

17<sup>th</sup> July 2008

## Mwana Africa PLC

### Results for the year ended 31<sup>st</sup> March 2008

Mwana Africa PLC (AIM: MWA) (“Mwana Africa”, the “Group” or the “Company”), the pan-African resources company, is pleased to announce its audited financial results for the year ended 31<sup>st</sup> March 2008.

#### Financial Highlights

- Group revenue: £79.3m (2007: £121.9m)
- Loss for the year, before tax and impairments: £6.7m (2007: £39.2m profit)
- Loss for the year after taxation, impairments and minority interest: £28.7m (2007: £13.2m profit)
- Capital expenditure during the year: £25.2m (2007: £16.4m) comprising £15.0m on fixed assets (2007: £13.1m) and £10.3m on exploration (2007: £3.3m)
- Net cash (excluding BNC) at 31<sup>st</sup> March 2008: £12.4m (2007: £36.6m)
- Completed successful acquisitions of SouthernEra Diamonds Inc. (“SouthernEra”) and Gravity Diamonds Limited (“Gravity”)
- Non-cash impairments totalling £21.9m as we focus efforts on core exploration prospects; commenced disposal of diamond exploration assets in Botswana and Canada
- Successful placing in June raised £25m (gross); net cash (excluding cash at BNC) at 30<sup>th</sup> June 2008 £29.8m

#### Operational Highlights

##### Base metals - Nickel

- BNC’s profitability impacted by lower production volumes and continued exchange losses caused by economic difficulties in Zimbabwe. Capital expenditure programmes continued, with commissioning of new concentrator and oxygen plant and ongoing mine enhancements
- Despite continuing challenging conditions, the Company has preserved the integrity of its Zimbabwean assets and retained the opportunity to benefit from a return to stability in the country

##### Base metals - Other

- Successfully concluded joint venture option agreement with Anglo American within the Katanga exploration concession
- Exploration and resource development programme maintained with promising results from Kibolwe, Kiamato and Mukema (copper), Mwombe (nickel and cobalt) in particular

### Precious Metals

- Completed additional investment at the Freda Rebecca gold mine. Phase 1 of the Freda Rebecca gold project in Zimbabwe – to increase production to 48,000 ounces a year – is nearing completion
- Initial results from Zani-Kodo indicate potential for a significant gold deposit, likely to be amenable to open pit mining

### Diamonds

- Klipspringer diamond mine returned to production in January 2008
- Completed successful acquisition and integration of SouthernEra Diamonds Inc. (“SouthernEra”) and Gravity Diamonds Limited (“Gravity”) which, together with its existing 20 per cent. shareholding in MIBA, give Mwana Africa a leading exploration portfolio in the highly prospective Kasai craton, one of the most prolific known diamond-bearing cratons in the world

### **Chief Executive’s Commentary**

Commenting on the results for the year, Kalaa Mpinga, Chief Executive of Mwana Africa said:

“Our existing operations and investment in Zimbabwe are, of course, being affected by the continuing economic difficulties in the country. However, despite these difficulties our team has managed to continue production, and in the past year to complete two major projects at BNC, and has started development at Hunters Road. Our exploration and development activities elsewhere in Africa, including our newly acquired portfolio of diamond assets, have continued as planned.

“With our highly skilled and experienced staff, our recently strengthened financial position, Mwana Africa is well placed to enhance the long term value of our existing operations, to develop key projects and to build on our exciting portfolio of exploration prospects.”

### **Further Information**

This summary should be read in conjunction with the full text of the following announcement.

This announcement has been issued by, and is the sole responsibility of Mwana Africa PLC. This announcement includes “forward-looking statements”. Words such as “anticipates”, “expects”, “intends”, “plans”, “forecasts”, “projects”, “budgets”, “believes”, “seeks”, “estimates”, “could”, “might”, “should”, and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in this announcement, including, without limitation, those regarding Mwana Africa’s business strategy and plans and objectives of management for future operations and acquisition opportunities, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Mwana Africa or the markets and economies in which Mwana Africa operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements, including, without limitation, political, regulatory and economic factors. Factors that would cause actual results or events to differ from current expectations include, among other things, changes in commodity prices, changes in equity markets, failure to establish estimated mineral resources, political risks, changes to regulations affecting Mwana Africa’s activities, delays in obtaining or failures to obtain required regulatory approvals, failure of equipment, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, delays in obtaining geological results, and the other risks involved in the mineral exploration industry. Mwana Africa believes that the assumptions inherent in the forward-looking statements are reasonable; however, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein. Mwana Africa does not assume any responsibility to update any of such forward-looking statements, save as required by relevant law or regulatory authority. This announcement contains information regarding the results of various exploration activities. Where a mineral resource has not been defined, it should be noted that the potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Charl du Plessis, Executive Vice President Exploration of Mwana Africa, who holds a PhD and is a Member of the AusIMM, is a "Qualified Person" as defined in the AIM Rules and under NI 43-101, and the exploration and resource development information contained in this press release is based upon information prepared under the supervision of Dr. du Plessis. Uwe Naeh, Professional Geologist and SouthernEra's Western Exploration Manager, is the qualified person, under NI 43-101, responsible for the technical information in this release relating to Mwana Africa's diamond production and exploration activities. The information relating to resources at BNC is based on information prepared under the supervision of Claudius Makuni, Manager Geology for BNC and a qualified person under NI 43-101.

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## Chairman's Letter

The 2008 financial year has been a challenging period in the African mining market generally and for Mwana Africa specifically. It has, however, been a seminal year for Mwana Africa as our roots as a diversified resources company have taken hold. Our management team has taken the opportunity presented by our listing to develop our business and take forward the exploration programme to exploit the outstanding resource potential of Africa.

It is worth reflecting on what has been achieved in the short period of time since the company's formation and listing on the London Stock Exchange's Alternative Investment Market (AIM).

Significant developments have taken place with respect to our base metals portfolio. In 2006, we started resource drilling at Kibolwe in the Katangan copperbelt of the Democratic Republic of the Congo (DRC). We have defined an indicated mineral resource containing copper in oxide form, and plan to complete a pre-feasibility study by the end of 2008 for the construction of an open-pit mine. Furthermore, several other promising areas – for copper, cobalt, silver and nickel – in this concession have been identified and in excess of 15,000 metres of drilling is planned.

Two years ago we were preparing to initiate a first-phase exploration programme at the Zani-Kodo gold prospect in the DRC. By May 2008, we had completed more than 14,000 metres of diamond drilling. We are now planning further drilling to define an indicated resource and we are moving closer to the establishment of an open-pit mining operation.

By August 2006 we had entered the diamond sector through the purchase of a 20% interest in Société Minière de Bakwanga (MIBA) in the DRC and a 15% shareholding in Gravity Diamonds. During the past year we completed the acquisitions of Gravity and SouthernEra and today Mwana Africa has extensive diamond exploration rights in the highly prospective Kasai craton in the DRC, one of the most abundant diamond-bearing cratons in the world. Through the SouthernEra acquisition, we have also added an operation – the Klipspringer diamond mine in South Africa – to our asset base.

It is very satisfying indeed to have reached a position where resource numbers are starting to come out of our various exploration programmes and studies.

We have started to generate a cash flow from diamonds. The sale of diamonds from Klipspringer in the first three months of production realised a value of US\$120 per carat – a 48% increase in the average price received in 2003 when the mine was last in production. The sale of diamonds from MIBA in April reached record prices. We are evaluating the near-term cash generation potential of our alluvial prospects in the DRC – Badibanga and Tshikapa.

In Zimbabwe our Bindura Nickel operations have been severely affected by recent economic problems reducing cash flows. Nevertheless we have in the past two years re-invested almost £25m of internally generated funds to modernise the operations and extend the life of mines. We have also completed a full

feasibility study for Hunters Road which will extend the mine life by some 20 years and safeguard the future of our 2,800 employees.

As a Group, we reported a loss for the year before tax and impairments of £6.7m, a significant reduction from the £39.2m profit we reported in 2007, principally as a result of the difficult operating conditions in Zimbabwe. We have also made non-cash impairments totalling £21.9m as we focus our efforts on our core exploration prospects.

In order to capitalise on the opportunities presented to us at these core prospects, we announced a cash placing of shares to raise up to £25m in June. We were pleased by the level of interest shown by investors, both existing and new shareholders, and completed the placing on 25<sup>th</sup> June 2008. The money raised through this exercise will be used to progress our gold, copper and alluvial diamond exploration programmes, and for capital expenditure requirements at Kibolwe, in the DRC. In Zimbabwe, funds will be allocated to our Freda Rebecca gold project and to provide Zimbabwe's Bindura Nickel Corporation with flexibility to maintain its investment programme.

While we are a company of Africa, we are fully aware of the risks – real and perceived – of doing business in emerging countries. It is our mandate to address and manage these risks where they present themselves, to be diligent in our analysis of the constantly changing situations on the ground, and with consciousness of our employees and their communities. It is, we believe, our responsibility to secure our assets – be they our licences, equipment or people, as these represent the heart of the value within Mwana Africa. Similarly, in countries where skills are in short supply and the opportunities are few, we have a responsibility to be measured in our approach so that we do not abandon those who depend on us for their livelihoods. It is also our view that change is the one constant that we face, and that as Africa's economies and political systems evolve and stabilise, we need to be well placed to develop the opportunities we have for our shareholders.

Kalaa Mpinga discusses Zimbabwe in some detail in his review so I will not dwell on the subject here. Suffice it to say that we have a good spread of assets in the country with significant scope for growth. The potential is there for us to make a worthwhile contribution to the economy of Zimbabwe by generating profits, employing local people and helping to develop the communities around our operations and projects.

It was with great sadness that we announced the death of David Fish, a co-founder of Mwana Africa and our Finance Director, in December 2007. We were fortunate to be able to appoint, as David's successor, Peter Sydney-Smith as Finance Director in June 2008. We know that he will play a valuable role in our plans for the future.

In this important year of consolidation for Mwana Africa, I should like to thank the Board and management for all that they have done to put the company on a sound footing. We look forward to becoming an increasingly important resources player in the years to come.

Oliver Baring, Executive Chairman

## Chief Executive's Review

Last year, I described how Mwana Africa had laid the foundations to become a significant multi-commodity producer. This year, we have built on those foundations, through our continuing support for our operations in Zimbabwe, through the integration of our recent diamond acquisitions, and through the intensification of our base and precious metal and diamond exploration programmes.

On a personal note, this year has been one of sadness for our team with the sudden and tragic death of David Fish, a co-founder and Finance Director of the Company. David and I met through our work together at Anglo American, and we recognised in each other a common love of the African continent and an appreciation of its potential. We miss him dearly, but his spirit and energy live on in Mwana Africa.

On the pages that follow we provide a review of progress at all of our operations and exploration prospects as well as a financial review, but by way of introduction I would like to highlight here some of the year's most significant developments.

### Highlights

#### *Operations*

This has been a difficult year for Bindura Nickel Corporation (BNC), the nickel mine, smelter and refinery operation in which we hold a 52.9% stake.

BNC has faced numerous challenges as hyperinflation, the declining economic situation, power outages and a massive flight of skills have all had an impact on the tremendous asset that we have here. Staff losses have been severe, with 103 of BNC's 2,800 employees leaving the company during the year. The loss of skills has had an adverse impact across BNC's activities, from mining and processing to internal reporting and administration.

As a result of these difficulties, production for the year was significantly down on last year, and well below the plant's notional capacity. Nonetheless, BNC remained cash generative, and broke even for the year. Furthermore, despite these difficulties, BNC completed construction of a new concentrator and an oxygen injection plant, as well as making significant progress on the ongoing Shangani and Trojan mine enhancements, and initial work has begun on the Hunters Road project. These achievements are testimony to the dedication of our management, technical staff and employees.

Going forward, we intend to work closely with BNC in order to preserve the integrity of the operation during this difficult period.

We have no doubt that Zimbabwe's economy has the capacity to recover rapidly; the working population is well educated and resourceful; the infrastructure of the country is, on the whole, in very good shape; and the administrative institutions are still working. Mwana Africa's platform for growth is in place, and through our projects we look forward to playing a constructive role in the rebuilding of the country's economy.

Also in Zimbabwe, we have made progress with the refurbishment of Freda Rebecca gold mine. There remain a limited number of financial and technical hurdles to overcome before phase one of the project can be brought into production.

The return to production of the Klipspringer diamond mine in South Africa has brought a further operating asset to Mwana Africa's portfolio. The mine is currently ramping up production towards our target of approximately 90,000 carats per year.

#### *Exploration*

We intensified significantly our exploration activity during the year, as we focussed on our core prospects at Zani Kodo and Kibolwe, and assumed responsibility for the diamond exploration activities of Gravity and SouthernEra.

During the year, we stepped up our drilling programme at Zani-Kodo in the Oriental province of the DRC. We continue to be excited by results from the programme, which is making excellent progress, and are still defining extensions to the 700m strike encountered to date. Our team is now fully mobilized on the prospect and we intend to define a resource by the end of 2008, and to move to the pre-feasibility stage as soon as practicable.

Also in the DRC, we have completed the exploration phase of our activities at Kibolwe in the Katanga province. We are now planning a pre-feasibility study for a small project and are determining the quickest way to bring the prospect into production. And this is just the start of what we anticipate Mwana Africa's Katanga concessions will deliver.

The acquisitions during the year of SouthernEra and Gravity have given the company a leading exploration position in one of the most prolific diamond-bearing cratons in the world and, moreover, a team of talented individuals to help realise the area's potential.

## Operations & Exploration

### *Base Metals – Nickel*

#### *Bindura Nickel Corporation (“BNC”) - Zimbabwe*

*Situated near the town of Bindura, 90km northeast of Harare, BNC is the only integrated nickel mine, smelter and refinery operation in Africa. Ore from the company’s Shangani and Trojan mines, with a combined hoisting capacity in excess of 2m tonnes of ore per annum, is concentrated and fed, along with concentrate from third parties, to the BSR smelter and refinery. The BSR plant has an output capacity of approximately 14,500t of nickel per year. BNC has various expansion opportunities, most notably the proposed Hunters Road project.*

*BNC has approximately 2,800 employees and is listed on the Harare Stock Exchange. Mwana Africa acquired its 52.9% stake in the company in 2003.*

During the year, development metres at the Trojan and Shangani mines fell behind target, due to ongoing skills shortages, power outages and difficulties in procuring spare parts and consumables caused by the ongoing economic instability in Zimbabwe. As a result of these constraints, BNC’s own nickel production for the year at BNC fell 26 per cent. to 4.2kt (2007: 5.7kt). The company implemented new skills retention strategies, resorted to direct importation of power and has established close controls over the procurement and cash management processes.

Tolled output using imported material was maintained at approximately 2007 levels, leading to overall nickel production at BNC of 7.4kt, 17 per cent. less than in 2007. During the year, BNC achieved an average sales price of \$15.51/lb, slightly below the \$15.93 lb achieved in the year ended 31 March 2007.

In the year to 31 March 2008 BNC spent £13.6m (2007: £11.5m) of internally generated funds on capital investment, including the completed construction of a new concentrator at the Trojan property and a new oxygen injection plant at the refinery. Projects to deepen the shaft at the Trojan mine, and to develop a new conveyor decline at Shangani are continuing.

**Trojan Concentrator:** The new concentrator is expected to result in increased recoveries and a beneficial reduction in the talc content of concentrate produced. Construction of the new flotation section began in March 2007, and was completed in February 2008 at a total cost of £5.9m. Commissioning, including resolution of a small number of technical problems affecting the achieved rate of nickel recovery, is underway.

**Oxygen Injection Plant:** Construction of the oxygen plant will enable processing of toll material irrespective of leach alloy production from BNC’s own mines. The £2.5m project was completed in the last quarter of the year.

**Trojan Shaft Redeepening:** Some 480 metres of deepening is planned, in order to access additional inferred mineral resources thereby extending the life of the mine. Of the 240 metres planned for the service winze, 225 metres were completed. In the sub-vertical rock shaft, 195 metres were raised, of which 75

metres have been slyped to full diameter and partially equipped. In the service shaft, 135 metres were raised, slyped and partially equipped while 180 metres were raised in the ore pass. Two stations have now been fully developed while 65 metres of lateral development remains on the third station. The estimated cost of the first phase of the project has risen to approximately £6m, while forecast commissioning has been delayed to the third quarter of 2009. Contingency plans are in place to reduce the impact of delayed commissioning on production.

**Shangani Conveyor Decline:** The planned 1,200m conveyor decline will provide access to mineral resources below the existing shaft infrastructure, extending the life of the Shangani mine to 2013. Although a section of poor ground conditions hampered progress during the year, the barrel of the decline was advanced to 1,103 metres. On the loading level, the access development for the conveyor extension is complete and the raising of passes is in progress. Fabrication of the conveyor frame is at an advanced stage and major equipment has been purchased and is ready for delivery to the mine. As a result of the difficulties described above, and global cost increases for steel products and electrical equipment, the final estimated cost of the project has risen to approximately £5.5m. Commissioning is now targeted for the third quarter of 2009.

#### Hunters Road

The Hunters Road project involves development of a probable reserve of some 175,086t and indicated resource of 53,890t contained nickel, and construction of a new concentrator. Nickel sulphide in concentrate will be transported for treatment at BNC's existing smelter and refinery.

In November 2007, the Board decided to proceed with the Hunters Road project. A dedicated owner's team, assisted by an EPCM contractor and independent consultants, has completed a feasibility study, including mine and process plant design and an environmental impact assessment (EIA). In May 2008, the Zimbabwe Ministry of Finance notified BNC that phase one of the Hunters Road project had been awarded National Project Status, which qualifies the project for certain fiscal incentives.

A decision on funding for the Hunters Road project will be taken by BNC in due course. Meanwhile, pre-stripping of an expected 2 million bank cubic metres (BCM) has commenced, with 598,000 BCM accomplished at the end of May 2008, as has construction of the co-disposal slimes dam. Refurbishment of processing plant equipment from BNC's defunct Epoch and Madziwa mines is in progress. Additional mills have been purchased, and are undergoing refurbishment, while two crushers have been completely refurbished and are being shipped to site.

Production from the first phase of the project, whose cost was estimated in December 2007 at approximately £33.5m, is expected to be approximately 2,500t contained nickel per annum, with phases two and three bringing total production to 10,000t contained nickel per year.

**Bindura Nickel Corporation - Reserves and Resources as at 31st March 2008**

Classification of reserves	Tonnage (000t)	Grade (%)	Nickel (t)
Proved			
Trojan	353	0.67	2,385
Shangani	940	0.40	3,761
Hunters Road	-	-	-
Total	1,293	0.48	6,145
Probable			
Trojan	1,584	0.63	10,000
Shangani	5,173	0.41	21,348
Hunters Road	33,975	0.52	175,086
Total	40,732	0.51	206,434
Reserves			
Trojan	1,937	0.64	12,385
Shangani	6,113	0.41	25,109
Hunters Road	33,975	0.52	175,086
Total March 2008	42,025	0.51	212,579
March 2007	8,059	0.52	41,991

Classification of resources	Tonnage (000t)	Grade (%)	Nickel (t)
Measured			
Trojan	2,550	1.02	25,990
Shangani	140	0.44	610
Hunters Road	-	-	-
Total	2,690	0.99	26,600
Indicated			
Trojan	1,920	3.05	58,650
Shangani	410	0.47	1,910
Hunters Road	11,000	0.49	53,890
Total	13,330	0.86	114,450
Resources			
Trojan	4,470	1.89	84,640
Shangani	550	0.46	2,520
Hunters Road	11,000	0.49	53,890
Total March 2008	16,020	0.88	141,050
March 2007	5,550	1.62	89,760

Inferred Resources	Tonnage (000t)	Grade (%)	Nickel (t)
Trojan	7,940	0.72	57,410
Shangani	5,240	0.52	27,440
Hunters Road	-	-	-
Total	13,180	0.64	84,850

Notes: The reserves are quoted exclusive of resources. Ore reserves exclude adjustments for metallurgical recoveries.

Reserves are defined above 35/0 level at Trojan and above 780L at the Shangani Far West orebody and above 930L at the Main orebody. The indicated resource at Hunters Road reflects inclusion of the East orebody, which has been drilled but for which no mine plan or pit design has been prepared. Hunters Road West orebody excludes first 30m of untreatable oxide mineralisation. The high grade in the "Indicated" at Trojan is caused by massive sulphide ore below 35/0 level. Confirmatory drilling to verify this high grade ore has started.

### *Base Metals – Exploration*

#### *Katanga Concessions - DRC*

*Mwana Africa holds a 100% beneficial holding in the SEMHKAT exploration concession, covering 9,689km<sup>2</sup> in the southeast of the DRC. Exploration is focussing on sediment-hosted stratiform copper / cobalt occurrences as well as on showings of lead, zinc and gold. During the year, Mwana Africa entered into a joint venture option agreement with Ambase Exploration Africa, a subsidiary of Anglo American, over 952km<sup>2</sup> of the concession.*

During the year, Mwana Africa completed interpretation of the Xcalibur airborne magnetic and radiometric survey, which was conducted over 6,500km<sup>2</sup>. The study has defined several structural geological and lithological target areas considered to have the potential to host world-class bulk tonnage base metal mineralization. These targets have been reviewed and prioritised, with more than 5,000 metres of diamond core drilling and 10,000metres of Reverse Circulation (“RC”) and Rotary Air Blast (“RAB”) drilling planned in the coming year.

Results from Kibolwe, Kiamato, Mwombe and Mukema are detailed below, while reconnaissance exploration on the Kamungoti, Kintungulu, Kitemena, Lufira, Kapanda, Mifumbi and Lutobwe copper prospects continues to locate significant concentrations of copper. As envisaged by the DRC mining code, Mwana Africa is required to relinquish periodically a certain proportion of its concession to the government. The results of the Xcalibur survey, and of follow up drilling, are being used to ensure that Mwana Africa will retain the most prospective ground.

**Kibolwe:** The Kibolwe prospect, 160km northwest of Lubumbashi is a significant secondary enriched sediment-hosted stratiform copper deposit hosted by Mines Sub-group rocks. The dominant copper oxide mineral is malachite with minor amounts of cuprite and tenorite which occur within weathered argillaceous carbonate and shale units. RC drilling programmes have outlined a near-surface, flat-lying mineralized zone up to 40 metres thick extending over a strike of 1,200 metres. An indicated mineral resource, suitable for open pit mining, is currently being modelled with a view to moving to pre-feasibility study by the end of 2008. Several similar anomalies in the vicinity of Kibolwe have been identified, which have the potential to add to the total resources of the area.

**Kiamato:** A sediment-hosted stratiform copper-cobalt occurrence has been identified at Kiamato, 4 km northwest of Kibolwe. Mineralization occurs within a 700 metre strike length of Mines Sub-group strata. A 1,000 metre core drilling programme is underway to evaluate the strike and down dip potential of the copper-cobalt mineralization.

**Mwombe:** Exploration on the Mwombe prospect has identified mineralized Mines sub-group strata outcropping over a 600 metre strike length. Assay results from trench and pit sampling programmes have yielded elevated nickel and cobalt concentrations (up to 2% Ni and 0.38% Co over 1 metre) as well as gold,

platinum and palladium (up to 1.1g/t Au, 0.1g/t Pt and 0.1g/t Pd). A 1,500 metre core drilling programme is underway.

**Mukema:** The early-stage Mukema prospect has a breccia hosted copper-silver deposit developed within Kundelungu sediments. The breccia contains malachite, chalcopyrite and chalcocite which occur along a 700 metre strike length. In places the mineralized breccia is 40 metres wide and coincides with a 4 kilometre long thrust zone highlighted by the aeromagnetic and radiometric data. Pit sampling of the breccia has yielded copper and silver values of up to 37% copper and up to 439 g/t silver over 1 metre. Core and RC drilling programmes have been designed to test this occurrence during the current year.

**Anglo American Joint Venture:** Mwana Africa and Anglo American entered into a joint venture option agreement at the end of January 2008. As part of the agreement Anglo American is undertaking exploration on the North West Block Permits and the Lombe Permit.

An airborne electromagnetic (SPECTREM) survey has been completed over the North West Block (952 km<sup>2</sup>), which is known to host Roan strata with elevated cobalt and copper concentrations. Historically, concentrations of up to 0.14% Co over 15 metres were located.

Anglo American has completed the first phase of its exploration programme over Lombe, a previously drilled zinc orebody. Any significant zinc soil anomalies and mineralized strata will be drill tested in the coming year.

#### Maniamuna Concessions - DRC

*Mwana Africa has exploration rights over 19,596 km<sup>2</sup> of prospective ground in western Katanga and eastern Kasai Oriental Province of the DRC. Exploration has identified several mineralised areas containing iron, copper, nickel and gold.*

Regional geochemical soil sampling programmes have been designed to follow up observed anomalies at Kafakumba, a sediment hosted copper target, and Lulua, a magmatic nickel copper sulphide target in the south of the Maniamuna concession area. A field team has been assembled and will be deployed to the area in due course.

#### Precious Metals – Operations

##### Freda Rebecca - Zimbabwe

*The Freda Rebecca mine was acquired by Mwana Africa in April 2005. Mwana Africa is implementing a two-phase £5m rehabilitation programme at the Freda Rebecca mine, situated near the town of Bindura, which will target annual production of approximately 80,000oz.*

In the year to 31 March 2008, Mwana Africa invested approximately £1.1m at Freda Rebecca. The refurbishment of the No 1 mill circuit required the reboring and sleeving of all the liner bolt holes, replacement of the girth gear and pinion and provision of a new clutch. The primary crusher was fitted with a new main shaft and refurbished jaw stock. The carbon regeneration kiln was rebuilt and repairs were

effected to the in line leach reactor and Knelson concentrator. Further work includes replacement of conveyor and structural steel work, and the relining of portions of corroded leach tanks.

Phase 1 of the Freda Rebecca gold project in Zimbabwe – to increase production to 48,000 ounces a year – is nearing completion. Additional capital of £1m will be required to complete Phase 1 and to bring the plant into production. An estimated £2m will be required to bring Phase 2 to completion, including the commissioning of the second mill circuit. This phase will increase production to up to 80,000 ounces a year. Refurbishment will be completed once a limited number of technical and financial hurdles have been resolved.

#### **Freda Rebecca Mine - Resources and Reserves as at 31 March 2008**

<b>Reserve Classification</b>	<b>Tonnage /t ('000)</b>	<b>Grade Au (g/t)</b>	<b>Gold ounces ('000)</b>
Proven			
Underground	2,138	2.58	177
Surface	270	3.47	30
<b>Total</b>	<b>2,408</b>	<b>2.68</b>	<b>207</b>
Probable			
Underground	1,744	2.50	140
Surface	0	0.00	0
<b>Total</b>	<b>1,744</b>	<b>2.50</b>	<b>140</b>
<b>Total March 2008</b>	<b>4,153</b>	<b>2.60</b>	<b>347</b>
<b>Total December 2006</b>	<b>4,165</b>	<b>2.60</b>	<b>348</b>

<b>Resource Classification</b>	<b>Tonnage /t ('000)</b>	<b>grade Au (g/t)</b>	<b>Gold ounces ('000)</b>
Measured			
Underground	10,408	2.51	841
Surface	826	1.40	37
<b>Total</b>	<b>11,234</b>	<b>2.43</b>	<b>878</b>
Indicated			
Underground	2,106	2.52	170
Surface	0	0.00	0
<b>Total</b>	<b>2,106</b>	<b>2.52</b>	<b>170</b>
<b>Total March 2008</b>	<b>13,340</b>	<b>2.44</b>	<b>1,048</b>
<b>Total December 2006</b>	<b>13,340</b>	<b>2.44</b>	<b>1,048</b>

Resources are stated inclusive of reserves

Underground resources are quoted at a 1.5g/t cut off, and surface resources are calculated at a 0.4g/t cut off.

#### *Precious Metals – Exploration*

##### *Kilo Moto – DRC*

*Mwana Africa has a joint venture with the state owned Office des Mines de Kilo-Moto (OKIMO) for gold exploration in the Ituri district of the DRC. The Joint Venture covers gold mining rights over 1,610km<sup>2</sup> of an original 3,200km<sup>2</sup> tenement in the Orientale Province, including a series of highly prospective greenstone belts and the Zani-Kodo gold prospect, located between the Moto Goldmines and AngloGold Ashanti concessions. Initial results indicate potential for a significant gold deposit, likely to be amenable to open pit mining.*

An airborne geophysical survey has been completed over the entire area and a detailed interpretation carried out in May 2007. This has allowed the geological framework of the area to be defined with greater accuracy and a series of regional target areas to be identified.

The joint venture is the only asset in Mwana Africa's portfolio affected by the government's review of mining contracts in the DRC. We have been engaging in constructive discussions with the authorities, and we are confident that this matter will be resolved to the satisfaction of both parties.

**Zani Kodo:** During the year, Mwana Africa continued to define the mineralisation of the Zani Kodo prospect. Diamond core drilling commenced in April 2007, with a total of 14,000 metres drilled to date to define the near-surface open-pit potential of the zone. This drilling has confirmed the presence of a continuous mineralised shear zone, which includes a discrete high grade zone, at the contact between sandstones and banded iron formation and graphitic schists. The Main Zone at Kodo has been defined over a strike length of 700 metres and is open down dip and to the north. An additional drilling rig has been moved to site, and further drilling is underway to test the approximately 6km interpreted southern extension on the western flank of Mount Zani.

**Further Prospects:** Soil sampling was initiated at Aungba South to cover target areas defined by the interpretation of geophysical data. The programme has identified several areas of iron formation and graphitic schist between granitoids which are considered to have potential.

#### Gold Exploration – Ghana

*Mwana Africa has exploration programmes in the Konongo, Kurofa, Banka and Ahanta concessions. Mwana Africa is evaluating options for these projects.*

**Konongo:** The Konongo mining license, in the North Eastern part of the Ashanti gold belt, covers an area of 125km<sup>2</sup>. Mwana Africa holds 70% in a joint venture with Talos Ghana Limited. Activity has recently focussed on the Boabedroo South area. 34 holes and a total of 2,631m RC drilling, have successfully defined gold mineralisation along a 1 km strike length along two parallel zones. Mineralisation is associated with quartz veins and shear zones in predominantly metavolcanic rocks. The second phase of exploration will involve a further 5,000m reverse circulation infill drilling programme which is planned to further define the mineralised trends.

RC drilling was also carried out in the Asieye south area. A total of 29 holes were drilled to target a significant gold in soil anomaly along the southern extension of the Obenemase trend. Drilling intersected the contact between Birimian metavolcanics and Tarkwaian metasediments.

**Kurofa:** While the focus has been on targets within the Konongo mining licence area, Mwana Africa has renewed its exploration licence for the Kurofa concession and identified a number of targets for follow up.

**Banka:** Diamond drilling in the Banka exploration concession has defined mineralisation over an approximately 1km strike length. However, results have been disappointing and Mwana Africa believes

that the potential for a significant resource at Banka is low. Mwana Africa has therefore informed its joint venture partner, Gulf Coast Resources, that it intends to withdraw from the project.

**Ahanta:** The Ahanta exploration concession is situated at the southern limit of the Ashanti gold belt. Mwana Africa has an 80% holding in a joint venture with Ahanta Mining Ltd. A 1,700m auger drilling programme was completed and results defined a significant gold anomaly related to shear zones situated at the contact between the greenstone belt and granitoids.

**Exploration Mineral Resources - Obenemase (70% attributable to Mwana Africa)**

Resource Classification	Tonnage /t ('000)	Grade Au (g/t)	Gold ounces ('000)
Measured	nil	nil	nil
Indicated	1,297	3.4	143
Measured & Indicated	1,297	3.4	143
Inferred	1,081	2.9	100

Gold Exploration – Zimbabwe

**Maligreen:** Mwana Africa owns a 50% interest in the dormant Maligreen Gold Mine. An indicated resource of 371,000oz at a cut-off grade of 1g/t was defined by Cluff Mining.

**Makaha:** Mwana Africa has 100% ownership of the Makaha deposit. A resource estimation was carried out in 1996, showing an indicated resource of 9.2mt at 1.2g/t.

Diamonds – Operations

Klipspringer – South Africa

*The Klipspringer diamond mine is located approximately 250km north of Johannesburg. At full production, it is expected that Klipspringer will produce approximately 90,000cts per year. Following a period of inactivity, caused principally by the strength of the South African Rand, a decision was taken to reopen the mine in December 2007. Mwana Africa acquired its approximately 62% stake in 2007, through its purchase of SouthernEra.*

Following successful trials through 2006 and 2007, the mine was re-engineered and the underhand open stoping mining method introduced, resulting in a reduced tonnage but an improvement in grade and a reduction in the cost structure. Production in the three months to 31 March 2008 was encouraging with 6,380 carats recovered at an improved average grade of over 65 carats per hundred tonnes. Achieved prices in the period averaged \$120 per carat, which compares very favourably with the average of \$81 per carat in 2003 when the mine was last in production. The rate of production is being increased steadily, with a target to reach a rate of 90,000 carats per year during 2009.

**Mine deepening:** At forecast production rates, the resource to 7 level (160 metres below surface) will be depleted in five years. The second phase involves deepening of the mine to 15 level, increasing the life of the mine by at least a further 15 years. A review of various implementation options is in progress.

**Development and Greenfields exploration:** In addition to the mining licence over the farm Rusland 93 KS, Mwana Africa holds new order prospecting rights for an area covering 14,897 hectares.

**Klipspringer Diamond Resources**

Resources	Tonnage (t)	Grade (cpht)	Carats
<b>Indicated (above 7 level)</b>			
Ingwe (East)	450,000	58.3	262,000
Ndau (West)	308,000	58.3	180,000
<b>Total</b>	<b>758,000</b>	<b>58.3</b>	<b>442,000</b>
<b>Inferred (below 7 level to 15 level)</b>			
Ingwe (East)	1,307,000	58.3	762,000
Ndau (West)	2,058,000	58.3	1,200,000
<b>Total</b>	<b>3,365,000</b>	<b>58.3</b>	<b>1,962,000</b>

The tonnage estimate includes a 5% geological loss

cpht = Carats per 100 tonnes

The orebody remains open to depth below 15 level

*Diamonds – Exploration*

*Mwana Africa’s diamond exploration area is among the largest in the DRC, covering over 65,000 km<sup>2</sup> in the highly prospective Kasai craton. The craton, which covers 1.3 million km<sup>2</sup>, is thought to be one of the richest known diamond-bearing cratons in the world, and runs from Angola to the southern DRC, where annual production totals over 29 million carats of diamonds a year. The area has also produced two of the ten largest gem-quality diamonds in the world. Mwana Africa is pursuing both Kimberlite and Alluvial diamond exploration prospects in the region.*

Kimberlite Exploration – DRC

Mwana Africa is currently progressing kimberlite exploration programmes through a framework agreement with BHP Billiton and joint venture agreements with BHP Billiton and others, giving one of the largest diamond exploration landholdings in the DRC. To date, aeromagnetic surveys covering 240,000 line km have been flown and 370 targets have been identified for further evaluation. In common with the base metals exploration permits in the DRC, Mwana Africa is required to relinquish periodically a proportion of its concession to the government. Results of exploration to date are being used to ensure that Mwana Africa retains those concessions with greatest potential.

**BHP Billiton Framework Agreement:** Gravity Diamonds, which was acquired by Mwana Africa during the year, entered into the BHP Billiton Framework Agreement in August 2004. Under the terms of the agreement, Mwana Africa is undertaking exploration over 58,000km<sup>2</sup> (of which 43,000km<sup>2</sup> will remain after forthcoming relinquishments) including both its own and BHP Billiton-owned concessions. Subject to certain conditions, BHP Billiton retains the right to take a 60% stake in any discovery.

Four areas have been identified that are considered to have the potential to host diamond-bearing kimberlite deposits. During the year, Mwana Africa took more than 5,000 follow-up and infill sediment samples from rivers draining these areas, and conducted an aeromagnetic survey of approximately 157,000 line km to

identify possible kimberlite intrusions. Results are currently being interpreted to produce a complete range of targets for investigation through ground follow-up and drilling.

**BHP Billiton Joint Venture Agreement:** Under the terms of the Joint Venture Agreement entered into between BHP Billiton and SouthernEra (a subsidiary of Mwana Africa), BHP Billiton is able to earn up to a 65% interest in a discovery by fully funding a bankable feasibility study. The agreement covers an area of over 13,000km<sup>2</sup>, of which 7,000km<sup>2</sup> will remain after forthcoming relinquishments. Mwana Africa retains the right to 100% interest in any alluvial discoveries in the area.

During the year, airborne magnetic and radiometric geophysical surveys covering 83,000 line km were completed, as a result of which approximately 200 pipe-like targets have been identified. These anomalies are being followed up by ground magnetic surveys, and have been incorporated into Mwana Africa's ongoing drilling programme.

**Vikkas and Kabinda North Joint Ventures:** Reconnaissance and limited follow-up sampling having been completed during the year. Further work will depend on the results of these phases, and is likely to include high resolution aeromagnetic surveys in conjunction with high density sampling to identify targets for drilling.

#### Alluvial Exploration - DRC

Mwana Africa has alluvial diamond exploration rights throughout its concessions. Activity is currently focussing on projects within the Tshikapa / Kasai alluvial diamond field (the Tshikapa project) and within a second major alluvial diamond field in the Mbuji Mayi region (the Badibanga project). The fields are in Kasai Occidental and Kasai Oriental provinces respectively, in the southwest of the DRC.

**Tshikapa:** The mining licence comprises over 40km of diamond mineralised Kasai River and Tshikapa River frontage. Mwana Africa holds a 70% interest in a partnership with two local Congolese companies, Terra-Z and Mukeba.

Work is focused on evaluating the alluvial flats and terrace gravel deposits lying along the river banks within the area. The current Terra-Z exploration targets include over 1,000,000 m<sup>2</sup> of upper terrace targets, and over 2,000,000 m<sup>2</sup> of floodplain deposits (creek beds, lower terraces and flats). Potential grades range from 0.20ct/m<sup>3</sup> to well over 1.0ct/m<sup>3</sup> (higher localised grades). To date a deposit of 125,000 carats has been delineated at an average grade of 0.84ct/m<sup>3</sup> in gravels up to 6 metres thick in places, and the exploration programme is continuing to increase the potential resource. Historic diamond values for the area are in the region of \$85 per carat.

The Mukeba area hosts large alluvial flats and terraces mainly located on the west banks of the Kasai River. Diamond-bearing gravel thickness is up to 3.1 metres in places, and recovered grades have reached up to 0.96ct/m<sup>3</sup> for the terrace samples. However, although the gravel deposits are enormous, average grades appear to be uneconomic within the areas explored to date.

**Badibanga:** The Badibanga exploration licence, 100% owned by Mwana Africa, covers an area to the north-west of Mbuji-Mayi, and consists of an alluvial flat system known as the Lubi-Lukula Triangle. Data from the diamond mining company Forminiere, which operated before DRC's independence in 1960, states that this area contained reserves of more than 4 million carats. Mwana Africa is systematically sampling the flats to confirm the validity of this estimate. Diamond values in the region of \$15/ct to \$25/ct are expected for the area.

Mwana Africa is processing basal gravels from bulk sample trenches along the flats. The basal gravel ranges in thickness from 0.50 metres to 2.50 metres, and the overburden from 3.0 metres to 5.5 metres. To date, a total of 65,817 diamonds amounting to 6,054 carats have been recovered from 4,590m<sup>3</sup> of this basal gravel, returning an average recovered grade of 1.33ct/m<sup>3</sup>. The current sampling focus is on a flat with the potential to contain up to 1 million carats running at an average grade of approximately 2 ct/m<sup>3</sup>. The largest recovered diamond to date is 5.0 carats.

MIBA - DRC

*The Société Minière de Bakwanga (MIBA) is the leading diamond producer based in Mbuji Mayi in the Democratic Republic of Congo. MIBA has mining and exploration titles covering an area in excess of 45,000 km<sup>2</sup> where it is discussing joint ventures with major diamond producers including de Beers and BHP Billiton. Mwana Africa acquired a 20% stake in the business, the remainder of which is held by the DRC government, through its acquisition of Sibeka in 2006.*

During the year MIBA ended an agreement that previously entitled an offtaker to purchase substantially all of MIBA's production. Following a return to small-scale production, MIBA is currently seeking to raise debt funding to rebuild infrastructure and restart industrial mining operations.

**MIBA Diamond Resources**

	Volume ('000s m3)	ct / m3	cts ('000s)
Reserves			
Gravels	2,902	3.49	10,136
Kimberlites	32,538	1.83	59,620
Total	35,440	1.97	69,756
Resources			
Gravels	1,486	7.69	11,420
Kimberlites	29,571	2.60	76,931
Tailings	7,649	1.59	12,144
Total	38,706	2.60	100,495

Camafuca - Angola

*Camafuca, in the northeast of Angola, is one of the largest known undeveloped diamond-bearing kimberlite complexes worldwide. Mwana Africa holds an 18% free carried interest in the project, which received its mining license in 2005.*

A feasibility study, completed in 2000, defined an inferred mineral resource of 23.25 million carats within 145m of the surface, at an average grade of 0.111 carats per cubic metre. The highly weathered and decomposed nature of the kimberlite will allow a low cost dredge mining operation to be employed. Phase

1 of the feasibility study is viewed as a bulk sampling phase, the economic success of which will determine the viability of further operations at Camafuca.

#### BK16 - Botswana

*The BK16 kimberlite pipe is located within the Orapa kimberlite field in Botswana. As part of its continuous review of its portfolio of assets, Mwana Africa has recently reduced its interest in the property.*

BK16, originally modelled to be 3.5ha, is known to be diamondiferous. Although ground magnetometer and gravity surveys over BK16 suggested a larger orebody, drilling in the second half of the year indicated that it would not be economic for Mwana Africa to develop BK16 on a standalone basis. A sale agreement with Firestone Diamonds, who have rights over the nearby BK11 property, was completed in June 2008, as a result of which Mwana Africa reduced its interest in the property from 70% to 12.5%.

#### Clifton – South Africa

*The Clifton Joint Venture projects lie within two prospecting permits, covering a total of 4,881 hectares in South Africa's Limpopo Province, along the same structural lineament that controlled the emplacement of the highly diamondiferous Klipspringer and Marsfontein kimberlite cluster. Mwana Africa has between a 49% and 65% interest in each project.*

Reconnaissance stream sampling has resulted in the discovery of probe-confirmed high-interest kimberlitic indicator mineral anomalies. During the year, a helicopter-borne magnetic survey was completed over these areas and the results are currently being evaluated.

#### Canada and Australia

Through the acquisitions of SouthernEra and Gravity, Mwana Africa has inherited diamond exploration activities in Canada and Australia respectively. While these prospects show some promise, they are considered non-core to Mwana Africa's strategy. Sales processes for both the Canadian and Australian portfolios are underway.

#### Human resources

We are fortunate to be able to welcome, as David Fish's successor, Peter Sydney-Smith, who joined the company in June 2008. His extensive financial experience and wide knowledge of the sector will be invaluable as Mwana Africa continues to grow.

I should like to thank the entire Mwana Africa team – stretching from Johannesburg to London, via central and southern Africa, and on to Canada and Australia, for their support, hard work and commitment during a testing and eventful year.

#### The year ahead

Supported by our network of contacts spanning the African continent, we remain on the look out for acquisitions of near-cash and cash-producing assets across the continent. However, we have a certain number of focused organic objectives for the coming year:

- We will continue to provide support to BNC, our major operating subsidiary, in order that the company can maintain operations during the present economic difficulties, and retain the ability to proceed with the Hunters Road project as soon as conditions allow.
- We will continue to address the remaining obstacles in order to bring Phase One of the Freda Rebecca project to production.
- We plan to conduct a pre-feasibility study of the Kibolwe copper prospect, to ascertain the potential for near term cash generation from a modular copper production facility at Kibolwe and at several nearby prospects.
- We will continue drilling at the Zani-Kodo gold exploration target, while moving towards a pre-feasibility study as soon as possible.
- We will maintain the pace of our diamond exploration activities, while at the same time seeking to optimise the potential of our portfolio of joint venture and framework agreements.

Kalaa Mpinga, Chief Executive Officer

## Financial Review

### Introduction

Mwana Africa PLC was formed in October 2005 through the reverse takeover of African Gold plc by Mwana Africa Holdings Pty. The company was relisted on the London Stock Exchange's AIM market, and in April 2006 Mwana Africa raised £41m through a placing of shares.

Mwana Africa has pursued a strategy to grow its portfolio of base and precious metals through an extensive exploration programme and the development of existing assets, principally the BNC nickel operations in Zimbabwe. More recently the company has expanded into diamonds with strategic acquisitions in the DRC, financed through a combination of cash and new Mwana Africa shares.

At 31 March 2008 the Group held net cash, excluding BNC, of £12.4m. Mwana Africa had 337,933,819 issued and outstanding shares (of which 2,666,600 shares were held in treasury). On 25<sup>th</sup> June 2008, the company issued 62,500,000 new shares, raising a total of £25m before fees and expenses (approximately £23.7m net).

As at 30<sup>th</sup> June 2008 following the share placing the Group, excluding BNC, held cash of £29.8m. Mwana Africa had 397,767,219 issued and outstanding shares (excluding own shares held in treasury), giving a market capitalisation of approximately £160m.

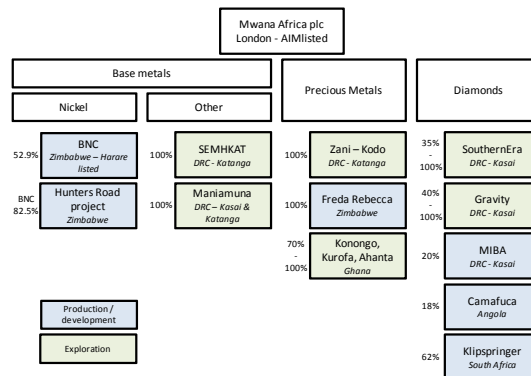
### Financial strategy and Investment

Mwana Africa's medium-term financial strategy is to derive sufficient cash flow from its operations to fund its extensive exploration programme, a portion of its development programme and its corporate overheads. Funding for larger investments will depend on their location and scale, but is likely to be through a combination of investment by Mwana Africa, strategic partnerships and debt finance.

In principle Mwana Africa invests only where it has effective management control over a project. However, where the strategic benefit is strong, Mwana Africa is prepared to take a minority stake in a business, such as its 20% holding in MIBA and 18% free carried interest in the Camafuca project.

The Group has in place a number of contractual arrangements, including exploration and mining licenses and several joint venture and option agreements with partners.

## Business Areas



Mwana Africa has three main business areas in base metals, precious metals and diamonds that are being developed as follows.

**Base Metals – Nickel:** Mwana Africa holds 52.9% of BNC, a substantial nickel operation in Zimbabwe which is listed on the Harare Stock Exchange. BNC’s capital expenditure programme, which in the past two years has totalled approximately £25m as the company modernised plant and extended mine life, has been funded from internally generated cashflow. However, recent profitability has been seriously affected by lower mine output forcing the review of capital spending, including the timing of investment in phase one of the Hunters Road project.

**Base Metals – Exploration:** The majority of the base metals exploration programme in the DRC is carried out through SEMHKAT, a 100% owned and controlled subsidiary. With the exception of the area covered by the joint venture option agreement with Anglo American, the programme is funded by Mwana Africa. Mwana Africa is preparing a pre-feasibility study for the promising Kibolwe copper deposit, and is looking at options to achieve early cash flows from Kibolwe and nearby occurrences.

**Precious Metals – Gold:** Exploration in the Ituri district of the DRC is funded by Mwana Africa through the 100% owned Mwana Africa Congo Gold SPRL, which has a joint venture with the state owned Office des Mines de Kilo-Moto (OKIMO), whereby OKIMO would have a 20% free carried interest in all future developments. Current exploration in the Zani-Kodo area represents a core opportunity for Mwana Africa, with our initial focus to identify a resource to permit early production whilst continuing with the exploration programme

Mwana Africa owns 100% of the Freda Rebecca mine in Zimbabwe, with an obligation to sell 15% to a local investor. Refurbishment will be completed from Group funds once technical and financial hurdles have been resolved.

In Ghana, Mwana Africa is funding the exploration at its 70% owned Konongo concession, and at the wholly owned Ahanta and Kurofa concessions. Development options are being assessed.

**Diamonds:** The majority of Mwana Africa's extensive kimberlite exploration activities in the DRC are carried out through two arrangements with BHP Billiton, inherited from the Southern Era and Gravity acquisitions. Under both arrangements, Mwana Africa manages and operates the exploration programme but with BHP Billiton funding SouthernEra's exploration and Mwana Africa funding Gravity's, both being subject to claw back and option provisions. The alluvial diamond exploration programmes at Badibanga (100% owned by Mwana Africa) and Tshikapa (70%) are funded by Mwana Africa. We are evaluating options to move at least one to production. In South Africa the re-opening of the Klipspringer mine, a 62% venture with a BEE group, has been funded by Mwana Africa, and is expected to become self-financing in the coming year. Investment to increase mine output and to extend the life of the mine is under consideration.

Disposals and/or partnerships for non-core diamond assets are proceeding to plan with regard to Canada and Australia. This will permit the focus of investment on the core exploration tracts in the DRC.

### *Summary*

In summary, the group has a series of exciting core investment opportunities. Following the June 2008 equity raising, the new cash will be applied to the exploration programme, used to fund initial capital expenditure and gives Mwana Africa the flexibility to provide, as necessary, financial support for BNC.

### Results for the year ended 31<sup>st</sup> March 2008

Results for the year ended 31<sup>st</sup> March 2008 are now reported under IFRS. BNC is the principal operation of Mwana Africa and as a 53% owned subsidiary is wholly consolidated in the Group's accounts. BNC's financial information has in recent years been distorted by the combination of Zimbabwe's hyper-inflation, rapid currency devaluation and the effect of foreign exchange regulations. For this reason we believe that profit before tax is a better measure of profitability than the result from operating activities. BNC has changed its functional currency from the Zimbabwe dollar to the US dollar in compliance with IFRS. The principal average foreign exchange rates applied during the year were USD: 2.01 (2007: 1.89), ZAR 14.33 (2007: 13.37).

### *Income Statement*

<b>Profit and Loss (£m)</b>	<b>BNC</b>	<b>Other Mwana group</b>	<b>Total</b>
Revenue	77.9	1.3	79.3
- Operating costs	(47.8)	(10.5)	(58.3)
- Exchange Loss	(41.0)	1.0	(40.0)
- Interest income / (expense)	10.6	1.6	12.3
Loss before tax, impairment	(0.3)	(6.4)	(6.7)
- Taxation	0.2	(0.3)	(0.1)
- Impairment & other	-	(21.9)	(21.9)
Loss after tax	(0.1)	(28.6)	(28.7)

In the year to March 2008, the Group's loss before tax and impairment was £6.7m (2007: £39.2m profit) a significant reduction on the previous year due principally to the adverse operating conditions. After a non-cash impairment charge of £21.9m arising from a review of the carrying value of tangible and intangible

fixed assets including non-core assets for disposal, the Group reported a loss for the year after taxation and minority interest of £28.7m (2007: £13.2m profit).

#### BNC

As described in the Chief Executive's Review, production from BNC was severely constrained during the year. While nickel prices remained strong in the first part of the year, more recently, pricing has shown some weakness. These factors together with continuing foreign exchange losses resulted in BNC reporting a loss before tax of £0.3m for the year (2007: £39.7m profit). Revenue declined by 34% to £77.9m (2007: £118.4m) while costs, defined to include interest and foreign exchange losses, totalled £78.2m (2007: £78.6m). The foreign exchange loss in the year was £41.0m (2007: £44.2m).

The exchange loss was primarily incurred on the remittance of US dollar income. Exchange control regulations oblige BNC to remit a proportion of its revenues to the Reserve Bank of Zimbabwe. Owing to the rapid devaluation of the Zimbabwe dollar and hyper-inflation the value of these remittances in US dollar terms is greatly reduced by the time that they are returned to BNC. In the second half of the year changes in the currency regime reduced the absolute currency loss but the benefit was offset by continuing operational difficulties.

As a consequence of the change in functional currency to the US dollar, BNC's depreciation charge has increased significantly to £11.6m (2007: £1.2m).

#### Mwana Africa (ex-BNC)

Mwana Africa's other operations consist of the Klipspringer diamond mine, exploration activities and central costs. The revenue of £1.3m was derived principally from Klipspringer, which resumed production in January 2008. The £10.3m cost of the exploration programme was capitalised on the balance sheet in accordance with the company's accounting policies although in the second half of the year, the company withdrew from the Banka exploration joint venture in Ghana resulting in a £1.4m write off of the carrying value of these assets being charged to the income statement. After central costs and the cost of options granted in the year the overall loss before tax and impairment totalled £6.4m.

#### *Cash flow statement and cash position*

As at 31<sup>st</sup> March 2008, the Group had net cash balances of £21.2m.

During the year, cash balances at BNC increased to £8.8m and the cash held by the Group (excluding BNC) fell from £36.6m to £12.4m, principally owing to the cash component of acquisitions made during the year and increased exploration expenditure.

Pro forma cash reconciliation (£m)	BNC	Other Mwana group	Total
Opening Cash 1/4/07	2.0	36.6	38.7
- Non GAAP operating cashflow <sup>1</sup>	26.4	(9.4)	17.0
- Dividends paid / received	(6.1)	5.0	(1.0)
- Capex (PP&E)	(13.6)	(1.4)	(15.0)
- Capex (Exploration)	-	(10.3)	(10.3)
- Equity issues <sup>2</sup>	-	53.4	53.4
- Acquisitions, net of cash acquired	-	(61.6)	(61.6)
Closing Cash 31/3/08	8.8	12.4	21.2

1 As noted above, the combination of hyper-inflation, rapid currency devaluation and the effect of foreign exchange regulations in Zimbabwe distort the allocation of costs to operating costs, exchange losses and finance income. Non GAAP operating cashflow for the group of £17m stated in the above table is derived from Operating Cashflow of £5.016m, and finance income of £12.5m, proceeds from sale of PP&E of £0.007m, less of acquisition of other investments of £0.076m, less effect of exchange rate fluctuations on cash of £0.499m

2 Equity issues includes the portion of the cost of acquisitions settled by the issue of shares - £51.2m.

### BNC

As a result of a number of non-cash items, most notably increased depreciation in BNC's income statement and a decrease in working capital at the end of the year, BNC recorded a positive operating cash flow of £26.4m. Capital investments totalling £13.6m (2007: £11.5m) were made in the year, and dividends totalling £6.1m (2007: £5.0m) were paid in April 2007 and June 2007.

### Mwana Africa (ex-BNC)

Acquisitions totalling £62.7m (£61.6m net of £1.2m cash acquired) were completed during the year, consideration for which comprised new Mwana Africa shares to the value of £51.2m and £11.5m in cash. A tax liability relating to the Klipspringer diamond mine was settled during the second half of the year and is included in the cost of acquisitions. The exercise of share options yielded £2.2m.

During the year, Mwana Africa (excluding BNC), made capital expenditure on tangible fixed assets of approximately £1.4m, principally at Freda Rebecca.

As a result of the recently acquired diamond exploration activities, and the greater exploration activity at Zani-Kodo and the Katanga concessions, Mwana Africa increased its exploration spend in the year to £10.3m (2007: £3.3m), of which £1.1m (2007: £1.0m) was spent on its Ghanaian exploration assets, £2.2m (2007: £1.5m) on its base metal exploration activities in the DRC, £2.4m (2007: £0.8m) on precious metals exploration at Zani-Kodo in the DRC and £4.6m (2007: nil) on the diamond exploration portfolio acquired during the year.

**Balance sheet**

Acquisitions made in the year resulted in a significant increase in net assets, excluding cash, from £112.1m at 31<sup>st</sup> March 2007 to £155.1m at 31<sup>st</sup> March 2008.

Balance Sheet (£m)	Net assets (exc cash)		Total	Cash	Total Equity
	BNC	Other Mwana Group			
31-Mar-07	69.9	42.2	112.1	38.7	150.7
31-Mar-08	55.8	99.3	155.1	21.2	176.3

**BNC**

The increase in the deferred tax provision described above, the greater environmental rehabilitation provision, translation losses and a reduction in working capital led to a fall in the value of BNC's net assets from £69.9m at 31<sup>st</sup> March 2007 to £55.8m at 31<sup>st</sup> March 2008.

**Mwana Africa (ex-BNC)**

Mwana Africa's intangible assets increased substantially during the year, as a result of the acquired capitalised exploration expenditure within SouthernEra and Gravity, goodwill arising from these acquisitions and higher exploration expenditure during the year.

During May 2007, the Group increased its interest in Gravity Diamonds Limited from 17.5 per cent to 100 per cent. The total cost of acquisition of Gravity was £20.7m, of which £17.8m related to 2008.

During September 2007, the Group increased its equity interest in SouthernEra Diamonds Incorporated from 9.1 per cent to 83.84 per cent through an un-solicited share offer to the SouthernEra shareholders. This was followed during December 2007 by a second step plan of arrangement to acquire the remaining 16.16% of SouthernEra share not already owned by Mwana Africa or its affiliates. The total cost of acquisition of SouthernEra was £48.2m, of which £44.9m related to 2008.

Mwana Africa is seeking to sell the Canadian and Australian diamond exploration activities acquired as part of the Gravity and SouthernEra transactions.

Following a review of the carrying value of tangible and intangible fixed assets of the group, impairments of £21.9m were made during the year, comprising £18.6m in relation to the SouthernEra and Gravity acquisitions (including goodwill arising on acquisition and charges against those assets being divested), and £3.3m in relation to the fixed assets at Freda Rebecca.

Peter Sydney-Smith, Finance Director

## Results for the year ended 31st March 2008

The following does not represent the full financial statements of the Group, but represents extracts of the financial statements only for the year ending 31 March 2008. These include the consolidated primary statements and a number of selected notes. Copies of the Group's 2008 Annual Report are due to be posted to the shareholders of the Company on 22 August 2008 and will be available on the Company's website and at the Registered Office of the Company after that date.

### Consolidated Income Statement

	2008 Pre impairment £000	2008 Impairment Items £000	2008 Total £000	2007 £000
REVENUE	79,267	-	79,267	121,860
Cost of sales, administrative and distribution costs	(98,246)	(21,936)	(120,182)	(93,717)
<b>OPERATING (LOSS)/PROFIT</b>	<b>(18,979)</b>	<b>(21,936)</b>	<b>(40,915)</b>	<b>28,143</b>
Finance income	12,527	-	12,527	11,106
Finance costs	(265)	-	(265)	(46)
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>(6,717)</b>	<b>(21,936)</b>	<b>(28,653)</b>	<b>39,203</b>
Income Tax Expense	(594)	510	(84)	(11,282)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(7,311)</b>	<b>(21,426)</b>	<b>(28,737)</b>	<b>27,921</b>
Attributable to:				
Equity holders of the parent	(7,262)	(21,426)	(28,688)	13,156
Minority interest	(49)	-	(49)	14,765
<b>(LOSS)/EARNINGS PER SHARE</b>				
- Basic (loss)/earnings per share			(9.57p)	5.42p
- Diluted (loss)/earnings per share			(9.57p)	4.99p

Consolidated Balance Sheet

	2008	2007
	£000	£000
<b>ASSETS</b>		
Intangible assets	85,489	15,099
Property, plant and equipment	68,742	68,541
Investments	5,979	12,009
Deferred tax assets	1,417	384
Non-current receivables	76	-
<b>Total non-current assets</b>	<b>161,703</b>	<b>96,033</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	21,283	38,693
Inventories	16,350	12,211
Trade and other receivables	16,239	22,727
Tax receivable	260	164
Available for sale financial assets	2,596	2,090
Assets held for sale	2,000	-
<b>Total current assets</b>	<b>58,728</b>	<b>75,885</b>
<b>TOTAL ASSETS</b>	<b>220,431</b>	<b>171,918</b>
<b>EQUITY</b>		
Issued share capital	33,793	24,917
Share premium	1,906	250
Reserves	42,147	(5,126)
Retained earnings	68,135	96,823
<b>Total equity attributable to equity holders of the Company</b>	<b>145,981</b>	<b>116,864</b>
Minority interests	30,334	33,885
<b>Total Equity</b>	<b>176,315</b>	<b>150,749</b>
<b>LIABILITIES</b>		
Provisions	5,557	2,645
Deferred tax liabilities	18,431	10,459
<b>Total non-current liabilities</b>	<b>23,988</b>	<b>13,104</b>
Trade and other payables	19,806	7,991
Bank overdrafts	42	22
Taxation payable	280	52
<b>Total current liabilities</b>	<b>20,128</b>	<b>8,065</b>
<b>TOTAL LIABILITIES</b>	<b>44,116</b>	<b>21,169</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>220,431</b>	<b>171,918</b>

Group consolidated statement of cash flows for the year ended 31 March 2008

	2008	2007
	£000	£000
Cash flows from operating activities		
<b>(Loss)/profit before tax</b>	<b>(28,653)</b>	<b>39,203</b>
Adjustments for:		
Finance income	(12,527)	(11,106)
Finance costs	265	46
Impairment charge	21,936	-
Depreciation	11,902	1,333
Exchange movements	1,366	(1,755)
(Profit)/loss on sale/reclassification of fixed assets	(7)	371
Write-off of exploration expenses	1,439	-
Charge in relation to share based payments	1,174	1,062
	<b>(3,105)</b>	<b>29,154</b>
Change in inventories	(4,253)	(4,468)
Change in trade and other receivables	7,515	(14,717)
Change in trade and other payables	8,066	(743)
Change in available for sale assets	(862)	(1,762)
Change in provisions	2,559	978
	<b>9,920</b>	<b>8,442</b>
Interest paid	(265)	(46)
Income tax paid	(4,639)	(3,398)
<b>Net cash from operating activities</b>	<b>5,016</b>	<b>4,998</b>
Cash flows from investing activities		
Acquisition of other investments	(76)	(6,273)
Interest received	12,527	11,106
Acquisition of property, plant and equipment	(14,958)	(13,097)
Acquisition of exploration assets	(10,257)	(3,332)
Proceeds from sale of property, plant and equipment	7	34
Acquisition of subsidiaries, net of cash acquired	(10,342)	(5,739)
<b>Net cash used in investing activities</b>	<b>(23,099)</b>	<b>(17,301)</b>
Cash flows from financing activities		
Proceeds from issue of share capital	2,158	41,001
Repurchase of own shares	-	(1,072)
Dividends paid to minority shareholders	(1,006)	(1,092)
<b>Net cash from financing activities</b>	<b>1,152</b>	<b>38,837</b>
Net (decrease)/increase in cash and cash equivalents	(16,931)	26,534
Cash and cash equivalents at 1 April 2007	38,671	12,089
Effect of exchange rate fluctuations on cash held	(499)	48
<b>Cash and cash equivalents at 31 March 2008</b>	<b>21,241</b>	<b>38,671</b>

Group statement of recognised income and expense for the year ended 31 March 2008

	Group 2008	2007
	£000	£000
(Loss)/Profit for the financial year	(28,737)	27,921
Movement in available for sale financial assets	(328)	328
Deferred tax on movement in available for sale financial assets	66	(66)
Net exchange differences on the retranslation of net investments	1,182	(10,824)
<b>Total recognised (loss)/gain relating to the financial year</b>	<b>(27,817)</b>	<b>17,359</b>
Attributable to:		
Minority shareholders	(2,392)	9,993
Equity holders of the parent	(25,425)	7,366

## Segmental information

### Primary reporting format – Industry

	Gold	Nickel	Exploration and diamond development	Corporate	Total
2008	£000	£000	£000	£000	£000
External segmental revenue	7	77,930	542	788	79,267
Segment operating loss <sup>1</sup>	(4,495)	(10,867)	(22,639)	(2,914)	(40,915)
Segment loss before tax <sup>1</sup>	(4,495)	(305)	(22,639)	(1,214)	(28,653)
Segment assets	14,068	94,315	91,588	20,460	220,431
Segment liabilities	3,012	29,653	9,515	1,936	44,116
Other segmental information					
Capital expenditure	1,181	13,558	10,468	8	25,215
Depreciation	-	11,628	266	8	11,902
Impairment losses	3,300	-	18,636	-	21,936
1 Including impairment					
2007	£000	£000	£000	£000	£000
External segmental revenue	2,088	118,356	-	1,416	121,860
Segment operating profit	1,104	30,445	(56)	(3,350)	28,143
Segment profit before tax	1,104	39,735	(56)	(1,580)	39,203
Segment assets	24,381	88,279	14,593	44,665	171,918
Segment liabilities	3,568	16,387	351	863	21,169
Other segmental information					
Capital expenditure	1,060	11,537	3,582	250	16,429
Depreciation	-	1,249	78	6	1,333
Impairment	-	-	-	-	-

### Secondary reporting format – Geographical

	Southern Africa		Central Africa		Western Africa		United Kingdom		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
External segment revenue	79,085	121,860	-	-	-	-	182	-	79,267	121,860
Segment assets	136,073	112,438	66,624	8,065	6,164	6,690	11,570	44,725	220,431	171,918
Capital expenditure	14,810	12,609	9,316	2,759	1,089	1,058	-	3	25,215	16,429

## Impairment

	2008	2007
	£000	£000
Impairment of goodwill	15,113	-
Impairment of property, plant and equipment	3,306	-
Impairment of exploration assets	3,517	-
	<b>21,936</b>	<b>-</b>

## Goodwill

Goodwill of £26.2m at acquisition of Gravity and SouthernEra was created due to the fair value of the consideration paid being in excess of the fair value of the net assets acquired.

This excess at acquisition arose due to a number of factors. These include the effect of changes in the Group's share price during the offer period, the impact of the unsolicited nature of the SouthernEra offer, deferred tax goodwill, the strategic value that management placed on the integration of these two companies into the Group's portfolio and the value of joint venture arrangements.

At year end, management re-assessed the goodwill for impairment and concluded that its fair value was £12m on the basis explained in the note below.

### *Property, plant and equipment*

The impairment relates to property, plant and equipment at the Ashanti Goldfields mine in Zimbabwe. After a valuation by management assessing the recoverable amount of the asset (the discounted future USD cash flows of the mine), it was found that the carrying value of the asset was £3.3m above the value in use. A discount rate of 12.5% (2007: 12.5%) was used. The asset was impaired accordingly.

The Ashanti Goldfields assets belong in the Gold primary reporting segment.

### *Exploration assets*

The impairment primarily relates to the Gravity Diamonds' Australian exploration assets. At year end, these assets were held for sale in accordance with IFRS 5 at fair value less costs to sell. As management placed no value on these assets based on offers received by prospective buyers, these assets were impaired in full.

These exploration assets belong in the Exploration and Diamond Development primary reporting segment.

### Intangible assets

	Goodwill	Development	Exploration	Total
	£000	assets	and evaluation	£000
	£000	£000	costs	£000
<b>Balance at 1 April 2006</b>	-	-	12,980	12,980
Capitalised exploration costs	-	-	3,332	3,332
Effect of movements in exchange rates	-	-	(1,156)	(1,156)
<b>Balance at 31 March 2007</b>	-	-	15,156	15,156
<b>Balance at 1 April 2007</b>	-	-	15,156	15,156
Acquisitions through business combinations	26,213	4,096	50,170	80,479
Capitalised exploration costs	-	-	10,257	10,257
Transferred to assets held for sale	-	-	(1,991)	(1,991)
Effect of movements in exchange rates	901	26	787	1,714
<b>Balance at 31 March 2008</b>	<b>27,114</b>	<b>4,122</b>	<b>74,379</b>	<b>105,615</b>
Amortisation and impairment losses				
<b>Balance at 1 April 2006</b>	-	-	-	-
Write-off in ordinary course of business	-	-	(56)	(56)
Effect of movements in exchange rates	-	-	(1)	(1)
<b>Balance at 31 March 2007</b>	-	-	(57)	(57)
<b>Balance at 1 April 2007</b>	-	-	(57)	(57)
Write-off in ordinary course of business	-	-	(1,439)	(1,439)
Impairment loss	(15,113)	-	(3,517)	(18,630)
<b>Balance at 31 March 2008</b>	<b>(15,113)</b>	-	<b>(5,013)</b>	<b>(20,126)</b>
Carrying amounts				
At 1 April 2006	-	-	12,980	12,980
At 31 March 2007	-	-	15,099	15,099
At 31 March 2008	12,001	4,122	69,366	85,489

The carrying amount of the intangible assets relates to capitalised exploration, evaluation and development costs and goodwill on acquisition of subsidiary companies. Capitalised exploration costs are reviewed on an annual basis and impaired in line with the Group's accounting policy on exploration costs.

Goodwill relates to the strategic value to Mwana of the combined diamond exploration ground of Gravity Diamonds Limited and SouthernEra Diamonds Inc in the Democratic Republic of the Congo. It is the excess of the purchase consideration over the fair value of the separately identifiable tangible and intangible assets, adjusted for impairment and has been allocated to the diamond exploration cash generating unit in the Democratic Republic of the Congo. The fair value of goodwill at the financial year-end was determined by valuing expected synergies over the next 10 years from combining the SouthernEra Diamonds and Gravity Diamonds exploration and evaluation assets in the Democratic Republic of the Congo applying a 12.5% discount rate. In addition, certain estimated value benefits expected from joint venture operations relating to these diamond assets were valued over a three year period applying a 12.5% discount rate. Goodwill also includes deferred tax goodwill of £2.9m.

Development assets represent the intangible value relating to the Klipspringer mine. Both goodwill and development assets are included in the impairment review of the capitalised exploration cost.

**Acquisitions**

***Business combinations***

***Gravity Diamonds Limited***

On 21 May 2007 the group acquired all of the outstanding shares in Gravity Diamonds Limited for £20,691,000 in shares and cash. Mwana Africa PLC issued 13,711,132 shares pursuant to the acquisition at a recorded value of 64.3p per share, being the closing price of Mwana's shares on the AIM on the last trading day prior to the issue of the shares. The Mwana Group previously held 17.5% of Gravity's outstanding shares. The company holds extensive diamond exploration tenements in the Democratic Republic of the Congo. In the 10 months to 31 March 2008, Gravity incurred operating losses of £195,000.

	<b>Book value at date of acquisition £000</b>	<b>Fair value adjustments £000</b>	<b>Fair value at date of acquisition £000</b>
Property, plant and equipment	75		75
Exploration and evaluation assets	5,391	8,283	13,674
Trade and other receivables	145		145
Cash and cash equivalents	104		104
Trade and other payables	(73)		(73)
Deferred tax liability	-	(1,457)	(1,457)
<b>Net identifiable assets and liabilities</b>	<b>5,642</b>	<b>6,826</b>	<b>12,468</b>
Goodwill			8,223
<b>Total investment, including transaction costs</b>			<b>20,691</b>
Investment acquired in prior year			2,887
Shares issued pursuant to acquisition			8,809
Consideration satisfied in cash			8,967
Transaction costs			28

SouthernEra Diamonds Inc

On 17 September 2007 the group increased its holding in SouthernEra Diamonds Inc from 9.1% to 83.84% by issuing 0.439 Mwana Africa PLC shares for each SouthernEra Diamonds Inc share. Mwana Africa PLC issued 58,076,535 shares pursuant to the acquisition at recorded values of between 58.3p and 64.0p per share, being the closing price of Mwana's shares on the AIM on the last trading day prior to the issue of the shares. The company owns diamond exploration assets in the Democratic Republic of the Congo, Canada, Botswana and South Africa, an 18% free-carried interest in the Camafuca project in Angola and a 62% interest in the Klipspringer diamond mine in South Africa. In the 6 months to 31 March 2008, SouthernEra Diamonds incurred losses of £1,329,000.

	Book value at date of acquisition	Provisional fair value adjustments	Provisional fair value at date of acquisition
	£000	£000	£000
Property, plant and equipment	418	953	1,371
Intangible mining assets	-	4,096	4,096
Exploration and evaluation assets	15,757	20,739	36,496
Inventories	81	-	81
Trade and other receivables	521	-	521
Cash and cash equivalents	1,077	-	1,077
Other assets	534	-	534
Provisions	(466)	-	(466)
Trade and other payables	(11,293)	3,816	(7,477)
Deferred tax liability	-	(6,212)	(6,212)
<b>Net identifiable assets and liabilities</b>	<b>6,629</b>	<b>23,392</b>	<b>30,021</b>
Less: Minority interest			(4,851)
<b>Interest in net identifiable assets and liabilities</b>			<b>25,170</b>
Goodwill			16,213
<b>Total investment, including transaction costs</b>			<b>41,383</b>
Investment acquired in prior year			3,236
Shares issued pursuant to acquisition			36,783
Transaction costs			1,364

Pre-acquisition carrying amounts for both acquisitions were determined based on applicable IFRSs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

**Acquisition of minority interests**

On 22 December 2007 the Group acquired the remaining 16.16% of SouthernEra Diamonds Inc shares not already owned by issuing 0.439 Mwana shares for each SouthernEra share and cash costs of £1,164,000. Mwana Africa PLC issued 11,950,498 shares pursuant to the transaction at 47p per share, being the closing price of Mwana's shares on the AIM on the last trading day prior to the issue of the shares. As a result of the transaction, SouthernEra became a wholly owned subsidiary of the Mwana Africa Group. The carrying amount of SouthernEra's net assets in the consolidated financial statements on the date of the acquisition was £30,966,000. The Group recognised a decrease in minority interests of £5,004,000 and goodwill of £1,777,000.

If all business combinations for the year ending 31 March 2008 had occurred at the beginning of the period, the combined entity's revenue and profit before minority interest would have been £79,739,000 and £34,613,000 respectively.

The total cost and cash cost of the transactions during the financial year was as follows:

	Gravity	SouthernEra	SouthernEra minority acquisition	Total
	£000	£000	£000	£000
Total cost of acquisition	20,691	41,383	6,782	68,856
Shares acquired in prior year	(2,887)	(3,236)	-	(6,123)
<b>Cost of acquisition in current year</b>	<b>17,804</b>	<b>38,147</b>	<b>6,782</b>	<b>62,733</b>
Cost of acquisition settled by share issue	(8,809)	(36,783)	(5,618)	(51,210)
<b>Cash cost of acquisition</b>	<b>8,995</b>	<b>1,364</b>	<b>1,164</b>	<b>11,523</b>
Cash acquired	(104)	(1,077)	-	(1,181)
<b>Cash cost, net of cash acquired</b>	<b>8,891</b>	<b>287</b>	<b>1,164</b>	<b>10,342</b>

Called up share capital

	2008 £000	2007 £000
Authorised 553,000,000 ordinary shares of 10p each (2007: 553,000,000 ordinary shares of 10p)	55,300	55,300
Allotted, called up and fully paid Opening balance 249,170,654 (2007: 179,376,154) ordinary shares of 10p each (2007: 10p each)	24,917	17,938
Issued during the year 88,763,165 (2007: 69,794,500) ordinary shares of 10p each	8,876	6,979
Closing balance 337,933,819 (2007: 249,170,654) ordinary shares of 10p each	<b>33,793</b>	<b>24,917</b>

During the year the Company issued 88,763,165 ordinary 10p shares (2007: 69,794,500) for a total consideration of £53,367,867 (2007: £43,108,863).

No shares were issued, but not fully paid as at 31 March 2008 (2007: nil).

*Movements in Issued Share Capital*

Date	Event	Issued price Sterling £	Number of shares
1 April 2007	Opening balance		249,170,654
21 May 2007	Cost of acquisition	0.643	13,711,132
12 July 2007	Exercise of options	0.429	5,000,000
8 August 2007	Exercise of options	0.475	25,000
10 September 2007	Cost of acquisition	0.638	47,754,282
17 September 2007	Cost of acquisition	0.640	5,691,969
24 September 2007	Cost of acquisition	0.583	4,630,284
21 December 2007	Cost of acquisition	0.470	11,950,498
<b>31 March 2008</b>	<b>Closing balance</b>		<b>337,933,819</b>

On 19 June 2008, the Group successfully placed 62.5m shares for a total consideration of £23.7m net of costs.

*Warrants*

Warrants were granted to SouthernEra Diamonds Inc warrant holders under the terms of a Warrant Instrument dated 20 December 2007. The warrants provide the warrant holders with the right to subscribe for 6,025,000 ordinary shares in the company at C\$2 for each 0.4386 Mwana share (£2.26 for each Mwana share). Each warrant holder has the right to subscribe in cash for a number of the company's ordinary shares equal to the number of warrants registered in the name of the warrant holder. No fraction of an ordinary share shall be issued. No warrants have been exercised to date. The warrants are due to lapse if not exercised by 17 November 2008. The company had no warrants outstanding as at 31 March 2007.

*Reconciliation of movement in capital and reserves - Group*

	Called up share capital £000	Share premium account £000	Translation Reserves <sup>(1)</sup> £000	Other reserves <sup>(2)</sup> £000	Investment revaluation reserve <sup>(3)</sup> £000	Treasury stock <sup>(4)</sup> £000	Share based payments <sup>(5)</sup> £000	Retained earnings £000	Total £000
<b>Balance at 1 April 2006</b>	<b>17,938</b>	<b>54,116</b>	-	-	-	-	<b>674</b>	<b>(4,221)</b>	<b>68,507</b>
Profit for the year								13,156	13,156
Credit in relation to share based payments							1,062		1,062
Shares issued	6,979								6,979
Premium on share issue less expenses		34,022							34,022
Transfer of share premium to reserves		(87,888)						87,888	-
Purchase of own shares						(1,072)			(1,072)
Exchange adjustments			(5,929)						(5,929)
Revaluation of available for sale financial assets					174				174
Deferred tax on available for sale financial assets					(35)				(35)
<b>Balance at 31 March 2007</b>	<b>24,917</b>	<b>250</b>	<b>(5,929)</b>	<b>-</b>	<b>139</b>	<b>(1,072)</b>	<b>1,736</b>	<b>96,823</b>	<b>116,864</b>
Loss for the year								(28,688)	(28,688)
Credit in relation to share based payments							1,174		1,174
Shares issued	8,876								8,876
Premium on share issues, less expenses		1,656							1,656
Premium on shares not issued for cash				42,836					42,836
Revaluation of available for sale financial assets					(174)				(174)
Deferred tax on available for sale financial assets					35				35
Exchange adjustments			3,402						3,402
<b>At end of year</b>	<b>33,793</b>	<b>1,906</b>	<b>(2,527)</b>	<b>42,836</b>	<b>-</b>	<b>(1,072)</b>	<b>2,910</b>	<b>68,135</b>	<b>145,981</b>

- 1) The translation reserve represents exchange differences arising on the translation of non-GBP functional currency operations within the Mwana Group into GBP.
- 2) Other Reserves represents the surplus value of shares not issued for cash over the par value of the relevant shares.
- 3) The investment revaluation reserve represents the revaluation of available for sale financial assets. Where a revalued financial asset is sold, the relevant portion of the reserve is recognised in the income statement.
- 4) The treasury stock reserve represents the market value of Mwana Africa PLC shares which were purchased, but not cancelled. The value represents the value on the date of purchase.
- 5) The share based payments reserve represents the accrued employee entitlements to share awards that have been charged to the income statement.

**Explanation of transition to IFRS**

These are the Group and the Company's first financial statements prepared in accordance with IFRS. The accounting policies have been consistently applied in preparing the financial statements for the year ended 31 March 2008, the comparative information for the year ended 31 March 2007 and the Group's opening IFRS balance sheet as at 1 April 2006.

The transition of the Group and the Company's financial statements from UK GAAP to IFRS involved a two-stage process. The first stage was to make presentational and format changes to the financial statements as disclosed under UK GAAP to make them consistent with the presentation adopted by IFRS. The second stage was to identify the areas of difference in recognition and measurement criteria between UK GAAP and IFRS and to restate the previously disclosed UK GAAP amounts accordingly.

The principal presentational and format changes are described below.

**Group**

**Income statement, balance sheet and cash flow reclassifications from UK GAAP to IFRS**

The adoption of IFRS requires certain changes to be made to the format and presentation of income statement, balance sheet and cash flow information previously disclosed under UK GAAP. In the income statement and balance sheet shown below and in the statement of cash flows, the following principal changes have been made to the primary statements disclosed under UK GAAP and restated as noted above, prior to presenting them under IFRS:

- i. Under UK GAAP, the Zimbabwean dollar results from the Group's Zimbabwean based subsidiaries were converted to US\$ on a stable currency basis. Deferred tax liabilities were calculated for consolidation purposes according to FRS19. Like FRS 19, IAS 12 (revised) requires deferred tax to be recognised on a full provision basis. However, it requires deferred tax to be recognised

on the basis of 'temporary differences' rather than on the basis of obligations arising from timing differences. This has resulted in a transition adjustment increasing deferred tax charge of £8,899,000 for the 2007 financial year. It also resulted in an increase of £378,000 and £9,038,000 in deferred tax assets and deferred tax liability respectively as at 31 March 2007. Though part of the charge related to years prior to 2007, it was impractical to determine the amount of the adjustment required to prior years and as a result, the full charge was booked to the 2007 financial year as stipulated by IAS8.

- ii. Under IFRS, deferred tax assets and liabilities are required to be shown as separate line items on the balance sheet. This has resulted in the reclassification of deferred tax assets previously included within provisions under UK GAAP of £6,000 at 31 March 2007 (1 April 2006: £6,589) and deferred tax liabilities previously included within provisions under UK GAAP of £1,355,000 at 31 March 2007 (1 April 2006: £1,467,000).
- iii. Under IFRS, income taxes recoverable and payable are required to be shown as separate line items on the balance sheet. This has resulted in a reclassification of income tax recoverable previously included within debtors under UK GAAP of £164,000 at 31 March 2007 (1 April 2006: nil); and income tax payable previously included within creditors under UK GAAP of £52,000 at 31 March 2007 (1 April 2006: £1,276,000).
- iv. IFRS requires provisions expected to be settled within one year of the balance sheet date to be shown as current liabilities. No adjustment was required.
- v. IFRS requires certain overdrafts to be shown separately as "bank overdrafts", whereas overdrafts were included within creditors under UK GAAP. This has resulted in a reclassification at 31 March 2007 of £22,000 (1 April 2006: £2,222,000) from current liabilities to current assets.
- vi. IFRS requires certain cash deposits to be included within the balances disclosed as "cash and cash equivalents", whereas these deposits were included within short-term deposits under UK GAAP. This has resulted in a reclassification at 31 March 2007 of £607,000 (1 April 2006: Nil) from short-term investments to cash and cash equivalents.
- vii. IFRS requires that available for sale assets be shown at market price, whereas these investments were shown at cost under UK GAAP. This has resulted in an increase at 31 March 2007 of £328,000 (1 April 2006: Nil) in available for sale assets, an £66,000 increase in deferred tax and an increase of £262,000 in reserves.
- viii. In addition to the change in presentation brought about by items v and vi above, the Group statement of cash flows under IFRS must comply with the format and headings prescribed in IAS 7. With the exception of the reclassification described in v and vi above, no other IFRS transitional adjustments impacted on the restated net cash flow from operating, investing or financing activities.

#### Accounting adjustments made on transition from UK GAAP to IFRS

As required by IFRS 1, Mwana Africa has prepared reconciliation statements which present the adjustments made in order to transfer the Group's UK GAAP primary statements for 2007 onto an IFRS basis.

Reconciliations are provided in respect of the adjustments made to the Group's financial position at the date of transition to IFRS, 1 April 2006 and 31 March 2007. With regard to the Group's reported financial performance, reconciliations are provided for the full year ended 31 March 2007.

Income Statement reconciliation from UK GAAP to IFRS

Financial Statement caption	Full Year – 2007				
	As reported under UK GAAP £000	Prior year adjustment £000	As restated under UK GAAP £000	Effect of transition to IFRS £000	Reported in compliance with IFRS £000
Revenue	121,860	-	121,860	-	121,860
Cost of sales and administrative charges (i)	(91,185)	(2,532)	(93,717)	-	(93,717)
<b>Operating Profit</b>	<b>30,675</b>	<b>(2,532)</b>	<b>28,143</b>	<b>-</b>	<b>28,143</b>
Finance income	11,106	-	11,106	-	11,106
Finance costs	(46)	-	(46)	-	(46)
<b>Profit before tax</b>	<b>41,735</b>	<b>(2,532)</b>	<b>39,203</b>	<b>-</b>	<b>39,203</b>
Income Tax	(2,383)	-	(2,383)	(8,899)	(11,282)
<b>Profit after tax</b>	<b>39,352</b>	<b>(2,532)</b>	<b>36,820</b>	<b>(8,899)</b>	<b>27,921</b>
Profit attributable to minority interests	(17,473)	(461)	(17,934)	3,169	(14,765)
<b>Retained profit</b>	<b>21,879</b>	<b>(2,993)</b>	<b>18,886</b>	<b>(5,730)</b>	<b>13,156</b>
Basic earnings per share (ii)	9.03p	(1.24)p	7.79p	(2.37)	5.42p
Diluted earnings per share (iii)	8.31p	(1.24)p	7.17p	(2.37)	4.99p

Balances reported under UK GAAP for the year ended 31 March 2007 and as at 31 March 2007 have been restated under UK GAAP following analysis by management of the financial performance and financial position of the Group's subsidiary, Bindura Nickel Corporation Limited. Certain adjustments were made to the accounting treatment of exchange movements relating to transactions and balances originally denominated in Zimbabwean dollars. These adjustments are described below.

- i) The reported operating profit has decreased by £2,532,000 for the year ended 31 March 2007, comprising an exchange loss of £3,511,000 relating to dividends from BNC partially offset by £979,000 of exchange gains. The net effect was to reduce the Group's profit attributable to equity shareholders of the parent by £2,993,000.
- ii) Earning per share has been reduced in accordance with the adjustment in note (i) above.
- iii) A translation adjustment of £740,000 was made to Zimbabwean dollar dividends paid to the minority shareholders in BNC. This adjustment, together with the £2,532,000 decrease in the Group's profit before minority interest resulted in a total decrease of £3,272,000 in the Group's shareholders' equity.

For the year ended 31 March 2007, profit after tax has been reduced by £8,899,000 due to the increase in the deferred tax charge for IFRS purposes. As the charge partly related to Bindura Nickel, it has been offset by a decrease in minority interest of £3,169,000.

*Balance Sheet reconciliation from UK GAAP to IFRS*

Financial statement caption	1 April 2006			31 March 2007				
	As reported under UK GAAP £000	Effect of transition to IFRS £000	Reported in compliance with IFRS £000	As reported under UK GAAP £000	Prior year adjustment	As reported under UK GAAP (post-adjustment) £000	Effect of transition to IFRS £000	Reported in compliance with IFRS £000
<b>Assets</b>								
Property, plant & equipment	65,365	-	65,365	68,541	-	68,541	-	68,541
Intangible assets	12,980	-	12,980	15,099	-	15,099	-	15,099
Investments	-	-	-	12,009	-	12,009	-	12,009
Deferred tax asset	-	7	7	-	-	-	384	384
<b>Total non-current assets</b>	<b>78,345</b>	<b>7</b>	<b>78,352</b>	<b>95,649</b>	<b>-</b>	<b>95,649</b>	<b>384</b>	<b>96,033</b>
Cash and cash equivalents	14,311	-	14,311	38,086	-	38,086	607	38,693
Available for sale assets	-	-	-	2,369	-	2,369	(279)	2,090
Inventories	8,773	-	8,773	12,211	-	12,211	-	12,211
Trade and other receivables	9,455	-	9,455	22,891	-	22,891	(164)	22,727
Tax receivable	-	-	-	-	-	-	164	164
<b>Total current assets</b>	<b>32,539</b>	<b>-</b>	<b>32,539</b>	<b>75,557</b>	<b>-</b>	<b>75,557</b>	<b>328</b>	<b>75,885</b>
<b>Total assets</b>	<b>110,884</b>	<b>7</b>	<b>110,891</b>	<b>171,206</b>	<b>-</b>	<b>171,206</b>	<b>712</b>	<b>171,918</b>
<b>Equity</b>								
Issued capital	17,938	-	17,938	24,917	-	24,917	-	24,917
Share premium	54,116	-	54,116	250	-	250	-	250
Reserves	(3,547)	-	(3,547)	98,461	(1,299)	97,162	(5,465)	91,697
<b>Total shareholders' equity</b>	<b>68,507</b>	<b>-</b>	<b>68,507</b>	<b>123,628</b>	<b>(1,299)</b>	<b>122,329</b>	<b>(5,465)</b>	<b>116,864</b>
Minority interests	24,984	-	24,984	38,791	(1,973)	36,818	(2,933)	33,885
<b>Total equity</b>	<b>93,491</b>	<b>-</b>	<b>93,491</b>	<b>162,419</b>	<b>(3,272)</b>	<b>159,147</b>	<b>(8,398)</b>	<b>150,749</b>
<b>Liabilities</b>								
Trade and other payables	14,037	(3,498)	10,539	4,793	3,272	8,065	(74)	7,991
Bank overdraft	-	2,222	2,222	-	-	-	22	22
Taxation payable	-	1,276	1,276	-	-	-	52	52
<b>Total current liabilities</b>	<b>14,037</b>	<b>-</b>	<b>14,037</b>	<b>4,793</b>	<b>3,272</b>	<b>8,065</b>	<b>-</b>	<b>8,065</b>
Provisions	3,356	(1,461)	1,895	3,994	-	3,994	(1,349)	2,645
Deferred tax liability	-	1,468	1,468	-	-	-	10,459	10,459
<b>Total non-current liabilities</b>	<b>3,356</b>	<b>7</b>	<b>3,363</b>	<b>3,994</b>	<b>-</b>	<b>3,994</b>	<b>9,110</b>	<b>13,104</b>
<b>Total equity and liabilities</b>	<b>110,884</b>	<b>7</b>	<b>110,891</b>	<b>171,206</b>	<b>-</b>	<b>171,206</b>	<b>712</b>	<b>171,918</b>

At 31 March 2007, shareholders' equity under IFRS are £8,398,000 lower than presented under UK GAAP, comprising the increase in the net deferred tax liability of £8,660,000, reduced by the uplift of £328,000 of the group's short-term investments from historical cost under UK GAAP to fair value for IFRS purposes. This has been partially offset by an increase in the deferred tax liability of £66,000. No restatement for IFRS purposes was required to the balance sheet at 1 April 2006.

*Group Statement of Recognised Income and Expense reconciliation from UK GAAP to IFRS*

<b>As at 31 March 2007</b>	<b>As reported under UK GAAP £000</b>	<b>Prior year adjustment £000</b>	<b>Effect of transition £000</b>	<b>As reported under IFRS £000</b>
Profit/(loss) for the year	21,879	(2,993)	(5,730)	13,156
Movement in available for sale financial assets			174	174
Deferred tax on movement in available for sale financial assets			(35)	(35)
Net exchange differences on the retranslation of net investments	(7,749)	1,694	126	(5,929)
<b>Total recognised gains relating to the financial year</b>	<b>14,130</b>	<b>(1,299)</b>	<b>(5,465)</b>	<b>7,366</b>

*Group reconciliation of Equity from UK GAAP to IFRS*

	Profit/(loss) for the financial year £000	Non- distributable reserves £000	Credit in relation to share- based payments £000	New share capital subscribed (net of issue costs) £000	Net exchange differences on the retranslation of net investments £000	Purchase of own shares £000	Net additions to/ reduction to shareholders' funds £000	Opening shareholders' funds £000	Closing shareholders' funds £000
Total equity as at 1 April 2006 (as restated under IFRS)	841	-	674	60,318	-	-	61,833	6,674	68,507
Movements for the period as reported under UK GAAP:	21,879	-	1,062	41,001	(7,749)	(1,072)	55,121	-	55,121
Prior year adjustment	(2,993)	-	-	-	1,694	-	(1,299)	-	(1,299)
	<b>19,727</b>	<b>-</b>	<b>1,736</b>	<b>101,319</b>	<b>(6,055)</b>	<b>(1,072)</b>	<b>115,655</b>	<b>6,674</b>	<b>122,329</b>
Movements for the period (effect of transition to IFRS):	(5,730)	139	-	-	126	-	(5,465)	-	(5,465)
<b>Total equity as at 31 March 2007</b>	<b>13,997</b>	<b>139</b>	<b>1,736</b>	<b>101,319</b>	<b>(5,929)</b>	<b>(1,072)</b>	<b>110,190</b>	<b>6,674</b>	<b>116,864</b>

*Summary description of significant IFRS adjustments*

A summary of the principal adjustments made in order to transition the Group's restated UK GAAP financial statements to IFRS are noted below.

**Deferred tax**

Under IFRS, deferred tax is recognised on all temporary differences that have originated but not reversed at the balance sheet date, with certain exceptions. The principal exceptions relate to temporary differences arising from Group investments where Mwana Africa is able to control the reversal of those temporary differences and those differences are not expected to reverse in the foreseeable future. In addition, deferred tax assets are recognised only to the extent it is more likely than not that they will be realised within the foreseeable future.

As a result of the above change, a net deferred tax liability on asset values held by the Group's Zimbabwean based subsidiaries of £8,660,000 and on the revaluation of available for sale assets of £66,000 was recognised on 31 March 2007.

**Financial Instruments**

Mwana Africa has adopted IAS 32, "Financial Instruments: Disclosure and Presentation", and IAS 39, "Financial Instruments: Recognition and Measurement" with effect from 1 April 2006.

Under IAS 39, available for sale investments are required to be held at fair value. At 31 March 2007, the group's available for sale investments have been uplifted to fair value by £328,000. This has been partially offset by an increase in the deferred tax liability of £66,000. No restatement for IFRS purposes was required to the balance sheet at 1 April 2006 or to the income statement ending 31 March 2007.

Mwana had no financial instruments during any of the periods under review and therefore no adjustment is required as a consequence of not early adopting.

***Cumulative currency translation differences***

Mwana Africa has adopted the exemption allowed under IFRS 1 not to separately recognise cumulative translation differences arising prior to the transition date. As a result, all cumulative translation differences at 1 April 2006 are deemed to be zero and all subsequent disposals will exclude any translation differences arising prior to the date of transition.

Under UK GAAP, translation differences arising on the consolidation of the results of and investment in foreign operations do not have to be separately identified and accounted for in subsequent disposals of those foreign operations. Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", such translation differences must be separately reported in equity, net of the result on any related hedging instruments; and on disposal of a foreign operation, any associated cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.