Regulatory Announcement

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31 March 2008

Pangea DiamondFields plc

('Pangea', 'PDF' or the 'Company')

Final Results for the Year ended 31 December 2007

Pangea DiamondFields plc (AIM: PDF), the mid-tier diamond producer and exploration company announces its audited results for the year ended 31 December 2007.

The Company's portfolio to date consists of ten projects, each with multiple resource targets, located in the Central African Republic, Democratic Republic of the Congo, South Africa and Angola.

HIGHLIGHTS

- Exploration projects progressing well:
  - One project at pilot mining stage
  - Four at bulk sampling and one project proposed to move into bulk sampling early in 2008
  - Balance of projects at differing stages of exploration
- Dimbi project:

  - Started producing and exporting diamonds from bulk sampling with the first sale of a parcel of diamonds made in Antwerp subsequent to year end achieving an average price of US$166 per carat

  - Encouraging results in bulk sampling prompted the decision to scale up to pilot mining and additional equipment was en route to Dimbi by year end

- Longatshimo River project:

  - Bulk sampling plant and equipment successfully delivered to the Longatshimo camp after a groundbreaking 4,700km overland journey from South Africa to the DRC via Namibia and Angola

  - Bulk sampling plant successfully constructed and commissioned on schedule subsequent to year end

- Cassanguidi project:

  - Improved sales procedures, allowing consideration of expansion opportunities

- Bakerville project:

  - Bulk sampling plant commissioned and resource delineation well advanced

- Harts River project:

  - Phase 2 bulk sampling in the north of the Harts River project at the Brussels area re-commenced late in the year

  - Second bulk sampling site in the south of the Harts River project at the Pampierstad area well advanced and due for commissioning early in 2008

- Team strengthened by the recruitment of additional key personnel both in the corporate office and on the project sites
- Agreement reached with international diamond experts, WWW International Diamond Consultants Ltd on marketing of PDF production
- Presence with institutional investors expanded in London and Toronto during late 2007 with successful capital raise of US$15 million equivalent finalized early in 2008

Commenting on the results, CEO, Rob Still said, "This year has been a period of milestones for Pangea and the team has excelled itself throughout. I believe that with the strong team we have in place, Pangea is well poised to continue to meet the targets that we have set. I am very proud of what we have achieved this year and would like to thank the shareholders for their continued support."

Further Information:

| | | |
|---|---|---|
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Notes to Editors:

**About Pangea Diamondfields PLC**

Pangea DiamondFields plc (AIM: PDF) is a mid-tier diamond producer and exploration company with a portfolio of ten projects each with multiple resource targets, 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. One project has advanced to pilot mining, four to bulk sampling with a target of six bulk sampling or more advanced by Q1 2008. At present the remaining projects are at differing stages of exploration.

PDF listed on AIM in October 2006.

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

# CHAIRMAN’S REVIEW

In my review last year I stated that “In 2007, I look forward to the eight projects [PDF’s portfolio at that time] reaching critical mass with the acceleration of the exploration process and the upgrading of three projects from advanced exploration stage to bulk sampling”. I am pleased to report that this objective has been achieved and, indeed, exceeded.

PDF now has one project at pilot mining stage, four at bulk sampling, one moving into bulk sampling early in 2008 and the balance at differing stages of exploration. This achievement has been the result of steady and methodical exploration, plant construction and operation work by the PDF team operating under challenging circumstances.

PDF has established excellent exploration skills and the geological team, led by Mr Anton Esterhuizen, continues to demonstrate its experience and commitment in the discovery and delineation of world-class resources. As the Company is now progressing as planned to bulk sampling evaluation of its projects and to the commercialisation thereof, logistical and operational skills become paramount. The PDF team's achievements in 2007 in establishing its operations in remote areas of the DRC and the CAR in particular are encouraging and augur well for their ability to capitalise on the opportunities available to the Company.

Certainly I and the PDF team are under no illusions as to the need to expedite the commercialisation of the deposits that have been delineated so that the Company can demonstrate its potential. In order to achieve this during 2008, the team will focus on completing its bulk sampling programmes and on delineating sufficient resources to justify the progression to commercial scale mining and commissioning of at least two mines by year end; exploration for new alluvial diamond deposits continues unabated. Despite having successfully raised approximately US$15 million in additional equity funding in February 2008, a considerable achievement given market conditions, PDF will target the raising of additional funds during the year.

Commercial fundamentals within the diamond industry remain robust. Whilst PDF is attempting to develop commercial mines in remote areas, there is little doubt that the indicated returns are worth the effort.

I continue to be most favourably impressed by the dedication and effectiveness of the men and women who, under Rob Still and his executive, manage and operate Pangea DiamondFields’ range of activities from early exploration through to mining, finance and administration. I would like to extend my thanks to them all for their efforts to progress your company towards the status of a productive and viable mid-tier diamond producing company. During 2008 Rob Still, our Chief Executive, will move to Deputy Chairman and Brett Thompson will take over as Chief Executive. I have confidence in them both to move the Company forward as planned.

Bill Nairn
Chairman
31 March 2008

# CHIEF EXECUTIVE OFFICER'S REPORT

*Introduction*

Your company's Admission Document on its listing on the AIM market in 2006 stated that: "Pangea's immediate objective is to select and progress the best three projects in its portfolio to mine development by the end of 2009 and to grow these mines to optimum scale by modular expansion thereafter".

Some 20 months later it is gratifying to report that this immediate objective and target remains Pangea's focus and that the Company is on track to achieve it. Furthermore, the overall fundamentals of the diamond industry remain positive and the supply/demand and pricing outlook remains favourable. In short, our objectives remain economically worth pursuing.

Since our listing in October of 2006, Pangea has made steady but hard-won progress across its portfolio of ten projects, located in four countries.

Additional equipment is in transit to upgrade Dimbi in the CAR to pilot mining status and Longatshimo in the DRC has now progressed to bulk sampling with Cassanguidi in Angola, after a period of trial mining, planned to be shortly upgraded to commercial scale. In South Africa, bulk sampling has re-commenced at Pangea's Harts River project in the Brussels area and equipment is currently being mobilised to commence bulk sampling in the Pampierstad area, while bulk sampling continues at Bakerville.

Since its admission to AIM in October 2006, US$26 million has been spent in the evaluation of our projects and, of this, 88% has been spent "in the ground", including 54% on capital equipment.

Pangea's project evaluation work across its entire portfolio is characterised by the steady, procedural and systematic application of fundamental geological techniques and by a gradual but incremental resolution of attendant logistical challenges. This emphasis on "bottom-up" fundamental work is intended to reduce project risks and enhance the probability of the future commercial success of Pangea's projects.

In February 2008, and despite difficult market conditions, Pangea raised approximately US$15 million by the issue of 16.5 million new shares at £0.46 per share. These funds will be utilised to pursue the commercialisation of its major projects. In addition, Pangea is exploring its options in raising a further US$15-US$20 million.

Given the consistent achievement of its stated targets and the potential of its project portfolio, the Pangea management team continue to believe that the true value of the Company has yet to be reflected in our share price.

## Strategic Overview

### *Country Spread*

Given the potential risks involved with mineral exploration in general, and with exploration in Africa and alluvial diamond exploration in particular, Pangea's strategy has been to target projects in four highly prospective countries to diversify its political and geological risks.

While such a strategy has the potential to spread the Company's focus and resources, and presents a challenge in terms of communicating the high quality and exploration potential of its projects, we continue to believe that such a strategy will provide the greatest return for our shareholders.

Pangea's focus in 2008 will be on commercialising its core projects to achieve overall positive cash flow during 2009, while emphasizing and communicating the value and potential of its projects to the investment community.

### *Alluvial vs. Kimberlite Exploration*

Pangea remains committed to alluvial exploration and diamond mining. Due to the relatively short development and capital payback periods, Pangea is now, after three years, ready to progress its advanced alluvial diamond projects to commercial scale production.

Pangea will not expend its resources on kimberlite exploration and regards grass-roots exploration for kimberlite deposits as having an inappropriate risk/return profile.

### *Exploration vs Acquisition*

Pangea has the core skills to source, evaluate and progress diamond exploration projects to commercial scale production at relatively low cost. Although analyses to date have suggested that growth by acquisition is costlier than in-house development, Pangea continues to review all opportunities to enhance shareholder value.

During the past year Pangea was presented with an exciting opportunity to acquire a significant stake in the Kao Kimberlite project in Lesotho at a realistic price from disgruntled investors representing a significant shareholding. While we believed that the potential acquisition of this project presented an opportunity for all shareholders to enhance value, we unfortunately were unable to acquire control of the project or joint management and consequently decided not to pursue the opportunity.

## Commercial Production and Cash Flow

Pangea's current strategy is clear and compelling. As a result of its phased approach to the evaluation of its projects, the Company is now in a position to progress its core projects to commercial scale production. Successfully achieving this objective is expected to result in the Company enjoying positive cash flows by 2H 2009. This will create the required momentum to invest in further resources and operational scale and further progress its remaining projects to production.

Pangea's key milestones include:

- At Dimbi – Completing resource delineation from current bulk sampling plant to enable a go-ahead decision on mining at "Module 1" scale in 2H 2008 and to be commissioned and operational by year end; and

• At Longatshimo – To commence the bulk sampling programme in March 2008 and upgrade to pilot mining in 2H 2008 by increasing mining fleet and throughput to delineate sufficient resources to enable a go-ahead decision on mining at "Module
1" scale to proceed in 1H 2009; and

• At Cassanguidi – To complete commercial negotiations with the project partners to increase Pangea's economic interests in the project to enable a go-ahead decision on mining at "Module
1" scale in 1H 2008 and to be commissioned and operational by 2H 2008; and

• At Harts River and Bakerville in South Africa – To continue bulk sampling and project evaluations so that the projects can proceed to development in 2009.

Financial Results and Planning

It is the Group's policy to expense all exploration expenditure. The loss for the year of US$19.0 million (2006: US$14.9 million) includes US$9.0 million (2006: US$8.2 million) direct exploration expenditure, US$2.75 million (2006: US$1.8 million) of depreciation and US$2.6 million (2006: US$1.3 million) in expensing employee share options. Total expenditure for the year was US$25.4 million (2006: US$20.1 million), including capital expenditure. Exploration and capital expenditure for the year per country/project was as follows:

| | 2007 Exploration Expenditure (US$) millions | 2006 Exploration Expenditure (US$) millions | 2007 Capital Expenditure (US$) millions | 2006 Capital Expenditure (US$) millions |
|---|---|---|---|---|
| CAR – All projects | 5.1 | 2.6 | 1.6 | 3.2 |
| DRC – All projects | 2.6 | 1.0 | 4.3 | - |
| South Africa – All projects | 1.3 | 1.8 | 0.4 | - |
| Angola – Lumuanza project | - | 2.8 | - | - |
| Angola – Cassanguidi project | - | - | 0.1 | 2.0 |
| Total | 9.0 | 8.2 | 6.4 | 5.2 |

At year end, the cash balance was US$3.9 million (2006: US$26.1 million). In February 2008 the Company raised gross proceeds of approximately US$15 million by placing 16.5 million new shares at £0.46 per share. In addition, Pangea is exploring its options in raising a further US$15-$20 million during 2008. The Company expects that these additional funds, if raised, will be used primarily to fund the development of the Company's major projects.

Management and Board

Mr JA Dreyer, who is moving to Australia, resigned from the board during the year. His past service is appreciated. The board is otherwise unchanged and I would like to record my appreciation to the Chairman, Mr Bill Nairn, and the directors for their wise counsel and support during the year.

Effective 1 July 2008 I shall step down as Chief Executive owing to other competing work and family commitments. I shall remain involved as Executive Deputy Chairman, spending some 50% of my time on Company matters. I shall be replaced by Brett Thompson as Chief Executive. The full board and I have complete faith in both Brett's ability and commitment to take Pangea forward.

Acknowledgements

This last financial year has been one of extremely hard work in often difficult circumstances. A talented and dedicated team made possible what has been achieved this year and I would like to thank all the staff for their efforts.

Rob Still

Chief Executive Officer

31 March 2008

REVIEW OF OPERATIONS

Details of the progress and status of each project are set out in the following section.

Central African Republic ("CAR")

The CAR is viewed by PDF management as a highly prospective target area which has historically been under explored despite being a source of high quality alluvial diamonds.

*The Dimbi Project*

Pangea's primary focus in the CAR continues to be the Dimbi project.

Our wholly owned subsidiary, Dimbi Diamants SAU ("Dimbi Diamants") commenced a bulk sampling exercise on the Dimbi concession in March 2007 following commissioning of the plant.

This bulk sampling exercise has focused on the proposed Mining Area within a 3km radius of the plant and to date has been mainly in the Mea River (Paleo- Kotto) floodplain and the Akongo River (a Dimbi Formation tributary), an area that represents less than 3% of the overall Prospecting Licence area. The objective is to delineate sufficient ore resources at economic grades to initially supply over 5 years of mine life at the planned "Module 1" run of mine gravel processing capacity of approximately 40,000 m3 per month.

Data from bulk sampling trenches mined across the Paleo-Kotto floodplain in the target area, together with hand bulk sample pits and drilling, is being assessed to delineate ore resources and this programme should be well advanced by mid-year. Over 5,000ct have been recovered to date and on 27 February 2008 the first 3,671ct were sold on tender in Antwerp by the Company's agents, WWW International, at an average price of US$166.

The bulk sampling activities have been impacted by an extremely wet season and core equipment unavailability. Additional mining equipment which is currently en route to Dimbi and further pumping equipment recently installed should result in improved throughput going forward.

Grade data to date is encouraging and it is hoped that a recovered grade in excess of 35ct/100 m3 will ultimately prove a realistic target for the planned "Module 1" scale mining operations. This translates into revenue per m3 of approximately $58/m3 compared with all-in cash costs budgeted at $22/m3. A decision to proceed with "Module 1" scale mining operations will be made by mid-year after the results of the programme are processed and commissioning is targeted in late 2008.

Diamonds are carried in the Paleo Kotto within the Upper Unit Basal Gravel package. This package, which is visually identifiable in mining operations, varies from 0.6m to 1.2m and waste:ore strip ratios vary from 4 to 8. Bulk sampling programmes by definition utilise a limited suite of earthmoving equipment and as such lead to sub-optimal mining methods. At Dimbi, the final gravel mining has been undertaken with a 45t excavator. Consequently, excessive dilution occurs and impacts recovered grades. This mining dilution will be addressed by more appropriate mining methods and equipment during commercial scale mining.

As previously reported, near-surface and highly weathered samples taken from a discovery in the south of the concession in December 2006, have been analysed by independent laboratories as "mantle- derived" source rocks, believed to be either a kimberlite or a lamproite. Similar weathered, green, apparently mantle-derived rocks have also been recently discovered in the footwall of current bulk sampling activities some 30km from the original discovery.

These apparently “mantle-derived” source rocks are considered highly prospective. Despite having been a significant producer of diamonds for many years, no diamond-bearing source rocks have been discovered in the CAR to date.

It has been decided to only commence the evaluation of these areas after commercial scale mining on the initial target area has commenced and is cash flow positive.

*The Etoile Prospect*

Owing to Pangea's significant presence in the CAR, a number of additional prospective project areas have been selectively reviewed and evaluated during the year and a new licence area, the Etoile concession, has now been acquired.

This prospect, covering some 3,000km2, is located in the Mouka Ouadda region of the eastern CAR along the Kotto River where extensive river and river bank artisanal activities are present.

Pangea has established two field camps on the concession and reconnaissance exploration is in progress to outline and map the terrace paleo channels where waste stripping is likely to make the deposits economic. Diamonds from artisanal workings in this area average 0.75ct per stone and diamonds larger than 10ct are frequently recovered.

Democratic Republic of Congo (“DRC”)

A general political stabilisation within the DRC over recent years, as well as the highly prospective nature of the “Lucapa” corridor running from south-west to north-east from Lunda North in Angola through the Tshikapa area in the DRC and beyond, make this region an obvious target for diamond exploration. PDF is confident it has selected highly prospective target areas in the region.

Since 2005, Pangea staff have been actively exploring and evaluating its various target areas and from late 2006 our efforts have been concentrated on the Tshikapa and Longatshimo River project areas where the “Advanced Exploration Phase”, including extensive mapping, pitting and drilling of the various terraces, has now been completed. Subject to corroboration of the positive results of this exercise by scientific bulk sampling it appears that these Tshikapa and Longatshimo River project areas have the potential to host both extensive and highly economic deposits of alluvial diamonds.

Pangea has accordingly extended and consolidated its land holding in this target area and now has seven licence blocks at Tshikapa and six at Longatshimo.

Notwithstanding the considerable potential of alluvial diamond mining in the Kasai region of the DRC, the logistical challenges to commercial scale diamond mining are daunting. Traditional access routes to the Tshikapa region have been by sea, road and river- barge with no less than four separate legs and "transfer points" which have often been rendered almost impassable by seasonal closures, transfer and haulage equipment shortages and impassable bridges.

Pangea decided during 2007 that it was both possible, and indeed optimal, to open up a logistical supply route overland from the Angolan border some 70km to the south of its Tshikapa and Longatshimo project areas. To this end Pangea has:

- Successfully petitioned both the Angolan and DRC Governments to re-open a disused border post north west of the town of Dundo in Angola

- Built a road from Dundo in Angola to its camp at the Longatshimo project, including the construction of several steel bridges

- Transported an entire bulk sampling plant, camp infrastructure and mining equipment weighing some 600 tonnes over 4,700km via a fleet of 17 trucks from South Africa to its camp at the Longatshimo project, and

- Built and commissioned the plant at the Longatshimo project.

We believe pioneering this new logistical supply route will enable Pangea to overcome the challenges to commercial scale diamond mining in its Tshikapa and Longatshimo River project areas. It is recommended that shareholders view photos of this "convoy" and the new plant at Longatshimo contained in this report and on the Company website in order to better appreciate the enormity of this task completed by the Pangea team led by Mr Boris Kamstra.

Bulk sampling will now commence at Longatshimo and the successful delineation of sufficient economic resources to enable a decision to proceed with "Module 1" scale mining operations to be made by the end of 2008. During 2009 the Company expects bulk sampling to commence at the twin project at Tshikapa.

Whilst reconnaissance exploration has been successfully carried out on the Kasai Licence and the Luebo Licence areas, Pangea is evaluating whether these projects can effectively overcome the logistical challenges to facilitate economic commercial scale diamond mining and a decision on the future of these licence areas will depend upon this evaluation.

## Angola

Whilst highly prospective for diamond mining and exploration, Angola is a challenging country to operate in. This is due to the combined impact of byzantine legal systems, limited infrastructure, non-commercial investment terms from the State diamond monopoly, Endiama and its sales arm Sodiam and high input costs (with the notable exception of fuel). Any review of the results of public companies operating in Angola attests to this and it is Pangea's view that ultimately the system is structurally unsustainable.

Accordingly Pangea, as previously reported, withdrew from its Lumuanza project in late 2006, having concluded that, whilst this project remains a reasonably prospective exploration target, the potential future project returns did not justify continued exploration funding on risk. An agreement to pay Pangea US$1.4 million for its stake in the project was concluded but is, to date, yet to be honoured.

### *Project Cassanguidi*

Owing to its strategic location relative to Pangea's DRC projects and to the more balanced “old order” licence arrangements, Pangea has retained its investment in the Cassanguidi project. This project is considered to be at pilot mining status although it is currently facing challenges posed by inadequate mining and processing equipment.

Pangea seeks to reach a stage that it can invest in appropriate equipment to achieve commercial operational scale to place the operation on a sustainable and profitable basis. Regional exploration activities have identified sufficient resources adequate for this planned capacity expansion.

From late in 2006, PDF was able to exercise an increasingly greater managerial role over the Cassanguidi pilot mining operation. Except for a period of heavy seasonal rains late in 2006 into early 2007, plant throughput and diamond production increased steadily to mid-2007 with a peak of 4,761ct produced in June. Since then production has been negatively impacted by equipment unavailability but operations have broadly covered costs.

However, diamond sales results through Sodiam (the monopoly marketing arm of Endiama, the state-owned diamond company) were disappointing in the latter part of 2006 and first half of 2007, with independent and in-house valuations suggesting that gross prices received reflected a 30-40% discount to market. This was a major concern to the group and discussions regarding the sale and marketing procedures have been successful and market-related prices are now being achieved.

Pangea currently owns 50% of Sub Sahara Limitada, an Angolan company that in turn has a 65% share in the Cassanguidi joint venture together with our Angolan partner, Marsanto, who holds a carried 35%. The remaining shareholders of Sub Sahara have to date been unable to invest their pro-rata share of the required capital, estimated at US$3 million, to upgrade Cassanguidi to commercial scale.

In February 2008 Pangea purchased, for a nominal sum, a further 10% shareholding in Sub Sahara although the requisite company procedures to formally register this transaction under Angolan law are in progress. As a consequence of now being the majority shareholder in Sub Sahara, Pangea intends to further increase its shareholding in Sub Sahara consequent with its further investment of the required capital, estimated at US$3 million, to upgrade Cassanguidi to commercial scale and such investment will be contingent thereon.

Republic of South Africa

Despite having been mined extensively for diamonds over the past century or more, PDF management believes that South Africa still hosts significant untapped diamond resources. Specifically the recent changes in legislation have provided access to highly prospective areas otherwise sterilised in the past and in addition, many previously mined areas had not been subjected to any recent “brown-fields” exploration using modern techniques. PDF has exploited both of these opportunities to select and acquire a number of exciting target areas in South Africa.

Despite Pangea's limited financial and managerial resources the South African projects have seen significant exploration progress during 2007 although progress on the Harts River project has been slow.

*Bakerville Project*

The Bakerville area was the subject of a major diamond rush in the 1920s during which the declared diamond production was reported to be around 7.5 million carats. The project areas are high potential extensions of the historical production areas which remained sterilised until the 2004 legislation changes provided a means to access these properties.

There are two distinct sub-areas within this project area: Patsema and Malmani. The Patsema area has similar potential to the high grade historical potholes and gravel runs at Bakerville. The Malmani area targets represented potential trap sites identified from the extensions of the Patsema area gravel runs and potholes. Bulk sampling carried out on the Malmani targets during 2007 returned disappointing results and that area has been discontinued. Historic diamond production from Patsema area has yielded diamond grades of the gravel runs of 5ct/100 ton, whilst that of the potholes is up to 500ct/100 ton or 5ct/ton. Consequently, this area is considered highly prospective and PDF's focus is on identifying the high grade pothole resources.

A ground gravity survey conducted on a portion of the farm Zamenkomst “downstream” from historical potholes, identified runs and ten potential pothole targets which were subsequently tested by the drilling of over 400 boreholes. This drilling and subsequent follow up in fill drilling then confirmed the presence of at least four distinct pothole structures and numerous gravel runs containing significant gravel resources.

At least six more targets remain yet to be drilled. Our target is to find potholes similar to those mined historically, some of which have yielded up to 3.2 million carats in a single pothole. Exploration is continuing and to date, less than 10% of the Patsema area has been investigated.

In the second half of 2007, 19 Bauer rig large diameter holes were completed to test the initial pothole structures and Pangea commissioned a 20 tph DMS (Dense Medium Separation) plant at the Zamenkomst site to treat the resulting gravels. To date 25ct have been recovered and these stones have been encouragingly independently valued at US$310/ct. At this early stage, the results for the potholes drilled are inconclusive although the gravel runs certainly appear economic. The evaluation process is ongoing and is expected to yield more conclusive results during 2008.

On the farm Geluksdal, within the Patsema area, a kimberlite target was identified by geo-magnetic modeling and analysis and to date four holes were drilled into the postulated kimberlite. The holes were each drilled to a depth of about 50m before being abandoned after intersecting chert lenses and abundant gravels. While a kimberlite below the gravels cannot be ruled out, until drilling has been able to penetrate this sequence, this target now appears at the very least to be a large pothole (more than 200m x 200m). Five bauer rig large diameter holes were completed to test this structure but results have been disappointing and activity in this area has been curtailed.

*Harts River Project*

The Harts River project was identified by the PDF exploration team and represents a target area which had otherwise been overlooked in the past. It has been modeled as a number of large volume gravel deposits situated over a 250km plus stretch of the paleo-Harts River. All licences in this project area have now been granted.

The first phase 600,000t bulk sampling programme which focused on the Brussels area in the north of the system was completed in 2006 by sub-contractors who were remunerated from the diamonds recovered.

This programme, under the specific direction of PDF geologists, was designed to separately process specific gravel horisons (within the up to 7m thick gravel package), to find the optimal diamond bearing gravel. A specific gravel package has been identified (called UCG) which has demonstrated a more attractive grade of around 0.47ct/100t from bulk sampling and with an average diamond size of 1.24ct and an average selling price in 2006 of over US$1,500 per carat. These results are considered highly encouraging given subsequent increases in large diamond prices and the impact of the weakening rand on cost structures.

During 2007 surface access rights have been negotiated on contiguous farms to the initial Brussels evaluation area and late in 2007 a second phase bulk sampling programme has commenced to delineate high grade gravel horisons within the northern system. This programme will include a trial of new specialised equipment for mining calcretised gravels to test postulated lower costs and greater diamond liberation. Another of the large gravel resource areas identified within the Harts River project occurs on a property (Pampierstad) in the south. The gravel identified in this area appears to be much less calcretised and as a consequence relatively easily mined and a bulk sampling programme using PDF equipment and personnel is planned to commence in 2Q 2008 on this site. Equipment is currently being mobilised to Pampierstad.

The Harts River project has the potential to host a very large scale, low cost, low grade mining operation recovering high-value diamonds similar to large successful operations on the middle Orange River. The 250km paleo-Harts River contains vast gravel deposits, postulated in excess of 1 billion tons. The overall objective of the exploration programme is to investigate and better understand the various paleo gravel units in order to identify and delineate the higher grade and economic gravel horizons within the overall system.

Based on this further exploration, Pangea targets the development of preliminary scoping studies during 2008 leading to feasibility studies and a mine go-ahead decision by late in 2009.

*Bloemhof Project*

The Bloemhof project occurs in an area of extensive alluvial mining activity and PDF identified prospective properties which were previously subject to complex mineral rights arrangements and prevented exploitation. These were acquired as a result of the recent changes in legislation and prospecting permits over five blocks of farms have been granted to the underlying PDF Group companies. During 2008 negotiations have been concluded with the respective surface rights owners for access to these farms and initial exploration has commenced.

During 2008 Pangea intends to offer these projects to suitable third parties for mining under joint venture arrangements.

CONSOLIDATED INCOME STATEMENT

For the year ended December 2007

| | Group 2007 (US$) | Group 2006 (US$) |
|---|---|---|
| Diamond revenue | 4 816 980 | 3 092 223 |
| Pilot mining operating expenditure | (5 319 252) | (4 346 818) |
| Exploration expenditure | (8 953 315) | (8 216 349) |
| Other operating expenses | (7 786 321) | (1 567 220) |
| Impairment losses attributable to project Lumuanza | - | (2 926 187) |
| Equity-settled share based payment transactions | (2 576 306) | (1 286 011) |
| Operating losses | (19 818 214) | (15 250 362) |
| Interest income | 799 038 | 395 525 |
| Loss before taxation | (19 019 176) | (14 854 837) |
| Taxation | - | - |
| Loss for the year | (19 019 176) | (14 854 837) |
| Attributable to : | | |
| -Equity holders of the parent company | (18 691 186) | (14 283 476) |
| -Minority interests | (327 990) | (571 361) |
| Loss for the year | (19 019 176) | (14 854 837) |
| Loss per share | (15.95) | (15.63) |

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

| | GROUP<br>2007<br>US$ | GROUP<br>2006<br>US$ |
|---|---|---|
| Assets | | |
| Total non-current assets | 15 722 819 | 10 711 152 |
| Mineral properties | 3 170 390 | 3170 390 |
| Plant and equipment | 11 143 370 | 7 540 762 |
| Unlisted investments | 1 409 059 | – |
| Total current assets | 4 673 240 | 26 640 943 |
| Other receivables | 801 880 | 547 245 |
| Cash and cash equivalents | 3 871 360 | 26 093 698 |
| Total assets | 20 396 059 | 37 352 095 |
| | | |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 586 749 | 585 415 |
| Share premium | 48 165 897 | 48 000 564 |
| Foreign currency translation reserve | (177 085) | (156 530) |
| Share-based equity reserves | 3 862 317 | 1 286 011 |
| Accumulated losses | (36 323 249) | (17 632 063) |
| Total equity attributable to equity holders of the Company | 16 114 629 | 32 083 397 |
| Minority interest | – | 327 990 |
| Total equity | 16 114 629 | 32 411 387 |
| | | |
| Non-current liability | | |
| Non-interest bearing loans | 3 786 601 | 4 009 394 |
| | | |
| Total current liabilities | 494 829 | 931 314 |
| Short-term loans | 201 316 | 727 041 |
| Trade and other payables | 293 513 | 204 273 |
| | | |

| | | |
|---|---|---|
| Total equity and liabilities | 20 396 059 | 37 352 095 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

| | Share Capital | Share Premium | Foreign Exchange Transaction Reserves | Share Based Equity Reserves | Accumulated Losses | Total Recognized Income and Expenses | Minority Interest | T |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | |
| Balance at 31 Dec 2005 | 400,000 | 9,937,708 | (107,445) | - | (3,812,707) | (3,920,152) | 1,363,471 | 7,781 |
| Shares issued for cash | 50,000 | 9,950,000 | - | - | - | - | - | 10,000 |
| Shares issued - acquisition of participation interest | 3,000 | 597,000 | - | - | - | - | - | 600 |
| Shares issued on AIM admission | 132,415 | 29,720,639 | - | - | - | - | - | 29,853 |
| Share issue expenses paid | - | (2,204,783) | - | - | - | - | - | (2,204, |
| Acquisition of Additional interest in subsidiary | - | - | - | - | 464,120 | 464,120 | (464,120) | |
| Share-based equity reserve | - | - | - | 1,286,011 | - | 1,286,011 | - | 1,286 |
| Foreign currency translation reserve | - | - | (49,085) | - | - | (49,085) | - | (49, |
| Loss for the year | - | - | - | - | (14,283,476) | (14,283,476) | (571,361) | (14,854, |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance at 31 Dec 2006 | 585,415 | 48,000,564 | (156,530) | 1,286,011 | (17,632,063) | (16,502,582) | 327,990 | 32,411 |
| Shares issued for cash | 1,334 | 165,333 | - | - | - | - | - | 166 |
| Share-based equity reserve | - | - | - | 2,576,306 | - | 2,576,306 | - | 2,576 |
| Foreign currency translation reserve | - | - | (20,555) | - | - | (20,555) | - | (20, |
| Loss for the year | - | - | - | - | (18,691,186) | (18,691,186) | (327,990) | (19,019, |
| Balance at 31 Dec 2007 | 586,749 | 48,165,897 | (177,085) | 3,862,317 | (36,323,249) | (32,638,017) | - | 16,114 |

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

| | GROUP 2007 US$ | GROUP 2006 US$ |
|---|---|---|
| Cash flows from operating activities | | |
| Net cash applied to operating activities | | |
| Cash flows applied to operating activities | (15 184 473) | (9 009 869) |
| Cash flows from investing activities | (6 961 184) | (6 977 779) |
| Interest received | 799 038 | 395 525 |
| Acquisition of plant and equipment | (6 351 163) | (5 387 994) |
| Acquisition of unlisted investments | (1 409 059) | – |
| Acquisition of subsidiary, net of cash | – | (1 985 310) |

| | | |
|---|---|---|
| Net cash used in investing activities | (22 145 657) | (15 987 648) |
| Cash (outflows)/inflows from financing activities | 166 667 | 38 248 271 |
| Shares issued for cash | | |
| Net loans (repaid)/raised | (222 793) | 1 594 362 |
| Net cash (repaid) flows from financing activities | (56 126) | 39 842 633 |
| Net (decrease)/increase in cash balances | (22 201 783) | 23 854 985 |
| Cash balances at beginning of the year | 26 093 698 | 2 316 376 |
| Foreign currency translation adjustment<br><br>relating to cash balance | (20 555) | (77 663) |
| Cash balances at end of the year | 3 871 360 | 26 093 698 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Pangea DiamondFields plc ("the Company") is a company domiciled in the Isle of Man. The consolidated annual financial information as at and for the year ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as "the Group"). The consolidated financial statements incorporate the principal accounting policies set out below.

1.1 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

1.2 Basis of preparation

The consolidated financial statements have been prepared in US dollars on the historical cost basis except for financial instruments available for sale. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key area of judgement and estimates by management relates to the assessment of the continued viability of exploration projects in respect of which property acquisition costs and mineral and surface rights have been capitalised as mineral properties on the balance sheet.

1.3 Exploration and development expenditure

Exploration and development costs are expensed as incurred. If it is subsequently established that a project has reached an economically viable stage then all further pre-production expenditure is capitalised. Costs related to property acquisition and mineral and surface rights are capitalised as mineral properties only when acquired through business combination or when projects reach an economically viable stage.

If a project in respect of which project acquisition costs or mineral and surface rights have been capitalised is subsequently considered not viable and is abandoned, the amount capitalised will be written off in the income statement.

Amortisation commences in the first year of commercial production after which amortisation is provided over the time contemplated for the economic extraction of the resource.

1.4 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007 and have not been applied in preparing these consolidated financial statements.

IFRS 8 Operating segments – effective for periods beginning on or after 1 January 2009.
Revised IAS23 Borrowing costs – effective for periods beginning on or after 1 January 2009.
The statements would not have any impact on the Group's financial statements.

## 3. Segment Reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses.Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### Business segments

The Group has a single business segment, exploration activities. Accordingly, no primary business segment disclosure has been provided as it would mirror the amounts disclosed in the balance sheet, income statement and cash flow statement.

### Geographical segments

The Group currently only has major exploration projects in Africa. The exploration activities are located in Angola, the Democratic Republic of Congo ("DRC"), Central African Republic ("CAR") and South Africa.

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets.

| 2007 | Total (US$) | Angola (US$) | DRC (US$) | CAR (US$) | SA (US$) |
|---|---|---|---|---|---|
| Total Assets | 14 757 608 | 5 243 199 | 3 991 774 | 3 969 724 | 1 552 910 |

| | | | | | |
|---|---|---|---|---|---|
| Cash utilized by operating activities | (11 297 201) | (241 562) | (3 353 563) | (5 864 575 | (1 837 502) |
| Cash utilized by investing activities | (6 369 301) | (134 667) | (4221 731) | (1 600 172) | (412 731) |
| Cash generated by financing activities | - | - | - | - | - |
| Capital Expenditure | (6 351 163) | (134 667) | (4 203 593) | (1 600 172) | (412 731) |
| Revenue | 4 816 980 | 4 702 736 | - | - | 114 244 |

| 2006 | Total (US$) | Angola (US$) | DRC (US$) | CAR (US$) | SA (US$) |
|---|---|---|---|---|---|
| Total Assets | 11 425 512 | 6 008 458 | - | 3 277 474 | 2 139 580 |
| Cash utilized by operating activities | 5 714 507 | 519 169 | 990 390 | 2 419 818 | 1 785 130 |
| Cash utilized by investing activities | 7 204 017 | 4 037 0566 | - | 3 166 961 | - |
| Cash generated by financing activities | 1 844 362 | 1  844 362 | - | - | - |
| Capital Expenditure | 5 218 707 | 2 051 746 | - | 3 166 961 | - |
| Revenue | 3 092 223 | 3 092 223 | - | | - |

The following items have not been allocated to any of the geographical locations as they relate to the corporate head office located in the Isle of Man.

| | 2007 US$ | 2006 US$ |
|---|---|---|
| Total Assets | 5 638 452 | 25 926 583 |
| Cash utilized by operating activities | (3 887 272) | 3 295 362 |
| Cash utilized by investing activities | (591 883) | 169 287 |
| Cash | (56 126) | 37 998 271 |

4. Loss per Share

| | 2007<br><br>US cents | 2006<br><br>US cents |
|---|---|---|
| Loss per share | (15.95) | (15.63) |

The loss per share for the Group has been calculated using the weighted average number of shares in issue during the period. The weighted average number of shares in the period was 117 199 946 (2006: 91 403 915) and the loss after tax for the Group was US$18,691,186 (2006: US$14,283,476).

Diluted loss per share

Due to the losses incurred during the year, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share.

END