BRC). On 7 September 2007, BRC indicated their firm intention to make an offer to the Diamond Core shareholders, offering 1 BRC share for every 24.5 Diamond Core shares held.

As indicated above, the options traded under the DMRO ticker were not exercised and the listing thereof was terminated on 1 October 2007.

MATERIAL CHANGES

Other than those noted in this report, there have been no material changes in the financial or trading position of the company or its subsidiaries subsequent to 30 June 2007.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the company, whose names are set out on page 11, collectively and individually accept full responsibility for the accuracy of the information given in this report and certify to the best of their knowledge and belief that:

- no facts have been omitted, which would make any statement in this report false or misleading;
- all reasonable enquiries to ascertain such facts have been made; and
- the report contains all information required by the South African Companies Act and the JSE Limited Listing Requirements.

COMPANY SECRETARY

Statucor (Pty) Ltd Appointed 7 May 2007	Business address 13 Wellington Road Parktown 2193	Postal address Private Bag X60500 Houghton 2041
JL Marshall Resigned 4 May 2007	Block C St Andrews Office Park Meadowbrook Lane, Epsom Downs Bryanston 2194	PO Box 411425 Craighall 2024

Balance sheets

As at 30 June 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Assets					
Non-current assets		**243 258**	109 194	**252 792**	112 870
Property, plant and equipment	2	**119 779**	7 004	–	–
Intangible assets	3	**699**	–	–	–
Mineral rights	4	**102 864**	101 864	–	–
Exploration costs	5	**19 916**	326	–	–
Investment in subsidiaries	6	–	–	**252 792**	112 870
Current assets		**82 220**	220 217	**76 477**	218 863
Inventories	7	**1 560**	–	–	–
Trade and other receivables		**3 270**	514	**959**	150
Cash and cash equivalents	8	**77 390**	219 703	**75 518**	218 713
Total assets		**325 478**	329 411	**329 269**	331 733
Equity and liabilities					
Total equity		**283 310**	285 415	**327 244**	331 041
Ordinary share capital	9	**3**	3	**3**	3
Share premium		**320 689**	319 198	**320 689**	319 198
Shares to be issued	9	**48 366**	48 366	**48 366**	48 366
Share based payment reserve	9	**26 674**	24 826	**26 674**	24 826
Accumulated loss		**(112 353)**	(106 978)	**(68 488)**	(61 352)
Equity attributable to ordinary shareholders		**283 379**	285 415	**327 244**	331 041
Minority interest		**(69)**	–	–	–
Non-current liabilities		**29 518**	29 593	–	–
Non-interest bearing borrowings	10	–	1 075	–	–
Rehabilitation provision	11	**3 900**	2 900	–	–
Deferred tax	12	**25 618**	25 618	–	–
Current liabilities		**12 650**	14 403	**2 025**	692
Obligation to minorities	13	–	11 895	–	–
Trade and other payables		**11 732**	2 508	**1 107**	692
Taxation	17	**918**	–	**918**	–
Total equity and liabilities		**325 478**	329 411	**329 269**	331 733
Net asset value per share (cents)	18	**95.67**	96.99		
Net tangible asset value per share (cents)	18	**62.63**	70.97		

Income statements

For the year ended 30 June 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Revenue		–	–	–	–
Other operating income		220	19	–	–
Profit on disposal of property, plant and equipment		3	–	–	–
Exploration costs		(241)	(1 315)	(4)	–
Other operating expenses		(27 108)	(9 681)	(11 279)	(3 195)
Impairment losses and reversal of impairments		(505)	1 233	–	–
Provision for losses in subsidiaries		–	–	(6 095)	11 406
Reversal of minority interests		11 895	–	–	–
Impairment of excess goodwill/investment on acquisition of subsidiary		–	(53 296)	–	(26 492)
Operating loss	14	(15 736)	(63 040)	(17 378)	(18 281)
Investment income	15	11 226	2 714	11 171	2 705
Finance costs	16	(16)	(7)	(11)	(6)
Net loss before taxation		(4 526)	(60 333)	(6 218)	(15 582)
Taxation	17	(918)	–	(918)	–
Net loss for the year		(5 444)	(60 333)	(7 136)	(15 582)
Attributable to:					
Ordinary shareholders		(5 375)	(60 333)	(7 136)	(15 582)
Minority interests		(69)	–	–	–
		(5 444)	(60 333)	(7 136)	(15 582)
Loss per share	18				
Basic (cents per share)		(1.82)	(47.61)		
Headline (cents per share)		(5.68)	(6.53)		

Statement of changes in shareholders' equity

For the year ended 30 June 2007

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Share capital and share premium	320 692	319 201	320 692	319 201
Balance at beginning of year	319 201	65 776	319 201	65 776
Share issues	1 491	253 425	1 491	253 425
Shares to be issued	48 366	48 366	48 366	48 366
Balance at beginning of year	48 366	–	48 366	–
Samadi acquisition	–	48 366	–	48 366
Share-based payment reserve	26 674	24 826	26 674	24 826
Balance at beginning of year	24 826	491	24 826	491
Capital raise options	–	19 335	–	19 335
Samadi options	–	5 000	–	5 000
Staff share options	1 848	–	1 848	–
Accumulated loss	(112 353)	(106 978)	(68 488)	(61 352)
Balance at beginning of year	(106 978)	(46 645)	(61 352)	(45 770)
Net loss	(5 375)	(60 333)	(7 136)	(15 582)
Minority interest	(69)	–	–	–
Balance at beginning of year	–	–	–	–
Net loss	(69)	–	–	–
Total capital and reserves	283 310	285 415	327 244	331 041

Cash flow statements

For the year ended 30 June 2007

	Notes	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
Cash flow from exploration and mining activities		**(4 573)**	(6 887)	**1 331**	(115)
Cash utilised by exploration and mining activities	19.1	**(15 783)**	(9 594)	**(9 829)**	(2 814)
Investment income		**11 226**	2 714	**11 171**	2 705
Finance costs		**(16)**	(7)	**(11)**	(6)
Cash flows from investing activities		**(138 156)**	(2 024)	**(146 017)**	(11 688)
Property, plant and equipment acquired		**(117 816)**	(2 144)	**–**	–
Intangible assets acquired		**(792)**	–	**–**	–
Exploration costs capitalised		**(19 590)**	(326)	**–**	–
Investment in and loans to subsidiaries	19.2	**–**	446	**(146 017)**	(11 688)
Proceeds on disposal of property, plant and equipment		**42**	–	**–**	–
Cash flows from financing activities		**416**	221 320	**1 491**	223 544
Net proceeds from shares issued	19.3	**1 491**	223 544	**1 491**	223 544
Loans settled		**(1 075)**	(2 224)	**–**	–
Net increase in cash and cash equivalents		**(142 313)**	212 409	**(143 195)**	211 741
Net cash and cash equivalents at beginning of year		**219 703**	7 294	**218 713**	6 972
Net cash and cash equivalents at end of year		**77 390**	219 703	**75 518**	218 713

Notes to the annual financial statements

For the year ended 30 June 2007

1 Accounting policies

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, 1973.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, except as noted.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published but have effective dates applicable to future annual financial statements of the company and which the company has not early adopted:

- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1.
- IFRS 8 – Operating Segments (effective from 1 January 2009) sets out the requirements for disclosure of segmental information about an entity's operating segments.
- IFRIC 10, Interim Reporting and Impairment (effective 1 November 2006). Management is currently assessing the impact of this new standard.
- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007) addresses how to apply IFRS 2, Share-based Payments to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group.

The following new standards, amendments and interpretations have, at present, no effect on the group:

- IAS 1 (Amendment), Presentation of Financial Statements (effective 1 January 2009);
- IAS 23 (Amendment), Borrowing Costs (effective 1 January 2009);
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008);
- IFRIC 13, Customer Loyalty Programme (effective 1 July 2008); and
- IFRIC 14, The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective 1 January 2008).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets, liabilities and results of the company and its subsidiaries. Subsidiaries are those companies in which the group, directly or indirectly, has an interest of more than half the voting rights, or otherwise has the power to exercise control over their financial and operating policies. The existence and effect of potential voting rights that are exerciseable and convertible are considered when assessing whether the group controls another entity.

The results of the subsidiaries are included from the date effective control was acquired up to the date effective control ceased. Inter-company accounts and transactions are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiaries' equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the aggregate of assets given, shares issued, cash paid and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair

Notes to the annual financial statements

For the year ended 30 June 2007

value of the group's share of identifiable net assets acquired is recorded as goodwill, which is not amortised and subject to impairment tests. Minority interests are carried at fair value at acquisition. Deferred taxation is accrued on all temporary differences arising from fair value adjustments on acquisition, except for those arising from goodwill.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess cost of acquisition over the group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

LEASES

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

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

RETIREMENT BENEFIT COSTS

Contributions to industry-managed defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

SHARE-BASED PAYMENTS

The company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense on a straight line basis over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Fair value is determined using the Black-Scholes-Merton Option Value Model. The expected life used in this model has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

TAXATION

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is

Notes to the annual financial statements

For the year ended 30 June 2007

realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is stated at cost. Provisions are made for any permanent diminution in the value of these assets.

ASSETS

All assets are included at cost. Cost includes all costs directly attributable to bringing the asset to working condition for their intended use. All assets, except certain furniture and fittings, are used in the group's exploration activities.

Property, plant and equipment

Equipment, vehicles, buildings, furniture and computer equipment are stated at cost less accumulated depreciation and impairments.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the impaired amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of mining assets are as follows:

Land	Not depreciated
Processing plant	Hours worked/volumes processed
Furniture and fittings	7 years
Mining equipment	5 to 15 years
Computer equipment	3 years
Earthmoving equipment	Hours worked

The depreciation methods, useful lives and residual values are reassessed annually.

Gains and losses on disposal of mining assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairments.

Amortisation is calculated on the straight-line method to write off the cost of each asset, or the impaired amounts, to their residual values over their estimated useful lives. The amortisation rates applicable to each category of intangible assets are as follows:

Computer software	3 years

The amortisation methods, useful lives and residual values are reassessed annually.

Gains and losses on disposal of intangible assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

Mineral rights

Undeveloped properties and mineral rights upon which the company has not performed sufficient exploration work to determine whether sufficient mineralisation exists are carried at original cost.

Mineral rights are amortised over the expected life of the mine from the date on which commercial production commences. Where there is little likelihood of a mineral right being exploited, or the value of an exploitable mineral right has diminished below cost, a write down is effected.

Exploration costs

Exploration costs are taken to income statement until such time as the group has legal title to the mineral rights. Thereafter all exploration and evaluation expenditures are capitalised until such time as the technical feasibility and commercial viability of extracting the resource are demonstrable. These costs are subject to impairment tests when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount.

IMPAIRMENT OF ASSETS

The group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is an indication an asset may be impaired, a recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of an asset is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Notes to the annual financial statements

For the year ended 30 June 2007

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

INVENTORIES

Inventories, which include rough diamonds, are stated at the lower of cost-of-production on the weighted average basis or estimated net realisable value. Cost price includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less selling costs. Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value.

FINANCIAL INSTRUMENTS

Initial recognition

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Subsequent measurement

After initial recognition financial assets which are classified as loans and receivables are measured at amortised cost using the effective interest method.

After initial recognition financial liabilities are measured at amortised cost using the effective interest method, except for those that are classified as at fair value through profit and loss, which are stated at fair value.

A gain or a loss on these items is recognised as a profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation period.

TRADE AND OTHER RECEIVABLES

Trade and other receivables originated by the enterprise are classified as loans and receivables and are carried at amortised cost.

CASH AND CASH EQUIVALENTS

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value.

Cash and cash equivalents are measured at fair value.

LOANS

These financial instruments are classified as other liabilities and are carried at amortised cost.

TRADE AND OTHER PAYABLES

Trade and other payables are measured at amortised cost using the effective interest rate method.

SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

REHABILITATION COSTS

Rehabilitation costs are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date, and are either expensed, or capitalised to mining assets and depreciated accordingly if the recognition criteria are met.

PROVISIONS AND CONTINGENCIES

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognised.

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the annual financial statements

For the year ended 30 June 2007

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable.

INVESTMENT INCOME

interest income is recognised as it accrues, taking into account the effective yield of the asset, unless collectability is in doubt.

SIGNIFICANT JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the application of accounting policies are:

Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Property, plant and equipment, intangible assets, mineral rights and capitalised exploration costs are considered for impairment if there is a reason to believe that an impairment may be necessary.

The future cash flows expected to be generated by the assets are projected taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current carrying value and, if lower, the assets are impaired to the present value.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, inflation, taxation rates and competitive forces. Deferred tax assets are recognised on STC credits only to the extend it is probable that future dividends will utilise these credits.

Rehabilitation costs

Rehabilitation costs are based on the group's assessment of current environmental and regulatory requirements, and could change as a result of changes in regulations or cost estimates.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Interest rate risk

As part of the process of managing the group's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Credit risk

The group only deposits cash surpluses with major banks of high quality credit standing.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Fair values

The fair value of all financial instruments is substantially identical to the carrying values reflected in the balance sheet.

Notes to the annual financial statements

For the year ended 30 June 2007

	2007 Cost R'000	2007 Accumulated depreciation R'000	2007 Carrying value R'000	2006 Cost R'000	2006 Accumulated depreciation R'000	2006 Carrying value R'000
2 Property, plant and equipment						
Land and buildings	3 179	85	3 094	891	–	891
Processing plant	75 272	1 343	73 929	2 074	337	1 737
Furniture and fittings	594	335	259	373	305	68
Mining equipment	4 107	2 278	1 829	4 005	2 050	1 955
Computer equipment	404	214	190	233	152	81
Office equipment	134	22	112	–	–	–
Motor vehicles	2 052	415	1 637	1 023	13	1 010
Earthmoving equipment	42 764	4 035	38 729	2 549	1 287	1 262
	128 506	8 727	119 779	11 148	4 144	7 004

The carrying amount of assets can be reconciled as follows:

2007	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Impairments R'000	Depreciation R'000	Carrying value at end of year R'000
Land and buildings	891	2 287	–	–	(84)	3 094
Processing plant	1 737	73 198	–	–	(1 006)	73 929
Furniture and fittings	68	223	–	–	(32)	259
Mining equipment	1 955	101	–	–	(227)	1 829
Computer equipment	81	171	–	–	(62)	190
Office equipment	–	134	–	–	(22)	112
Motor vehicles	1 010	982	(39)	–	(316)	1 637
Earthmoving equipment	1 262	40 720	–	(505)	(2 748)	38 729
	7 004	117 816	(39)	(505)	(4 497)	119 779

Notes to the annual financial statements

For the year ended 30 June 2007

2006	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Impairments R'000	Depreciation R'000	Carrying value at end of year R'000
2 Property, plant and equipment (continued)						
Land and buildings	891	–	–	–	–	891
Processing plant	801	1 039	–	–	(103)	1 737
Furniture and fittings	21	62	–	–	(15)	68
Mining equipment	866	99	–	1 233	(243)	1 955
Computer equipment	18	79	–	–	(16)	81
Motor vehicles	–	1 023	–	–	(13)	1 010
Earthmoving equipment	1 262	–	–	–	–	1 262
	3 859	2 302	–	1 233	(390)	7 004

The impairment during the current year relates to earthmoving equipment that was beyond economical repair.

During the 2005 financial year a pre-commissioning inspection revealed that a local farmer had unlawfully removed and sold a section of the company's underground water pipeline which extends from the Vaal River to the Paardeberg East plant site. The company successfully instituted legal proceedings and in terms of a judgement delivered on 9 September 2005 by the High Court of the Northern Cape (Provincial Division), the farmer was required to replace the relevant portion of the pipeline and allow the company to make use of the pipeline to transfer water from the retention dam on the farmer's property to the Paardeberg East site. The farmer complied with the ruling. The pipeline has been restored and tested. The impairment of R1 232 833 raised during 2005 has been reversed in 2006.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Land and buildings comprises:				
Portion 18, a Portion of Portion 17 of the farm Paardeberg East 153 situated in the District of Kimberley in the Northern Cape Province, measuring 854.9433 hectares, with improvements thereon				
At cost – 1999	**870**	870	**–**	–
Additions at cost – 2000	**21**	21	**–**	–
Additions at cost – 2007	**743**	–	**–**	–
	1 634	891	**–**	–
Erf 756, Prieska, situated in the District of Prieska in the Northern Cape Province with improvements thereon				
At cost – 2006	**506**	–	**–**	–
Erf 2361, Kimberley, situated in the District of Kimberley in the Northern Cape Province, with improvements thereon				
At cost – 2006	**1 039**	–	**–**	–
	3 179	891	**–**	–

Notes to the annual financial statements

For the year ended 30 June 2007

	2007 Cost R'000	2007 Accumulated amortisation R'000	2007 Carrying value R'000	2006 Cost R'000	2006 Accumulated amortisation R'000	2006 Carrying value R'000
3 Intangible assets						
Computer software	792	93	699	–	–	–
	792	93	699	–	–	–

The carrying amount of intangible assets can be reconciled as follows:

2007	Carrying value at beginning of year R'000	Additions R'000	Disposals R'000	Impairments R'000	Amortisation R'000	Carrying value at end of year R'000
Computer software	–	792	–	–	(93)	699

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
4 Mineral rights				
Paardeberg East project rights at cost	13 500	13 500	–	–

Comprises mineral rights relating to Portions 10, 11, 12, 13, 14, 16, 17 and 18, a Portion of Portion 17, of the farm Paardeberg East No 153, situated in the district of Kimberley, in the Northern Cape Province. The Minerals and Petroleum Resources Development Act No 28 of 2002 (the Minerals Act) came into effect on 1 May 2004. The Minerals Act stipulates that all privately owned mineral rights fall under the control of the Government but makes full provision for conversion of an "old order mining right", such as the Paardeberg East rights listed above. The group has been advised by the Department of Minerals and Energy Affairs that its old order right is valid until April 2009.

Notes to the annual financial statements

For the year ended 30 June 2007

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
4 Mineral rights (continued)				
Silverstreams, De Kalk, Uitdraai and Koa Valley project rights at cost	**88 364**	88 364	**–**	–
Comprises mineral rights relating to - a new order mining right on the farm Hospital 365 situated in the District of Prieska, in the Northern Cape Province - prospecting rights on the farm De Kalk 37 situated in the District of Hopetown, in the Northern Cape Province - prospecting rights on portion 1 of the farm Uitdraai 33 situated in the District of Prieska in the Northern Cape Province - prospecting rights on the farms Wolftoen 48, Heiorigas 49, Kabib 50, Nooisabes 51 and Naab 70, situated in the District of Namaqualand in the Northern Cape Province				
Sanddrift, Lovedale and Magoras project rights at cost	**1 000**	–	**–**	–
Comprises mineral rights relating to - prospecting rights on the farm Sanddrift 371, situated in the District of Hay, Northern Cape Province - prospecting rights on the farm Magoras 372, situated in the District of Hay, Northern Cape Province - prospecting rights on the farm Lovedale 590, situated in the District of Hay, Northern Cape Province				
	102 864	101 864	**–**	–

These rights were valued by Venmyn Rand (Proprietary) Limited on 12 September 2007 for impairment consideration purposes based upon the exchange rates, inflation levels, diamond prices, expected resource levels, mine life and extraction costs prevailing at that date. The valuation indicated no impairment is required.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
5 Exploration costs				
Paardeberg East	**12 980**	326	**–**	–
Silverstreams	**6 936**	–	**–**	–
	19 916	326	**–**	–

Comprises exploration and evaluation costs incurred on the projects in the current and prior year, stated at cost

Notes to the annual financial statements

For the year ended 30 June 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
6 Investments in subsidiaries				
Shares at cost	**–**	–	**105 749**	105 749
Loans to subsidiaries	**–**	–	**215 433**	69 416
Impairment of shares at cost on acquisition of Samadi Resources (SA) (Pty) Ltd	**–**	–	**(29 659)**	(29 659)
Provision for losses in subsidiaries	**–**	–	**(38 731)**	(32 636)
	–	–	**252 792**	112 870

The company has subordinated R209 563 (2006: R67 506) of the loans in favour of the creditors of Diamond Core Mining and Exploration (Proprietary) Limited, Diamond Core Technical Services (Proprietary) Limited and Dikeing Mining (Proprietary) Limited until such time as the assets, fairly valued, exceed their liabilities. Full details of the subsidiaries are disclosed in Annexure A.

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
7 Inventories				
Diamonds	**237**	–	**–**	–
Consumables	**1 323**	–	**–**	–
	1 560	–	**–**	–
8 Cash and cash equivalents				
Call deposit accounts	**76 159**	218 586	**74 910**	218 586
Current accounts	**1 209**	1 117	**607**	127
Cash on hand	**22**	–	**1**	–
	77 390	219 703	**75 518**	218 713

Cash and cash equivalents to the value of R1 248 087 (2006: R640 371) are held by various financial institutions and have been guaranteed to the Department of Minerals and Energy Affairs for the rehabilitation of land disturbed by mining and exploration, and to Eskom.

Notes to the annual financial statements

For the year ended 30 June 2007

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
9 Share capital				
Ordinary share capital				
Authorised				
500 000 000 ordinary shares of 0.001 cent each	**5**	5	**5**	5
Issued				
296 218 483 (2006: 294 275 898) ordinary shares of 0.001 cent each	**3**	3	**3**	3
Shares to be issued				
27 342 236 ordinary shares of 0.001 cent each including share premium	**48 366**	48 366	**48 366**	48 366
Details of the changes in issued share capital during the year under review are contained in the directors' report on page 23.				
The remaining unissued ordinary shares are under the unrestricted control of the directors until the next annual general meeting.				
Share-based payment reserve	**26 674**	24 826	**26 674**	24 826

Included in share-based payments reserve are 11 845 066 (2006: 6 282 193) options issued to directors, management and staff as detailed in note 22 and the directors' report, 5 000 000 options issued in respect of the Samadi Resources (SA) (Proprietary) Limited (Samadi) purchase and 19 334 827 options issued in respect of the capital raise during the 2006 financial year.

The Samadi purchase and capital raise options were exerciseable at any time from issue date to 30 September 2007 on the basis of one Diamond Core Resources Limited ordinary share for one option at a price of 200 cents per share. None of these option holders exercised their options and the listing of the options was terminated on 1 October 2007.

The estimated fair value of the options at grant date granted to management and staff is 22 cents per option, determined using the Black-Scholes-Menton Option Value Model. The model inputs were the share price at the grant date, the exercise price, the risk free rate on grant date and the share price volatility, as calculated from the standard deviation of the historical share price of the company.

	Group 2007 R'000	Group 2006 R'000	Company 2007 R'000	Company 2006 R'000
10 Non-interest bearing borrowings				
S Nachom	–	1 075	–	–

The loan from S Nachom was unsecured.

Notes to the annual financial statements

For the year ended 30 June 2007

	Group		Company	
	2007 **R'000**	2006 R'000	**2007** **R'000**	2006 R'000
11 Rehabilitation provision				
Environmental rehabilitation	**3 900**	2 900	**–**	–

The above provision is for the future environmental obligations including the rehabilitation of land disturbed by prospecting and mining operations and the mine closure. The environmental rehabilitation obligation was calculated by taking into account the group's environmental management plans and current technology. The provision was increased in the current year based on an independent study performed. The provision was calculated according to the Department of Mineral and Energy guidelines and takes into account reductions through the application of innovative rehabilitation methods.

	Group		Company	
	2007 **R'000**	2006 R'000	**2007** **R'000**	2006 R'000
12 Deferred taxation				
In respect of fair value adjustment to mineral rights on acquisition of Samadi Resources (SA) (Proprietary) Limited	**25 618**	25 618	**–**	–
13 Obligation to minorities				
Comprising a contractual financial liability to the Sefalana Consortium to deliver shares in certain Samadi operating subsidiary companies, stated at fair value. Further information on events giving rise to the reversal of the obligation to minorities is contained in the note on Empowerment on page 24 in the directors' report.	**–**	11 895	**–**	–

Notes to the annual financial statements
For the year ended 30 June 2007

	Group		Company	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
14 Operating loss				
Operating loss is stated after:				
Income				
Profit on disposal of property, plant and equipment	**3**	–	**–**	–
Reversal of minority interest	**11 895**	–	**–**	–
Expenditure				
Auditors' remuneration				
– Audit fee	**711**	187	**249**	26
– Other services	**389**	98	**252**	98
Depreciation and amortisation	**4 590**	390	**–**	–
Impairment losses and reversal of impairments	**505**	(1 233)	**–**	–
Impairment of excess goodwill/investment on acquisition of subsidiary	**–**	53 296	**–**	26 492
Lease rentals – premises	**375**	85	**177**	–
Provision for losses in subsidiaries	**–**	–	**6 095**	(11 406)
Retirement funding contributions – by company	**93**	–	**22**	–
Staff costs	**6 762**	1 007	**2 111**	–
Share-based payments expense	**1 848**	–	**1 848**	–
Directors' emoluments				
Directors – executive				
– in connection with the affairs of the company				
Salaries	**1 782**	998	**1 979**	–
Bonus	**–**	2 000	**–**	–
Directors – non-executive				
– in connection with the affairs of the company				
Directors fees	**828**	562	**828**	562
Fees (legal, corporate and disbursements)	**271**	2 335	**203**	2 184
Secretarial costs	**179**	128	**99**	90
15 Investment income				
Interest income				
– Interest received	**11 226**	2 714	**11 171**	2 705
16 Finance costs				
Interest paid				
– Bank overdrafts	**13**	7	**10**	6
– Creditors and other	**3**	–	**–**	–
	16	7	**10**	6

Notes to the annual financial statements

For the year ended 30 June 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
17 Taxation				
South African Normal Taxation				
– Current	**918**	–	**918**	–
	918	–	**918**	–
The group has an estimated tax loss of R76 647 214 (2006: R65 606 873) which may be set off against future taxable income and an unredeemed capex allowance of R28 934 426 (2006: R9 018 371).				
Reconciliation of statutory taxation rate	%	%	%	%
Taxation rate per income statement				
Effective tax rate	**(20.3)**	–	**(14.8)**	–
Expenses not deductible for tax purposes	**40.2**	1.7	**52.1**	30.0
Exempt income	**(76.2)**	–	**–**	–
Unrecognised tax losses	**85.3**	27.3	**(8.3)**	(1.0)
Standard rate	**29.0**	29.0	**29.0**	29.0

18 Loss per share/net asset value per share

	Group 2007	Group 2006
Number of shares in issue ('000)	**296 218**	294 276
Weighted average number of shares in issue ('000)	**295 009**	126 719
Headline loss per share (cents)	**(5.68)**	(6.53)
Loss per share (cents)	**(1.82)**	(47.61)

A dilution may arise as a result of the share options granted to management and staff in terms of the share option scheme, the options issued for the acquisition of Samadi Resources (SA) (Proprietary) Limited, and the capital raise undertaken during 2006. The effect of the loss per share is anti-dilutive for the periods under review, however these instruments, with the exception of the capital raise and Samadi acquisition options which lapsed on 1 October 2007, could potentially dilute basic earnings per share in the future.

Notes to the annual financial statements

For the year ended 30 June 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000

18 Loss per share/net asset value per share (continued)

Reconciliation of loss for the year and headline loss:				
Net (loss) / profit for the year	**(5 375)**	(60 333)		
Profit on disposal of property, plant and equipment	**(3)**	–		
Impairment losses	**505**	(1 233)		
Reversal of minority interest	**(11 895)**	–		
Impairment of excess goodwill	**–**	53 296		
Headline loss	**(16 768)**	(8 270)		

The net tangible asset value per share has been calculated after adjusting for the mineral rights of R102 864 019 (2006: R101 864 019), exploration costs of R19 916 055 (2006: R326 047), and intangible assets of R699 023 (2006: Rnil).

19 Notes to the cash flow statement

19.1 CASH UTILISED BY EXPLORATION AND MINING ACTIVITIES

Net loss for the year	**(4 526)**	(60 333)	**(6 218)**	(15 582)
Adjusted for:				
Depreciation and amortisation	**4 590**	390	**–**	–
Impairment of mining assets	**505**	(1 233)	**–**	–
Reversal of minority interest	**(11 895)**	–	**–**	–
Impairment of excess goodwill	**–**	53 296	**–**	26 492
Investment income	**(11 226)**	(2 714)	**(11 171)**	(2 705)
Finance costs	**16**	7	**11**	6
Profit on disposal of property, plant and equipment	**(3)**	–	**–**	–
Provision for losses in subsidiaries	**–**	–	**6 095**	(11 406)
Share-based payment expense	**1 848**	–	**1 848**	–
	(20 691)	(10 587)	**(9 435)**	(3 195)
Movements in working capital				
Increase in inventories	**(1 560)**	–	**–**	–
(Increase)/decrease in trade and other receivables	**(2 756)**	219	**(809)**	115
Increase in trade and other payables	**9 224**	774	**415**	266
	(15 783)	(9 594)	**(9 829)**	(2 814)

Notes to the annual financial statements

For the year ended 30 June 2007

	Group		Company	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
19 Notes to the cash flow statement (continued)				
19.2 ACQUISITION OF AND LOANS TO SUBSIDIARIES				
Mining assets acquired	**–**	(158)	**–**	–
Mineral rights acquired	**(1 000)**	(88 364)	**–**	–
Trade and other receivables acquired	**–**	(142)	**–**	–
Cash acquired	**–**	(446)	**–**	–
Loans acquired	**–**	2 224	**–**	–
Trade and other payable acquired	**1 000**	87	**–**	–
Deferred taxation	**–**	25 618	**–**	–
Goodwill	**–**	(53 296)	**–**	–
Obligation to minorities	**–**	11 895	**–**	–
Acquisition of and loans to subsidiaries	**–**	–	**(146 017)**	(114 270)
Total net assets acquired/loans granted	**–**	(102 582)	**(146 017)**	(114 270)
Shares and options issued for acquisition	**–**	102 582	**–**	102 582
Cash acquired	**–**	446	**–**	–
Net cash flow on acquisition/loans granted	**–**	446	**(146 017)**	(11 688)
19.3 NET PROCEEDS FROM SHARE ISSUES				
Cash proceeds from shares issue	**1 491**	241 576	**1 491**	241 576
Share issue expenses paid in cash	**–**	(18 031)	**–**	(18 031)
Net cash proceeds from shares issued	**1 491**	223 545	**1 491**	223 545
20 Commitments				
Capital expenditure				
Authorised and contracted for	**9 802**	35 224	**–**	–
Capital expenditure will be financed from the resources available to the group				
Future operating lease charges				
Payable within one year				
– Premises	**195**	150	**195**	150
– Vehicles	**106**	–	**–**	–
Payable between two and five years				
– Premises	**215**	343	**215**	343
– Vehicles	**176**	–	**–**	–
	692	493	**410**	493

Operating lease payments represent rentals payable by the group for office premises and vehicles. Leases for premises are negotiated for average terms of three to four years and have fixed escalation clauses. No contingent rent is payable. Leases for vehicles are negotiated for three year terms.

Notes to the annual financial statements
For the year ended 30 June 2007

20 Commitments (continued)

Surface use commitments

Various group companies have entered into surface use agreements in respect of prospecting operations conducted. The terms of the surface use agreements typically include a distinction between prospecting and mining activities and provide for an appropriate notice period.

21 Related parties

Identity of related parties

The subsidiaries of the group are identified in Annexure A to the financial statements

The directors are listed in the directors' report.

Directors

For details on the loan from S Nachom, refer to note 10

For details on directors' emoluments, refer to note 14 and the report of the directors on page 27.

Certain of the independent directors have interests in third party service providers to the company and/or group, for which arms length agreements have been entered into, details of which are as follows:

1. During the year under review, an amount of R903 853 (2006: R40 500) was paid to Cyberia, a management consultancy in which AR Davids is the principal consultant, for management consulting services rendered to the company and its subsidiary companies.

   AR Davids has an equity interest in Selang Resources (Pty) Ltd which owns a 50% equity interest in Diamond Core Alluvial Projects (Pty) Ltd, Samadi (Gemsbok) (Pty) Ltd and Sandrif Exploration (Pty) Ltd.

2. R595 352 (2006: R107 340) was paid to Sizanani Perception Consultants, a company in which JK Barker has an interest, in respect of services rendered.

3. R270 585 (2006: R2 335 113) was paid to David Levithan Attorneys, in respect of legal services rendered.

Other than as disclosed above, none of the directors or major shareholders of the group, or their families, had any interest, direct or indirect, in any transaction concluded in the current or prior financial years with the group, other than as disclosed in this note and in the directors' report.

Loans to related parties

For details on loans to subsidiaries, refer to Annexure A.

Management fees received

No management fees were received from any of the subsidiary or related party companies.

22 Share option scheme

During the 2004 financial year The Diamond Core Resources Share Trust was registered with the Master of the Court.

During the financial year 8 380 000 (2006 – nil) options were issued at a strike price of 120 cents subject to the terms and conditions contained in the trust deed.

A total of 1 878 085 shares were issued by the share incentive scheme during the year under review, and in aggregate.

23 Borrowing powers

The borrowing powers of the directors are unlimited.

Annexure A

For the year ended 30 June 2007

		Number of shares held		Effective percentage holding		Shares at cost		Loans		Total exposure	
		2007	2006	**2007**	2006	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000	**2007 R'000**	2006 R'000
Diamond Core Mining & Exploration (Pty) Ltd	1	**100**	100	**100**	100	**3 167**	3 167	**73 312**	59 724	**76 479**	62 891
Diamond Core Trading (South Africa) (Pty) Ltd	2	**100**	100	**100**	100	**–**	–	**1 585**	10	**1 585**	10
Diamond Core Technical Services (Pty) Ltd	3	**100**	100	**100**	100	**–**	–	**131 002**	4 030	**131 002**	4 030
Diamond Core Kimberlite Projects (Pty) Ltd	4	**100**	100	**100**	100	**–**	–	**601**	620	**601**	620
Diamond Core Alluvial Projects (Pty) Ltd	4	**100**	100	**50**	100	**–**	–	**92**	57	**92**	57
Dikeing Mining (Pty) Ltd	5	**100**	100	**100**	100	**–**	–	**3 422**	2 756	**3 422**	2 756
Sandrif Exploration (Pty) Ltd	4	**100**	100	**50**	100	**–**	–	**56**	–	**56**	–
Diamond Core (Limpopo) Exploration (Pty) Ltd	7	**100**	100	**100**	100	**–**	–	**–**	–		
Samadi Resources (SA) (Pty) Ltd	6	**100**	100	**100**	100	**102 582**	102 582	**802**	738	**103 384**	103 320
Samadi Exploration (Pty) Ltd*	4	**100**	100	**100**	100	**–**	–	**36**	–	**36**	–
Samadi (Douglas) Exploration (Pty) Ltd*	4	**100**	100	**100**	100	**–**	–	**1 507**	962	**1 507**	962
Prieska Diamond Mining (Pty) Ltd*	4	**100**	100	**100**	100	**–**	–	**1 012**	344	**1 012**	344
Sandstraat Eksplorasie (Pty) Ltd*	4	**100**	100	**100**	100	**–**	–	**2 025**	168	**2 025**	168
Samadi Gemsbok Resources (Pty) Ltd	4	**100**	100	**50**	100	**–**	–	**37**	2	**37**	2
Diamond Core Resources Share Trust								**(56)**	5	**(56)**	5
						105 749	105 749	**215 433**	69 416	**321 182**	175 165
Provision for losses in subsidiaries						**(29 659)**	(29 659)	**(38 731)**	(32 636)	**(68 390)**	(62 295)
						76 090	76 090	**176 702**	36 780	**252 792**	112 870

All of the subsidiaries are incorporated in South Africa.

1 Paardeberg East bulk sampling operation.

2 Trading and property company.

3 Group technical services company.

4 Group companies which apply for kimberlite and alluvial prospects.

5 Skeyfontein joint venture. 50% of Dikeing's share capital is in the process of being transferred to the Skeyfontein CPA Community Trust.

6 Samadi Group holding company acquired on 27 February 2006.

7 Dormant.

* Deemed 100% owned in light of Sefalana's failure to meet certain conditions precedent. An alternative empowerment partner is being actively sought. Should a suitable empowerment partner not be found in the near future, an equity stake will be placed in trust in order to fulfill the requirements of the MPRDA.

Notice of the eighth annual general meeting of Diamond Core Resources Limited

Diamond Core Resources Limited

(Incorporated in the Republic of South Africa)
(Registration Number 1998/013468/06)
Share code: DMR ISIN: ZAE000045688
("Diamond Core" or "the company")

This document is important and requires your immediate attention.

If you are in any doubt as to the action you should take arising from the following resolutions, please consult your CSDP, stockbroker, accountant, attorney, banker or other independent professional adviser immediately.

Notice is hereby given that the eighth annual general meeting of Diamond Core Resources Limited ("the company") will be held at the company's offices, Block C St Andrews Office Park, Meadowbrook Lane, Epsom Downs, Bryanston, Johannesburg on 25 January 2008 at 10h00 for the following purposes:

Ordinary Business

1. To receive, consider and adopt the Annual Financial Statements of the group and company for the year ended 30 June 2007, together with the reports of the directors and auditors contained therein;

2. To re-elect the following director of the company in accordance with the company's articles of association:
   - T Botoulas

   who retires by rotation at the Annual General Meeting, while being eligible, does offer himself for re-election. A brief curriculum vitae in respect of this director, as referred to above, appears on page 11 of the annual report.

3. To authorise the directors to re-appoint Charles Orbach & Company, Third Floor, 3 Melrose Boulevard, Melrose Arch, 2076 as the independent auditors of the company for the ensuing year and to determine the remuneration of the auditors;

4. To approve the remuneration of the directors, as disclosed in the Annual Financial Statements.

   As special business, to consider and, if deemed fit, pass with or without modification, the following resolutions, those numbered 5,6,7 and 8 as ordinary resolutions, and number 9 as a special resolution:

5. ORDINARY RESOLUTION NUMBER 1
   Resolved that the authorised but unissued shares in the capital of the company be and are hereby placed under the control of the directors of the company, and that they are hereby authorised, subject to sections 221 and 222 of the Companies Act of 1973, as amended, to allot and/or issue shares to such person or persons on such terms and conditions as they may determine, such authority to expire at the next Annual General Meeting of the company.

6. ORDINARY RESOLUTION NUMBER 2
   Resolved that, subject to not less than 75% of shareholders, present in person or by proxy and entitled to vote at the Annual General Meeting at which this ordinary resolution is considered, voting in favour thereof, the directors of the company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissued shares in the capital of the company for cash as they in their discretion deem fit, subject to the following limitations:
   - the securities must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue [5.52a];
   - the securities must be issued to the public shareholders as defined in the JSE Limited (JSE) Listings Requirements and not related parties, unless the JSE otherwise agrees thereto [5.52b];
   - the general issue of shares for cash in the aggregate in any one financial year may not exceed 15% of the companies issued share capital of that class (including instruments which are compulsorily convertible into shares of that class) at the date of application less any securities of that class issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any securities to be issued pursuant to an announced, irrevocable and fully underwritten rights offer or to be issued pursuant to any acquisition for which final terms have been announced and [21.9];
   - the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the applicant [5.52d];
   - after the company has issued securities representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on net asset value and earnings per share; and [11.22]
   - this authority shall not extend beyond 15 months from the date of this resolution, or the date of the next annual general meeting, whichever is the earlier date [5.52e].

Notice of the eighth annual general meeting of Diamond Core Resources Limited

7. ORDINARY RESOLUTION NUMBER 3

Resolved that the appointment of the following non-executive directors, effective 2 May 2006, be and are hereby approved and ratified:

- M Prinsloo
- G Hunter

and that the appointment of the following non-executive directors, effective 1 July 2006, be and are hereby approved and ratified:

- A R Davids
- J K Barker

and that the appointment of the following executive director, effective 12 October 2006, be and is hereby approved and ratified:

- C I Campbell

8. ORDINARY RESOLUTION NUMBER 4

Further that, subject to the passing of the ordinary and special resolutions at this annual general meeting, any director of the company or the company secretary be and is hereby authorised to do all such things and to sign all documents issued by the company to effect such ordinary and special resolutions.

9. SPECIAL RESOLUTION NUMBER 1

Resolved that the directors of the company be and are hereby authorised by way of general authority, to repurchase ordinary shares in the issued share capital of the company from time to time, subject to article 13.13 and 13.14 of the articles of association of the company, the provisions of sections 85 to 89 of the Companies Act (1973) as amended and in terms of the JSE Listing Requirements, when applicable, and:

- any such repurchase shall be implemented on the open market of the JSE [5.72a];
- the company is authorised thereto by way of its articles of association [5.72b];
- any such repurchase may not be made at a price higher than 10% above the weighted average market value for the shares for the five business days preceding the date on which the repurchase was agreed [5.72d];
- the general authority is limited to a maximum of 20% of the company's issued share capital of that class at the time the authority is granted [5.68];
- a press announcement giving full details of such acquisitions, including the impact on net asset value and earnings per share, will be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the time of the granting of the general authority [11.27];
- the general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution number 1 [5.72c];
- The company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread [5.72f];
- The company may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements [5.72g];
- The company may only appoint one agent to effect any repurchase(s) on its behalf [5.72e].

Reason for and effect of special resolution:

The reason for the special resolution is to grant the company a general authority in terms of the Act for the acquisition by the company or any of its subsidiaries of securities issued by the company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire securities issued by the company.

Other disclosure in terms of the JSE Listings Requirements

The following information, which is required by the JSE Listings Requirements with regard to the resolution granting a general authority to the company to repurchase securities, appears on the pages of the annual financial statements to which this notice of general meeting is annexed indicated below:

Directors and management of the company	page 11
Major shareholders	page 27
Directors' interests in securities	page 25
Share capital of the company	page 23
Responsibility statement	page 20
Material changes	page 28

Litigation statement:

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 25 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the company or its subsidiaries.

Notice of the eighth annual general meeting of Diamond Core Resources Limited

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY

Pursuant to and in terms of the Listings Requirements of the JSE, the directors of the company hereby state that:

(a) the intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and will ensure that any such utilisation is in the interests of shareholders;

(b) the method by which the company intends to re-purchase its securities and the date on which such re-purchase will take place, has not yet been determined;

(c) the directors, whose names are given in this report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the annual report contains all information required by law and the JSE Listings Requirements; and

(d) other than disclosed in this report there has been no material change in the financial or trading position on the group and its subsidiaries that has occurred since the end of the last financial period.

At the time that the contemplated re-purchase is to take place, the directors of the company will ensure that:

- the company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of twelve months after the date of the annual general meeting;
- the assets of the company and its subsidiaries , will be in excess of the liabilities of the company and its subsidiaries for a period of twelve months after the date of the annual general meeting;
- the issued share capital and reserves of the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries for a period of twelve months after the date of the annual general meeting;
- the working capital available to the company and its subsidiaries will be sufficient for the group's requirements for a period of twelve months after the date of the annual general meeting; and
- the company will provide its sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Listings Requirements, and will not commence any repurchase programme until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved this documentation.

Voting and proxies:

All shareholders will be entitled to attend and vote at the Annual General Meeting or any adjournment thereof. On a show of hands, every shareholder of the company who, being an individual, is present or is present by proxy at the general meeting or which, being a company or body corporate, is represented thereat by a representative appointed pursuant to section 188 of the Act, shall have one vote only and on a poll every shareholder of the company (whether an individual or a company or a body corporate) or represented by a proxy at the Annual General Meeting shall have one vote for every share held by such shareholder.

The necessary form of proxy is attached for the convenience of certificated shareholders and dematerialised shareholders with "own name" registration who cannot attend the Annual General Meeting, but who wish to be present thereat. Any shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more persons to attend, speak and vote in place of such shareholder. A proxy so appointed need not be a shareholder of the company. In order to be valid, duly completed proxy forms must be received by the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107), by no later than 23 January 2008 at 10:00.

Dematerialised shareholders, other than own name dematerialised shareholders who wish to attend the annual general meeting must request their Central Securities Depository Participant (CSDP) or broker to provide them with a Letter of Representation or must instruct their CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into between the shareholder and the CSDP.

By order of the Board

Administrative information

DIAMOND CORE RESOURCES LIMITED
Registration number 1998/013468/06)
ISIN: ZAE000045688
Share code: DMR

REGISTERED OFFICE:
St Andrews Office Park
Meadowbrook Lane
Epsom Downs
Sandton
2194
Republic of South Africa

PHYSICAL ADDRESS:
Block C
St Andrews Office Park
Meadowbrook Lane
Epsom Downs
Sandton
2194
Republic of South Africa

Phone: +2711 706 4888
Fax: +2711 706 4717
Email: info@diamondcore.co.za
Website: www.diamondcore.co.za

POSTAL ADDRESS:
PO Box 411425
Craighall
2024

SITE OFFICES:
Paardeberg East Farm
Kimberley
Northern Cape Province

2A Schmidtsdrift Road
Kimberley
Northern Cape Province

COMPANY SECRETARY:
Statucor (Proprietary) Limited
13 Wellington Road
Parktown
2193
Republic of South Africa

TRANSFER SECRETARIES:
Computershare Investor Services 2004
(Proprietary) Limited
70 Marshall Street
Johannesburg

AUDITORS:
Charles Orbach & Company
Chartered Accountants (SA)
Registered Auditors
Third Floor
3 Melrose Boulevard
Melrose Arch
2076

ATTORNEYS:
Werksmans Incorporated
155 5th Street
Sandown
Sandton
2196

Form of proxy

DIAMOND CORE RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1998/013468/06)
Share code: DMR ISIN: ZAE000045688
("Diamond Core" or "the company")

FORM OF PROXY – for use by certificated and own name dematerialised shareholders only

For use at the eighth Annual General Meeting of members to be held in the boardroom, Block C St Andrews Office Park, Meadowbrook Lane, Epsom Downs, Bryanston, Johannesburg, on 25 January 2008 at 10:00 (the "Annual General Meeting").

I/We (please print names in full) ________________________________

of ________________________________ (address) being a member/s

of Diamond Core Resources Limited, holding ________________ shares in the company, hereby appoint:

1. ________________________________ or, failing him/her,
2. ________________________________ or, failing him/her,
3. ________________________________ or, failing him/her,
4. the Chairman of the Annual General Meeting,

as my proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held in the boardroom, Block C St Andrews Office Park, Meadowbrook Lane, Epsom Downs, Bryanston, Johannesburg on 25 January 2008 at 10:00 and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf. My/Our proxy shall vote as follows:

	Number of shares		
	In favour of	Against	Abstain
1. To receive, consider and adopt the Annual Financial Statements for the year ended 30 June 2007			
2. To re-elect the following director: 2.1 T Botoulas			
3. Authorise the directors to re-appoint Charles Orbach & Company as auditors and to determine their remuneration.			
4. To approve the directors' remuneration			
5. **Ordinary Resolution 1:** Place unissued shares under control of the directors			
6. **Ordinary Resolution 2:** General authority to issue shares for cash			
7. **Ordinary Resolution 3:** Approve and ratify the appointment of the following directors M Prinsloo G Hunter A R Davids J K Barker C I Campbell			
8. **Ordinary Resolution 4:** Authorise any one director or the company secretary to sign all documents to give effect to the resolutions			
9. **Special Resolution 1:** General authority to repurchase shares			

(Indicate instruction to proxy by way of a cross in space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this ________________ day of ________________ 2008

Signature ________________________________

Please read the notes on the reverse side hereof

Notes to proxy

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or his/her proxy is not obliged to use all the votes exercisable by the member or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by his/her proxy.

3. Forms of proxy must be received by the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by no later than 10:00 on 23 January 2008.

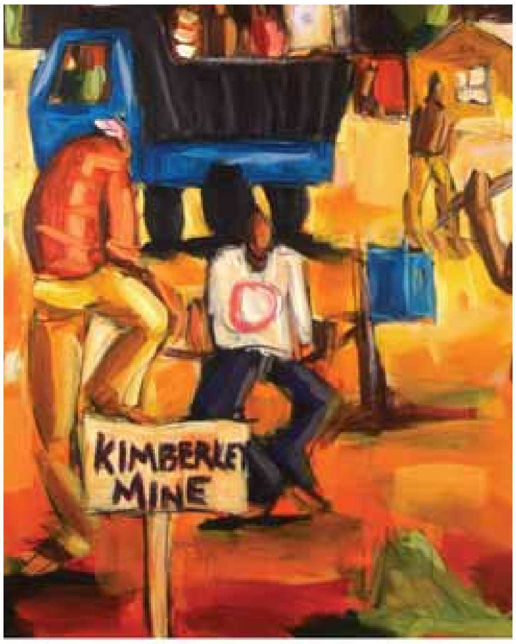
4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the Annual General Meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the company.

8. The chairman of the Annual General Meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the member wishes to vote.



diamondcore
resources ltd.