MWANA AFRICA PLC

THE AFRICAN RESOURCES COMPANY

**Unaudited Results for the year ended 31st March 2007**

**London, 20th June 2007** – The Board ("The Board"), of Mwana Africa plc ("Mwana") the pan-African resource company, is pleased to announce its unaudited financial results for the year ended 31st March 2007.

**Financial Highlights:**

- Group turnover: **£121.9m**
- Group profit before tax: **£41.7m**
- Group profit after tax and minority interests: **£21.9m**
- Earnings per share (diluted) of **8.31p**
- Operational cashflow, prior to capital expenditure and acquisitions: **£7.1m**
- Capital expenditure and financial investment: **£22.7m**
- Net cash at bank as at 31st March 2007: **£38.1m**
- Received three interim dividends from Bindura Nickel Corporation ("BNC"), totalling US$7.5 million, and the fourth dividend payment of US$5 million in May 2007. Fifth and final dividend has been declared by BNC on 15th of June, which at the current exchange rate amounts to US$6.3 million, and is expected to be paid to Mwana in mid July

**Operational Highlights:**

- **Nickel:**
    - Capital expenditure of US$22 million to extend life of mine at BNC in Zimbabwe and to increase processing capacity
    - Two mines at BNC are being deepened and a new concentrator is planned to be commissioned in early 2008
    - Feasibility study is ongoing for new production at the Hunters Road project

- **Gold:**
    - Investment of US$5.0 million committed for Phase One of the refurbishment programme of the Freda Rebecca Mine in Zimbabwe. Phase One is expected to be completed and production increased to a rate of 48,000 oz per annum by the end of 2007
    - Regional LANDSAT interpretation and airborne geophysical survey at Zani-Kodo in the DRC are completed and operational conditions remain stable. The drilling programme is well underway and results are expected shortly
    - Planned follow-up drilling at Banka in Ghana with the purpose of testing the potential for open-pit mining
    - Completed drilling campaign at Ahanta with assays awaited

- **Copper/ Zinc:**
    - Work to prove up Kibolwe prospect in the Katanga copper belt is in progress, there are indications of substantial copper mineralisation**.** Pre-feasibility study is planned

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with the objective of establishing a 10,000 to 20,000 tonne per annum copper operation, commencing production by the end of 2008
  - Work is underway on a number of copper-cobalt targets around Kibolwe. Trenching on Mwombe, a nickel cobalt anomaly, is complete
  - Evaluation work is continuing on the remainder of the SEMKHAT licence

- **Diamonds:**
  - Commenced negotiations with DRC Government for re-financing and restructuring of Société Minière de Bakwanga (MIBA) in which Mwana is a 20% shareholder
  - Successful completion of the acquisition of Gravity Diamonds Ltd. ("Gravity") in May 2007 has permitted an acceleration of the exploration work at the Kasai Craton and integration of the Gravity and Mwana exploration teams
  - Mwana is in the final phases of completing its offer document in connection with its intended Offer for SouthernEra Diamonds Inc. ("SouthernEra"). The combined diamond concessions of MIBA, Gravity Diamonds and SouthernEra, which are contiguous in the highly prospective Kasai Craton, would make Mwana a substantial concession holder in the area

The exploration team at Mwana headed up by Dr Charl du Plessis is responsible for 26 separate exploration projects.

Kalaa Mpinga, Chief Executive Officer of Mwana Africa, commented on the results announcement:

"This past year has been the busiest yet for Mwana. We have raised money, pushed forward and expanded our exploration programmes, invested in production upgrades and very importantly achieved a substantial pre tax profit. We can be confident the future pace of activity will continue and our challenge is to be highly discriminating in deciding which projects we should support and ensure that we steadily develop our world class exploration properties and grow our portfolio of profitable producing assets".

**Enquiries:**

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**CHAIRMAN'S STATEMENT**

Looking back at the past year, if I were to sum up our achievements, I would say that we have diversified our resource base; advanced our exploration programmes; consolidated our operations; posted improved financial results; and established a strong team in the technical and financial fields to take the company forward.

In respect of adding diversity to our resources, the most noteworthy development has certainly been our entry into the diamond industry. It started in the second month of the financial year with our taking a 20% stake in MIBA in the Democratic Republic of Congo (DRC). This was followed shortly afterwards by the acquisition of a 14.99% interest in Gravity Diamonds. Six months later we proposed a merger of Mwana Africa and Gravity Diamonds, which became effective post year-end, in May 2007. In March 2007 – the last month of the financial year – we sought to further strengthen our position in the diamond sector by announcing our intention to launch a bid for SouthernEra Diamonds. Should this succeed, it would mean that Mwana Africa would have a vast and contiguous landholding in the prolific Kasai craton in the DRC and Angola.

We are making great strides with our exploration activities. In the DRC, we have had promising results from our drilling campaign for copper-cobalt at Kibolwe; drilling for gold mineralisation has started at Zani-Kodo; and reached agreement in principle with the wholly-owned subsidiaries of Anglo American Plc on the principal terms of a joint venture agreement to conduct exploration on two portions – the NorthWest Block and Lombe properties – of Mwana Africa's SEMKHAT exploration licence area in the Katanga copper belt. Not only does Mwana Africa retain a significant interest in these two properties, but it will gain from having exploration accelerated in this area.

In Ghana we are continuing with drilling on our gold prospects with the exploration programme at Banka the most advanced.

As our exploration projects develop, we will report on these to the market, particularly in the current environment where investors are rightly demanding to be kept up to date on the result of development and exploration work.

Work is well underway to increase production at our operations in Zimbabwe, following a disappointing decline in production. The two mines that make up the Bindura Nickel Corporation are being deepened and a new concentrator is to be built while the refurbishment of Freda Rebecca will see gold output doubling during 2008. Given the current conditions in Zimbabwe, it is not surprising that our shareholders ask about the wisdom of our making further investments in these assets. From an operating and mining perspective Zimbabwe remains an attractive place in which to do business although the hyperinflationary financial environment does present serious challenges. Mwana Africa has benefited from healthy dividend payouts from these operations, and they have continued to provide livelihoods for the many employees of these companies, and the communities they support.

This brings me to our results for the 2007 financial year, which show a pre-tax profit of £41.7 million.

We knew from the outset that having the right people in place would be crucial if we were to build a successful pan-African resources group. Shortly after the formation of Mwana Africa, we appointed Ken Owen as Technical Director and, in April 2006, Dr Charl du Plessis as Vice President: Exploration. A more recent appointment is that of Braam Jonker as Financial Controller, based in London. All three are highly skilled individuals with a wealth of experience in the technical and financial fields.

We are looking forward to an exciting period in the history of our young company. With our stake in MIBA, our acquisition of Gravity Diamonds and progressing our proposed bid for SouthernEra, we have what is required to become a substantial diamond miner in the DRC and we believe there is a larger opportunity to create a sizeable diamond exploration and production business across central and southern Africa. The refinancing of MIBA forms part of this plan and our discussions with the Congolese government, our partner in this key operation, are ongoing.

Our prospects in other resources are looking promising all the more so because the world's appetite for these commodities, whether for industrial or investment purposes, does not appear to be waning. Global demand for copper, nickel and other base metals looks set to remain robust.

Mwana Africa is well on the way to becoming a serious resources company on the African continent. This would not have been possible without the magnificent contribution of our Board and management. I am sure that the year to come will see further significant strides being made towards the achievement of this goal.

## REVIEW BY THE CHIEF EXECUTIVE OFFICER

During the past year the foundations have been firmly laid for Mwana Africa to become a significant multi-commodity producer. This has happened through a number of strategic acquisitions and by developing the resources we had when the company was restructured in September 2005.

### Growth and diversity

*Diamonds*
While gold and base metals remain core to our company, diamonds have become an important and strategic part of Mwana Africa's portfolio. Our entry point came in May 2006 when we acquired a 20% interest in MIBA, currently the leading diamond producer in the DRC and historically one of the largest industrial diamond operations in the world. The government of the DRC, our partner in this venture, holds the balance.

Two months later we acquired a 14.99% stake in Australian firm Gravity Diamonds with exploration interests in the DRC and Australia. This was concluded, in May 2007, by a merger with that company, now a wholly owned subsidiary of Mwana Africa. We are currently undergoing an integration process and will undertake a strategic review of each of the acquired assets during fiscal 2008.

In March 2007 we announced our intention of making a share exchange take-over bid for SouthernEra, a Canadian-based company with diamond exploration projects in the DRC, an 18% carried interest in the Camafuca kimberlite in Angola, a 57% interest in the Klipspringer diamond mine in South Africa and advanced diamond exploration projects in Canada. This process is still under way.

The diamond concessions of MIBA, Gravity Diamonds and SouthernEra are contiguous in the highly prospective Angola - DRC Kasai Craton. By combining these assets, Mwana Africa would become a significant concession holder in the Kasai Craton and an important player in the diamond industry on the African continent.

We have also gained a strong exploration team from Gravity Diamonds that, together with our existing technical team, will complement our in-depth experience in project development and construction in our core markets in Africa.

**Developing assets**

We have made considerable progress in developing and consolidating our exploration properties and operations during the financial year.

*Copper-cobalt*
With regard to base metals, we have concentrated on two areas. The first is our 100% owned Kibolwe prospect in the Katanga copper belt where we have continued with an infill drilling programme. The first assay results are encouraging, indicating a substantial copper mineralisation. A pre-feasibility study is planned with the objective of establishing a 10,000 to 20,000 tonne per annum copper operation to commence production by the end of 2008.

The second has been the area surrounding Kibolwe where a number of promising targets have been identified and which we are currently preparing for drilling. In addition, some interesting Nickel and Cobalt anomalies have been identified and trenched at Mwombe some 40 km North-East from Kibolwe. A regional survey to identify further targets on the remainder of the ground held through SEMKHAT is progressing well.

*Nickel*
At the Bindura Nickel Corporation in Zimbabwe we are forging ahead with projects to improve capacity and to extend the lives of the Trojan and Shangani mines. While the shaft at Trojan is being deepened to access new reserves, a conveyor decline is being developed at Shangani to access deeper ore. The construction of a new concentrator at Trojan is progressing well and should be commissioned in early 2008. We are also investigating the expansion of the nickel refinery to take advantage of historically high nickel prices and the re-establishment of the copper recovery circuit. Finally we are completing a feasibility study for the Hunters Road Project. It is our intention to underpin the long term viability of BNC by both proving up reserves and enhancing long term production capacity.

*Gold*
Turning to gold, we have started the first phase of exploration at Zani-Kodo in the DRC, part of the Kilo Moto Joint Venture, and have commenced a drilling programme to assess mineralisation at the old workings. We have also completed an airborne geophysical survey which is currently being interpreted.

At Banka in Ghana, a drilling exercise has returned promising results and we are now at the stage of planning follow-up drilling with the purpose of testing the potential for open-pit mining. Also in Ghana, we have completed a drilling campaign at Ahanta and are assessing the results, while at Konongo several targets are close to being drill-ready.

Phase One of the rehabilitation programme to increase production at Freda Rebecca mine in Zimbabwe to 48,000 ounces per annum is well underway and the current schedule anticipates reaching that production rate by the end of 2007. Phase Two of the programme will seek to further increase production to 90,000 ounces per annum by expanding ore processing from underground sources and from surface mining. Phase Two is expected to be completed by the second quarter of 2008.

*Diamonds*
In respect of diamonds, our stake in MIBA is a major focus of our attention. MIBA owns the Mbuji-Maya mine where historical production has been around 6 million carats of diamonds per annum. Over the past year, MIBA has seen a significant drop in its production and the operation is in need of significant investment. With refurbishment, additional capital investment and proper exploration funding, we believe the mine has the potential to produce 8 to 10 million carats of diamonds per annum and could become a major diamond producing operation. Mwana Africa has started discussions with its partner in MIBA, the DRC government, on a re-financing and restructuring exercise. The negotiations are complex so we anticipate that the process will take some time to complete.

**Going where the orebody is**

It is appropriate at this juncture to talk about country risk. Inevitably, our positioning of Mwana as a pan-African resources company attracts questions about this issue. It is a fact, however, that mining companies must go where the orebodies are, and where the opportunity lies to develop them at a reasonable entry point on the value curve. It must be said, of course, that one’s view of risk is also dependent on where one is sitting at the time. Our view continues to be that the DRC and Zimbabwe are countries with enormous potential for development and positive change.

The elections in the DRC in 2006 affected us directly as our drilling programme in Kibolwe was interrupted for about two months. Overall, however, the progress made in the DRC has been remarkable and, in spite of the logistical difficulties of holding elections in such a vast and underdeveloped country and the isolated outbreaks of unrest that occurred, it does appear that the way has been prepared for the DRC to enter an era of greater peace and stability and economic development.

It is also worth highlighting that all our exploration assets in the DRC, with the exception of Kilo Moto joint venture, are 100% owned by Mwana, and hence there is less uncertainty than with other concessions about the possible impact of the current licence review process, ongoing in the DRC.

We cannot deny that the situation in Zimbabwe is challenging. Our biggest problem is dealing with hyperinflation because of the vast mismatch between revenues and costs. However, we maintain a good relationship with the Reserve Bank of Zimbabwe and recognise that it has been doing its best to create the sort of environment for exporters in which the effects of hyperinflation can be mitigated to some extent. Another problem that we have encountered is the loss of skilled workers to other countries – to Zambia, the DRC, Botswana, South Africa, the UK, New Zealand and other countries in the world, as a result of both the political uncertainties in Zimbabwe and the global mining boom.

We understand the concerns of investors but we remain deeply committed to developing our assets in Africa. It is through companies such as ours – companies that provide employment opportunities and help to build up the communities surrounding their operations – that countries like the DRC and Zimbabwe will be able to progress to the considerable benefit of their people and other stakeholders. The solution does not lie in simply pulling investment out of areas when conditions become difficult.

The point also needs to be made that we have put considerable effort into assembling a team with vast experience of mining in African countries. This experience is proving to be invaluable and enables us to make informed investment decisions and then put our development plans into action.

**Going forward**

We feel very positive about the next two years, a period we expect to be full of activity and, we hope, a time of significant achievement. During this period we expect to start the construction of a copper mine at Kibolwe and very possibly another operation in the DRC where several exploration programmes are well advanced as indicated above.

We will complete the refurbishment of Freda Rebecca during this time frame and will have started on the development of a nickel mine at the Hunters Road deposit – the concession area that Bindura holds in central Zimbabwe – where exploration is progressing apace.

It is also our intention to have progressed with our plans for MIBA and the SouthernEra diamond assets by the end of 2008, should our planned formal bid be successful.

Unquestionably, we will continue to look for new opportunities across the continent of Africa where we see many opportunities. We also remain interested in maintaining and even extending our geographical and commodity diversity.

We have successfully concluded an exceptionally busy year and I would like to thank our dedicated workforce for their tireless efforts and enthusiasm. I know that I can count on their wholehearted support and commitment in the year ahead.

*Unaudited consolidated profit and loss account*
*for the year ended 31 March 2007*

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| | 2007 £000 | 2006 £000 |
|---|---|---|
| **GROUP TURNOVER** | **121,860** | 25,106 |
| Cost of sales | **(63,737)** | (12,908) |
| **GROSS PROFIT** | **58,123** | 12,198 |
| Administrative expenses | **(27,448)** | (9,710) |
| **OPERATING PROFIT** | **30,675** | 2,488 |
| Interest receivable and similar income | **11,106** | 225 |
| Interest payable and similar charges | **(46)** | (948) |
| **PROFIT ON ORDINARY ACTVITIES BEFORE TAXATION** | **41,735** | 1,765 |
| Tax on profit on ordinary activities | **(2,383)** | (700) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION** | **39,352** | 1,065 |
| Minority interests | **(17,473)** | (1,165) |
| **PROFIT / (LOSS) FOR THE FINANCIAL YEAR** | **21,879** | (100) |
| **EARNINGS/(LOSS) PER SHARE** | | |
| **- Basic** | **9.03p** | (0.11p) |
| **- Diluted** | **8.31p** | (0.11p) |

The profit on ordinary activities after taxation for the current and prior year arose on continuing operations.

*Unaudited consolidated balance sheet*
*as at 31 March 2007*

| | *Note* | **2007** | 2006 |
|---|---|---|---|
| | | **£000** | £000 |
| **FIXED ASSETS** | | | |
| Intangible assets | | **15,099** | 12,980 |
| Tangible assets | | **68,541** | 65,365 |
| Investments | | **12,009** | - |
| | | **95,649** | 78,345 |
| **CURRENT ASSETS** | | | |
| Stocks | | **12,211** | 8,773 |
| Debtors | | **22,891** | 9,455 |
| Short-term investments | | **2,369** | - |
| Cash at bank and in hand | | **38,086** | 14,311 |
| | | **75,557** | 32,539 |
| **CREDITORS:** amounts falling due within one year | | **(4,793)** | (14,037) |
| **NET CURRENT ASSETS** | | **70,764** | 18,502 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **166,413** | 96,847 |
| Provision for liabilities | | **(3,994)** | (3,356) |
| **TOTAL ASSETS LESS LIABILITIES** | | **162,419** | 93,491 |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | *4* | **24,917** | 17,938 |
| Share premium account | *5* | **250** | 54,116 |
| Profit and loss account | *5* | **98,461** | (3,547) |
| | | **123,628** | 68,507 |
| Minority interest | | **38,791** | 24,984 |
| **SHAREHOLDERS' FUNDS - EQUITY** | | **162,419** | 93,491 |

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*Unaudited consolidated cash flow statement*
*for the year ended 31 March 2007*

| | 2007 | 2006 |
|---|---|---|
| | £000 | £000 |
| Cash flow from operating activities | 7,092 | 4,000 |
| Returns on investments and servicing of finance | 11,060 | (723) |
| Taxation | (3,398) | (493) |
| Dividends paid to minority shareholders | (351) | - |
| Capital expenditure and financial investment | (22,668) | (4,414) |
| Acquisitions and disposals | (5,739) | (4,366) |
| Cash outflow before financing | (14,004) | (5,996) |
| Financing | 39,930 | 17,153 |
| Increase in cash in the period | 25,926 | 11,157 |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH**

| | | |
|---|---|---|
| Increase in cash in the period | 25,926 | 11,157 |
| Net cash at the start of the year | 12,089 | 932 |
| Exchange rate movement in cash at the start of the year | 48 | - |
| Net cash at the end of the year | 38,063 | 12,089 |

*Unaudited consolidated statement of total recognised gains and losses*
*for the year ended 31 March 2007*

| | 2007 | 2006 |
|---|---|---|
| | £000 | £000 |
| **Profit/(loss) for the financial year** | 21,879 | (100) |
| Net exchange differences on the retranslation of net investments | (7,749) | 941 |
| Total recognised gains relating to the financial year | 14,130 | 841 |

*Reconciliation of movements in shareholders' funds*
*for the year ended 31 March 2007*

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **£000** | £000 |
| **Profit/(loss) for the financial year** | **21,879** | (100) |
| Credit in relation to share based payments | **1,062** | 674 |
| New share capital subscribed (net of issue costs) | **41,001** | 60,318 |
| Net exchange differences on the retranslation of net investments | **(7,749)** | 941 |
| Purchase of own shares | **(1,072)** | - |
| **Net addition to shareholders' funds** | **55,121** | 61,833 |
| Opening shareholders' funds | **68,507** | 6,674 |
| **Closing shareholders' funds** | **123,628** | 68,507 |

Notes to the unaudited financial statements

***1. Basis of preparation***

The financial statements have been prepared under the historical cost convention, and in accordance with applicable laws and accounting standards generally accepted in the United Kingdom.

During the year, the Directors amended the estimate of the exchange rate for consolidating balances and transactions originating in Zimbabwean dollars. This change in accounting estimate is described in more detail below and had no material impact on either the balances as at 31 March 2006 or the results for the year ended on that date.

***2. Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Other exchange differences are dealt with in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

***3. Foreign currencies – hyper-inflationary economies***

The Group has certain operations in Zimbabwe, which has a hyper-inflationary economy. The Group's policy is to apply UITF 9 Accounting for Operations in Hyper-Inflationary Economies in respect of these subsidiaries.

In consolidating the Zimbabwean subsidiaries, the Group applies the stable currency method under UITF 9, whereby the transactions denominated in Zimbabwean dollars and other currencies are translated into US dollars at the rate prevailing at the date of the transaction or the average exchange rate as appropriate. Monetary assets and liabilities are retranslated into US dollars with the resulting exchange differences recorded in the profit and loss account.

In translating Zimbabwean dollar transactions into US dollars, the Group has changed the basis on which it estimates the exchange rate used. In the prior year and for the interim accounts ending 30 September 2007, the official exchange rate of US dollar 1 to Zimbabwean dollar 250 was used. In preparing the 2007 annual financial statements, the Group used the Old Mutual rate, rather than the official rate, since the Old Mutual rate gives a more accurate representation of the purchasing power of Zimbabwean dollars. The assets and liabilities and profit and loss accounts of overseas undertakings in Zimbabwe are then translated into the reporting currency as described above.

The Old Mutual rate is calculated by dividing the Old Mutual Plc share price on the Harare Stock Exchange by the Old Mutual Plc share price on the London Stock Exchange. The Directors note that, since the official exchange rate is not freely floating, it does not reflect the impact of the hyper-inflationary economy on the value of the Zimbabwean dollar.

The Group has applied an average of the Old Mutual rate during the year to transactions denominated in Zimbabwean dollars and recorded in the profit and loss account. The effective rate is Z$3,048 to US$1.

The Group has applied a rate of Z$15,287 to US$1 to the assets and liabilities denominated in Zimbabwean dollars. This rate reflects the market correction in the Old Mutual rate during April 2007 and the movement in the official export price shortly after the financial year-end, in order to give the most accurate estimate of the value of the Zimbabwean dollar against the US$ for the period under review.

This change in accounting estimate had no material impact on either the balances as at 31 March 2006 or the results for the year ended on that date.

***4. Called up share capital***

| | **2007 £000** | 2006 £000 |
|---|---|---|
| ***Authorised*** | | |
| 553,000,000 ordinary shares of 10p each (2006: 276,500,000 ordinary shares of 10p) | 55,300 | 27,650 |
| ***Allotted, called up and fully paid*** | | |
| Opening balance 179,376,154 ordinary shares of 10p each (2006: 312,397,889 ordinary shares of 1p each) | 17,938 | 3,124 |
| Issued during the previous year prior to the share consolidation 5,000,000 ordinary shares of 1p each | - | 50 |
| Issued during the year (previous year after the share consolidation) 69,794,500 (2006: 147,636,366) ordinary shares of 10p each | 6,979 | 14,764 |
| Closing balance 249,170,654 (2006: 179,376,154) ordinary shares of 10p each | 24,917 | 17,938 |

At the Extraordinary General meeting on 25 October 2005, the shareholders approved a share consolidation. The share consolidation took effect following the close of business on 25 October 2005, with shareholders receiving one new ordinary share of 10p for every 10 existing shares of 1p held at the close of business on 25 October 2005. Trading of the new ordinary shares of 10p commenced on 26 October 2006.

During the year, the Company issued 69,794,500 ordinary 10p shares (2006: 5,000,000 1p shares and 147,636,366 10p shares) for a total consideration of £43,108,863 (2006: £60,318,000, of which £17,153,000 was settled in cash and the remainder issued for value).

**Movements in Issued Share Capital**

| Date | Event | Issued price Sterling £ | Number of shares |
|---|---|---|---|
| 1 April 2006 | Opening balance | | 179,376,154 |
| 21 April 2006 | Exercise of options | 0.300 | 518,500 |
| 26 April 2006 | Exercise of options | 0.388 | 1,099,000 |
| 2 May 2006 | Placing for cash | 0.630 | 66,900,000 |
| 20 June 2006 | Exercise of options | 0.156 | 27,000 |
| 11 December 2006 | Exercise of warrants | 0.300 | 500,000 |
| 18 December 2006 | Exercise of warrants | 0.300 | 750,000 |
| 31 March 2007 | Closing balance | | 249,170,654 |

***5. Share premium and reserves***

| Group | Share premium account | Profit & Loss | | | | |
|---|---|---|---|---|---|---|
| | | Treasury stock | Share based payments | Translation Reserves | Retained earnings | Total Profit & Loss |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At beginning of year | 54,116 | - | 674 | 940 | (5,161) | (3,547) |
| Profit for the year | - | - | - | - | 21,879 | 21,879 |
| Credit in relation to share based payments | - | - | 1,062 | - | - | 1,062 |
| Premium on share issues, less expenses | 34,022 | - | - | - | - | - |
| Transfer of share premium to reserves | (87,888) | - | - | - | 87,888 | 87,888 |
| Purchase of own shares | - | (1,072) | - | - | - | (1,072) |
| Exchange adjustments | - | - | - | (7,749) | - | (7,749) |
| **At end of year** | **250** | **(1,072)** | **1,736** | **(6,809)** | **104,606** | **98,461** |

At an Extraordinary General Meeting of the Company held on 9 November 2006, shareholders approved a special resolution to cancel the share premium account of the Company. The cancellation became effective on 16 December 2006 upon registration of the order of the High Court with the Registrar of Companies, at which date the balance of £87,888,000 on the account became a distributable reserve of the Company.

***6. Post Balance Sheet Events***

a) Gravity Diamonds

On 4 August 2006, the Group announced that it acquired 14.99% of the ordinary shares of Gravity Diamonds Limited for consideration of £2.1m. Gravity is an Australian diamond exploration company operating in the Democratic Republic of Congo and Australia. In March 2007, the Company increased its holding in Gravity to 17.54% at a cost of £776,000. On 21 May 2007, the Company announced that it had completed the acquisition of Gravity.

b) SouthernEra Diamonds Inc

On 16 March 2007, the Company announced its intention to make a share exchange takeover offer ("Offer") to acquire all of the outstanding common shares of SouthernEra Diamonds, Inc. ("SouthernEra") on the basis of one Mwana ordinary share for every 2.3333 SouthernEra common shares held. Since this time, Mwana has been working with its financial and legal advisors and its independent accountants and geologists to prepare the formal offering documents in compliance with the various regulatory and legal regimes in a number of jurisdictions. As noted in the announcement of 8 June 2007, the Company is committed to completing the offering documents and to commencing the Offer formally as soon as practicable on the terms described in Mwana's announcement dated 16 March 2007.

c) Bindura Nickel

During May 2007 the Group received a fourth interim dividend from Bindura Nickel of approximately US$5.3m (Z$20 per share) excluding withholding tax and on 15 June 2007 the Group was informed by Bindura Nickel that it would receive a final dividend in respect of the 2007 financial year of Z$25 per share, which at the prevailing official exchange rate of the Zimbabwean dollar would be equal to approximately US$6.6m excluding withholding tax.

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