

Company [Pangea DiamondFields PLC](#)
TIDM PDF
Headline Exploration Update
Released 09:41 05-Feb-07
Number 6983Q



5th February 2007

Pangea DiamondFields plc
(“PDF” or “the company”)

Exploration Update

Pangea Diamondfields plc (AIM: PDF), the mid-tier diamond producer and exploration company releases its exploration update for Q4 2006. The company’s portfolio consists of nine projects, comprising of 24 distinct resource target areas, located in the Central African Republic (“CAR”), Democratic Republic of the Congo (“DRC”), South Africa and Angola.

Central African Republic – Dimbi Project

At a development cost to date of \$3.2 million, PDF has commenced a bulk sampling exercise at Dimbi. Mining equipment and a bulk sampling plant have been shipped to Dimbi and constructed on site and were commissioned in January 2007. The bulk sampling exercise objectives will be to:

- produce and sell a sufficiently large parcel of diamonds to determine expected future carat prices and quality
- establish and confirm geological, metallurgical and mining assumptions and data
- acquire data to prepare a feasibility study for the upgrade of the operations to commercial scale
- commence the process of hiring and training operational staff for future commercial scale operations
- develop systems and procedures across all facets of the operation, in particular optimal mining methods, logistics, local community and government liaison and marketing to prepare for commercial scale operations

Ongoing exploration

Exploration of the 1,000m² Dimbi concession is ongoing. A tractor-mounted auger drill has been shipped to site and is assisting in the process of resource delineation. Progress is being made in the determination of the Dimbi project geological models and the potential source of the alluvial diamonds on the concession.

Mining Development Agreement

Our wholly owned subsidiary, Dimbi Diamants SAU ("Dimbi Diamants"), has agreed to enter into a Mining Development Agreement ("MDA") with the Department of Mines, Energy and Water Affairs in the CAR in respect of the Dimbi concession. The terms and conditions of this agreement have been finalised, the material features of which will be announced once the agreement has been executed by all parties. This comprehensive agreement covers much of the future operational and fiscal regime for the Dimbi concession.

The successful execution of the MDA, and the terms thereof, will represent a favourable outcome for PDF and a significant strengthening of tenure in the CAR.

Other

Dimbi Diamants has successfully negotiated the reduction of a diamond royalty from US\$7.50 to US\$4.00 per carat which amount will be further reduced if the sales value per carat is less than US\$150 per carat.

New concession areas

Additional concession areas are currently in the process of being evaluated and discussions to acquire additional concessions are ongoing. Further announcements in this regard will be made as appropriate.

Democratic Republic of Congo

During H2 2006, field exploration was suspended in the lead up to the country's elections until the election results were announced. Following the successful completion of the elections, exploration activity has increased with exploration staff and equipment being deployed to the Tshikapa project areas.

Based on the encouraging sampling results to date from the Yusufu and Ikulu projects on the Longatshimo River, noted in the AIM admission document, PDF is proceeding to bulk sampling on these properties. A plant site has been identified and an operational team is in the process of being assembled. The required plant has been designed and is currently being manufactured, with operations expected to commence mid 2007.

New agreements have been negotiated and concluded directly with the holders of the Yusufu and Ikulu concessions, moving PDF ownership from a percentage of the licence to a 20% free carry interest after pay-back and deduction of costs. PDF is operator and manager of the concessions and the Board believes that the new agreements strengthen and improve the Company's tenure over the projects.

South Africa

All prospecting licence applications in South Africa have now been granted. Bulk sampling has commenced in the two target areas of the Malmani project which were identified from drilling and the overburden is in the process of being stripped. Once underlying gravel horizons have been subsequently exposed, the gravels will be processed to test for diamonds and a resource will be estimated. Results from this sampling programme are expected in Q2 2007.

The Patsema drilling programme which is testing gravity targets is in progress with 101 holes having been drilled to date. The existence of significant gravel-filled pothole structures has been indicated and this programme will be followed by bulk sampling.

Phase 1 of the Brussels bulk sampling programme at the Harts River project was concluded in Q4 2006, the results of which have been evaluated and the geological models updated. Phase 2 bulk sampling will commence based on the interpretation of the updated models.

PDF has been granted a licence adjacent to this farm to the north. Negotiations are underway with surface owners to allow us access to commence bulk sampling to evaluate the property.

PDF is also negotiating to appoint contractors to commence mining on one of the blocks elsewhere on the Harts River Project (Pampierstad), with a view to confirming the prospect of a large gravel resource.

Angola

Projecto Cassanguidi

Pilot mining operations at Cassanguidi continue however operations were hampered in Q4 2006 due to the excessive seasonal rains, resulting in diamond production in December being significantly less than expected. 5,690 carats were produced during the quarter.

Average diamond revenue from sales to Sodiam, Endiama's marketing arm, have been disappointing and, in the Company's opinion, well below market value. Plans to develop the project further will be deferred until there is a mechanism in place to ensure sales at market-related levels can be achieved and are sustainable. Discussions regarding the sale and marketing procedures are ongoing.

Projecto Lumuanza

The bulk sampling programme at the Lumuanza project commenced in September 2006 with the commissioning of a 20tph Dense Medium Separation ("DMS") plant and the delivery of earthmoving equipment.

A regional exploration programme was also embarked upon to further evaluate the potential of the exploration permit area.

Results from both these programmes were variable, with strip ratios generally higher than prior historic data and bulk sample grades were consistently below those reported in historic Diamang data. The viability of the project has now been re-evaluated using this new data and it has been concluded that the project returns are likely to be marginal.

The Lumuanza project remains a reasonably prospective exploration target. Notwithstanding this, the extremely high, imposed, structural project overheads, the prejudicial project risk/return shareholder participation and financing ratios and uncertainties regarding mechanisms to sell future output at market prices, combine to yield a result where PDF considers the potential future project returns do not justify continued exploration funding on risk.

Consequently, notice has been given to Sociedade Mineira do Lumuanza ("Somilu"), the Angolan company in which PDF has an indirect 41% shareholding, that PDF would cease funding the Lumuanza project. Somilu's shareholders are currently in the process of seeking other sources of funding. In PDF's opinion, it has fulfilled its obligations in terms of the various agreements with Somilu.

Cash resources

At the date hereof, the Company had US\$24.5 million of cash resources on hand, US\$4 million more than the working capital forecast at the end of January 2007 as prepared for the company's Admission to AIM in October 2006.

Chief Executive Officer, Rob Still stated, "We are extremely happy with the PDF work programme to date and are very excited that we are now proceeding to bulk sampling on a number of our projects. We are especially excited about the progress made at Dimbi. As stated in our Admission document, PDF's aim is to minimise risk by diversifying our projects geographically - in line with this aim we have at this point made the decision to cease funding on the Lumuanza project in Angola and to target our finances on other more prospective projects contained within our portfolio."

Further Information:

Pangea DiamondFields plc

Rob Still (CEO)

T: +27 11 438 4105

M: +27 82 442 4542

Michelle Jenkins (Investor relations)

T: +27 11 4384122

M: +27 83 303 3074

Ambrian Partners Limited

Richard Brown

T: +44 (0) 20 7776 6400

M: +44 (0) 7748 760 276

Parkgreen Communications

Victoria Thomas / Justine Howarth

T: +44 (0) 20 7851 7480

Notes to Editors:

About Pangea Diamondfields PLC

Pangea Diamondfields plc (AIM: PDF) is a mid-tier diamond producer and exploration company with an initial portfolio of nine projects, comprising of 24 distinct resource target areas, located in the Central African Republic, Democratic Republic of the Congo, South Africa and Angola. The company's aim is to minimise risk by diversifying its projects geographically.

PDF's projects are located within highly prospective diamond geological environments.

Exploration results to date remain positive, one project has advanced to pilot mining, three to bulk sampling and the remaining projects are at differing stages of exploration.

PDF successfully listed on AIM in October 2006.

For more information on PDF, please visit: <http://www.pangeadiamondfields.com/>

END