

Regulatory Announcement

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Pangea DiamondFields PLC
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Pangea DiamondFields plc

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

Final Results for the Year ended 31 December 2008

Pangea DiamondFields plc (AIM: PDF), the diamond producer and exploration company announces its audited results for the year ended 31 December 2008.

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

HIGHLIGHTS

- Excellent progress made throughout the year on the portfolio of eight projects:
 - One project in commercial development
 - Two projects pilot mining
 - Two projects bulk sampled during 2008
 - Balance of projects at differing stages of exploration
- Cassanguidi project (Angola):
 - Increased effective shareholding in project to 58.5 %
 - Decision made to expand and 60% of plant and equipment on site at year end to construct and commission commercial scale operation during H1 2009
- Bakerville project (South Africa):
 - Excellent bulk sampling results led to commencement of pilot mining
 - Resources extended significantly
 - First sale yielded US\$1,448 per carat mid 2008
- Longatshimo River project (DRC):
 - Bulk sampling plant constructed and commissioned

- 2,600 carats of diamonds recovered from bulk sampling operations during 2008
- 1,230 carats exported to Antwerp for future sale by tender during 2008
- Successful capital raising of US\$15 million in February 2008
- Continued shareholder support demonstrated with additional US\$12 million raised in open offer to existing shareholders in December 2008
- Strong and experienced management team adapting to changing market conditions through adoption of a revised strategy to focus on near-cash generative projects whilst reducing costs wherever possible on overheads and exploration costs on other projects

Commenting on the Results, CEO, Brett Thompson said, "Despite the decline in global markets later in the year, I am very pleased with the progress made on exploring and developing our projects during 2008. We have maintained our emphasis on spending funds "in the ground" and as a consequence have made significant advancements in the technical evaluation of our various projects. As such, when economic conditions improve, we will have a project portfolio with strong technical fundamentals ready for development and a firm foundation upon which to continue building shareholder value."

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NOTES TO EDITORS

About Pangea Diamondfields PLC

Pangea DiamondFields PLC is an emerging diamond producer and exploration company with a portfolio of eight projects each with multiple resource targets, located in the Central African Republic, Democratic Republic of the Congo, South Africa and Angola. The Company seeks to minimise portfolio risk by diversifying its projects geographically.

PDF listed on AIM in October 2006 and trades under the ticker "PDF".

For more information on Pangea, please visit: www.pangeadiamondfields.com

CHAIRMAN'S REVIEW

In my review last year I stated the PDF team's 2008 focus would be "..... delineating sufficient resources to justify the progression to commercial scale mining and the commissioning of at least two mines by year end.". Unfortunately the world today is a very different place to what it was when I made this statement, however despite this I am pleased to report that at the end of 2008 PDF had one project being developed to commercial scale with another ready to be upgraded to commercial scale and at least one more project likely to be ready for commercialisation during 2009, market conditions permitting.

Apart from those projects which have been advanced to potential commercial status, bulk sampling was undertaken on a further two projects and advanced exploration on another two projects during 2008. All of this work has advanced the knowledge and confidence in the resources at the various projects and stands the company in good stead to make informed effective decisions when market conditions improve.

Clearly many of the fund raising initiatives contemplated by PDF during 2008 were affected by the general state of the markets and despite all efforts made in this regard, the company found itself in a tight cash position by Q3 2008. After PDF borrowed bridging funds from an associated company, Pangea Exploration, PDF shareholders again showed their support for the company by subscribing to an open offer and raising US\$12 million by year end.

Certainly I and the PDF team are under no illusions as to the need to survive the current crisis in world markets and its knock on effect on the diamond industry. As such the company has reacted rapidly to the changing circumstances and adopted a strategy to conserve cash reserves and focus funding only on those projects with the potential to be cash positive in the near term, even at reduced diamond prices

The longer term fundamentals within the diamond industry remain robust and we have no doubt that the companies that do survive the current crisis, will reap the benefits when the tide turns and markets improve. PDF is taking all available measures to try and ensure it will be one of those survivors.

During 2008 Brett Thompson took over as chief executive when Rob Still, who had filled the role since the company's inception, stood down. Rob remains closely involved as Deputy Chairman. Also two other members of the board, CFO Patrick Cooke and non-executive Dewald Joubert elected to resign as directors at the end of the year. I would like to thank the entire PDF team as well as those outgoing directors and the rest of the board for their efforts during the year and look forward to some light at the end of the tunnel during 2009.

Bill Nairn

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

It has long been your Company's stated objective to select and progress the most promising 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. Despite the trying times in which we find ourselves at the end of 2008,

Pangea's focus throughout the past year has been specifically on this objective and I am pleased to be able to report the substantial progress that has been made towards achieving it.

Whilst the longer term fundamentals of the diamond industry remain strong, in the short term the current global economic turmoil has had a major impact on the demand for and price of, rough diamonds. This weak price environment has led the company to delay or suspend the development of some of its projects until market conditions are more favourable. A strategic decision was made late in 2008 to focus our resources on projects which were near production and which were sufficiently high margin to have the potential to be cash flow positive, whilst greatly reducing or even ceasing expenditure on other projects which were otherwise more "cash-consuming".

Pangea has taken the difficult decisions to reduce staff and costs throughout the Group, including salary reductions and the decision by the board to waive director's fees from October 2008.

Since listing on AIM on 17 October 2006, Pangea has made solid progress in exploring and developing its portfolio of projects and specifically over the past year, the focus has been on driving projects beyond exploration and towards commercialisation.

After increasing our effective equity stake in the Cassanguidi project in Angola, a decision was made to upgrade this project to commercial scale production and after the opportune purchase of a suite of local equipment Cassanguidi is progressing well towards this goal. Bulk sampling activities at the Bakerville project in South Africa have rapidly yielded excellent results and a substantial resource has been developed, providing the confidence to upgrade this project to pilot mining status late in 2008.

The ongoing positive exploration results and favourable logistical and infrastructural environment in South Africa has prompted the decision to fast-track the Bakerville project such that it could be the second commercial scale mining project for Pangea. Additional bulk sampling on the Harts River project has focused interest on a large defined resource package just to the south of Vryburg and identified a suitable mining method for the calcretised gravels when this project is developed. Harts River has been recognized as a high potential project and scoping studies have highlighted the significant investment required, which has dictated that this project be put on hold until economic conditions improve.

The convoy route which the Pangea team pioneered to establish and service our southern DRC projects is now proving invaluable for not only the DRC projects but also to better service the Cassanguidi project as well. After reaching camp late in 2007, the Longatshimo bulk sampling plant was delivered, constructed and commissioned early in 2008 and excellent sampling results from this project have moved it up the ranks as another potential commercial scale mine when economic conditions permit.

The Dimbi project bulk sampling and exploration work was accelerated with the introduction of additional earthmoving equipment early in 2008 however results to date have not yet provided the confidence to develop this project further.

Your Company prides itself on applying shareholder funds in a manner that yields optimal shareholder value, i.e. "in the ground" on grass roots exploration. Pangea spent US\$18 million on the evaluation of our projects during 2008 and of this, some 84% has been spent "in the ground", including 18% on capital equipment.

Pangea's systematic application of fundamental geological techniques and incremental resolution of the logistical challenges that Africa presents, puts us in an excellent position to be able to rapidly and successfully identify and develop projects. It is through this rapid assessment of future potential that Pangea made the decision to drop the Luebo and Kasai projects in the DRC, as these were considered to have limited potential to develop into commercial projects.

Global markets started to soften from early in 2008 yet despite this Pangea successfully raised approximately US\$15 million to further develop its projects. At that time, it was stated that Pangea was exploring options to raise up to a further US\$15 - 25 million to fully develop to commercial status, several of its projects. With very positive technical results on our projects, Pangea was optimistic about the potential to raise the necessary funding required to continue to develop our projects. However global capital markets deteriorated dramatically later in the year and the potential for raising funds or obtaining credit diminished considerably. Negative market sentiment in general, particularly in the commodities markets had a major impact on the share prices of most natural resources companies and the diamond sector was hit particularly hard. Pangea's share price was not spared and dropped dramatically in the final quarter of 2008.

Against the backdrop of tight credit markets Pangea was faced with diminishing cash reserves but managed to secure bridging finance of US\$2 million from related company Pangea Exploration. Given the consistent achievement of its stated targets and the potential of its project portfolio, the Pangea management team continues to believe that the true value of the company has yet to be realized and is certainly not reflected in our current share price.

As a consequence, Pangea approached existing shareholders for funds in an open offer late in the year and our efforts were rewarded by shareholders who subscribed for an additional 1.6 billion shares to raise approximately US\$12 million, providing valuable funding with which to progress towards our stated goals.

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 continues to be to target projects in a number of highly prospective countries to diversify the political and geological risk of its portfolio.

While Pangea still believes that such a strategy is the correct approach to mitigating risk in the business we are in and on a continent as diverse as Africa, we accept that the world is a very different place to what it was a year or so ago and as such further economic risk aversion is required.

Risk Aversion:

In a perfect world, Pangea would have at least three projects either being developed or ready to be developed into commercial scale projects during 2009, making Pangea self sustaining by the end of the year. However we recognize the world is far from perfect at present and as a consequence Pangea's strategy going forward is one of risk aversion until there is some sign of market improvement. Specifically, Pangea will continue the development of the Cassanguidi and Bakerville projects and cut expenditure on all projects as well as overheads.

Pangea will continue to monitor market conditions and particularly the demand and consequent price at which we can sell the diamonds we produce and react accordingly to changes in conditions.

Commercial Production and Cash Flow:

During 2009 management's intention is to pursue the projects which have the potential to be cash positive even with diamond prices substantially discounted from target prices. In addition, cost reductions are being effected throughout the company and despite their potential, all other projects currently at a scale which does not allow them to be cash neutral or better have been put on hold with equipment secured and placed in a state of care and maintenance.

Pangea's current strategy is clear: reduce overheads and generate the cash to survive in what will be a tough period.

Key milestones for 2009 include:

Cassanguidi: To complete the construction and commissioning of the expansion project and establish commercial scale operations in H1 2009;

Bakerville: To optimize existing Pilot Mining operations and if market conditions and funding permit, to fast-track the development of commercial scale operations; and

To pursue all other appropriate opportunities in order to build maximum value for shareholders.

Financial Results and Planning

It is the group's policy to expense all exploration expenditure. The loss for the year of US\$ 17.81 million (2007: US\$19 million) includes US\$9.2 million (2007: US\$ 9 million) direct exploration expenditure. Total expenditure for the year was US\$ 17.5 million (2007: US\$ 25.4 million), including capital expenditure. Exploration and capital expenditure for the year per country and per project was comprised as follows:

For the twelve months ended	2008	2007	2008	2007
	Exploration expenditure US\$ millions	Exploration expenditure US\$ millions	Capital expenditure US\$ millions	Capital expenditure US\$ millions
CAR - Dimbi Project	4.02	5.10	0.63	1.60
CAR - Etoile Project	0.61	-	0.04	-
DRC - Tshikapa Project	1.58	-	-	-
DRC - Longatshimo Project	2.50	2.60	0.41	4.30
South Africa - All Projects	0.45	1.30	1.12	0.40
Angola - Cassanguidi Project	-	-	1.04	0.10
Total	9.16	9.00	3.23	6.40

In February 2008 the company raised gross proceeds of US\$15 million by placing 16.5 million new shares at £0.46 per share. On 15 December 2008 an open offer was completed, as a result of which 1,536,416,033 shares were issued at a price of US\$0.007 per share.

At 31 December 2008, the cash balance was US\$7.3 million (2007: US\$3.9 million) and the company had stock of 5,300 carats valued at approximately US\$0.46 million of which US\$ 0.36 has not been recognised in the balance sheet in terms of our treatment of inventory from exploration expenditure in note 1.10 of the financial statements. At 31 March 2009 the cash balance was US\$4.2 million and the Company had stock of 11,000 carats currently valued at approximately US\$1.25 million.

Management and Board

Effective 1 July 2008 Rob Still stepped down from the role as Chief Executive owing to competing work and family commitments and I assumed the position. Rob has and will remain involved as executive deputy chairman.

During December 2008, two directors Dewald Joubert and CFO Patrick Cooke resigned from the board.

I would like to thank both Dewald and Patrick for their respective contributions to Pangea during their tenure on the board and wish them both well for the future. Jurgen Schwarz who has been the Company's

financial controller for two years assumed the role of CFO from December 2008 and brings to PDF his 18 years of experience in the financial discipline.

Acknowledgments

This last financial year has without doubt been our most difficult, necessitating a lot of extremely hard work in often difficult circumstances. Despite the challenges faced, a talented and dedicated team continued to deliver, making possible what has been achieved during 2008 and I would like to thank all our staff for this and their ongoing efforts.

Brett Thompson

REVIEW OF OPERATIONS

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

ANGOLA

Angola remains highly prospective for diamond exploration and mining. Conducting business in this environment is demanding and processes can lead to extended time periods and financial challenges. This is due to the combined impact of limited infrastructure (not only poor roads and internal airline organizations but a customs authority that is undergoing a significant revamp), and a lack of local skills and other human resource requirements. These challenges are shared by many other public companies in the diamond mining arena and are slowly being addressed which will hopefully lead to a more functional business environment in due course.

The Cassanguidi Project

Expansion of this project is currently underway in order to progress from the pilot mining phase into commercial production by mid 2009.

An ambitious expansion program has been facilitated with the opportune purchase of equipment and peripherals from a local operation which had closed, rather than having to source and transport equipment from South Africa. Following negotiations with the vendors and other related parties, agreements were reached to release the equipment and as at the end of 2008, some 60% of the assets purchased had been transferred to the Cassanguidi site. On site construction commenced early in 2009 and the project is on schedule for commissioning and ramp up to full production by mid 2009.

Improvements in recovery rates are anticipated as part of the expansion programme with the introduction of a more efficient and secure, "hands-free" recovery system utilizing x-ray machines and pre-concentration using a new Dense Medium Separation plant (DMS). The DMS receives concentrate from the new satellite pan plants and the existing pan plant. The new facilities will also be established in a similar manner to the existing plant, on the western side of the Luembe River, which diagonally bisects the concession. Options to mine the resources on the eastern side of the river are still under consideration, and will be dependent to a large extent upon market conditions.

Production throughout the year at approximately 22,920 carats was below forecast mainly due to an ageing, diverse mining fleet, fuel delivery interruptions as well as heavy seasonal rains. Diamond prices for most of the year were on target with a high of US\$218 per carat in November. Unfortunately the December sale yielded prices which had dropped dramatically by approximately 50% on the back of a seasonal price low, significantly exacerbated by weak global demand for rough diamonds.

A series of negotiations were undertaken during the course of 2008 which culminated in Pangea taking a controlling interest of 90% of local Angolan subsidiary Sub Sahara Investimentos e Consultoria Lda. This increased Pangea's effective interest in the Cassanguidi project to 58.5%.

As part of the increased shareholding in Sub Sahara, Pangea also purchased 100% of all shareholder loans. As a concession for funding the expansion project and until all shareholder loans have been repaid, agreement has been reached with local partners for 100% of proceeds to be applied to preferentially repay these loans.

REPUBLIC OF SOUTH AFRICA

Despite millions of carats of diamonds having been mined over the past century or more, PDF management are still excited about the potential of South Africa as a highly prospective and significant diamond region.

Pangea has focused particular attention throughout 2008 on the Harts River and Bakerville projects in South Africa, with significant successes.

The Bakerville Project

Historically 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 sterilized until the 2004 legislation changes provided a means to access these properties.

Having ceased exploration on the Malmani area at the end of 2007, the Patsema area became the main area of focus within the Bakerville project during 2008. The Patsema area has similar potential to the high grade historical potholes and gravel runs at Bakerville and bulk sampling at the Patsema area on the Zamenkomst farm was undertaken throughout 2008.

Patsema Zamenkomst Farm

Results of bulk sampling at the Patsema project during 2008 have been encouraging. Due to the excellent results, a decision was taken to increase the capacity of the plant at the Zamenkomst site and to purchase the farm on which the plant and part of the large diamond resource is situated. More than 400 carats of diamonds were recovered from the plant during 2008.

The focus of current exploration is on gravel beds formed on an ancient land-surface as a deflation deposit. The gravel is unconsolidated with no overburden and is mined by simple load and haul operations. During December 2008 a resource of 3.6 million m³ at a grade of 3.42carats/100m³ was independently verified. This resource is however over a small portion of the Pangea property and is rapidly being increased by inexpensive exploration. During this exploration new pothole sites are also being uncovered which will be investigated at a future date. Mineralized potholes have historically yielded large high diamond grades of up to 500 carats/100m³ and work is underway to distinguish between mineralized and un-mineralized potholes.

During the first half of the year, bulk sampling operations were concentrated on processing sufficient volumes of material to acquire information on the grade distribution of the area. The results toward the end of the first half of the year were sufficiently encouraging to warrant an increase in the processing capacity of the trial mining such that up to 60 m³ of run of mine gravel can be processed per hour.

The equipment required to lift the capacity to this level was a double 16 foot pan plant mobilized from the Pampierstad bulk sampling operation after sampling was completed in this area. This was then engineered to fit into the existing Bakerville plant infrastructure to obtain the required increase in capacity with negligible capital expenditure.

The pan plant was commissioned during October 2008. Bulk sampling continued over most of the Eastern portion of the Zamenkomst farm. The results were very encouraging with areas of exceptional grade indicated. The bulk of this material occurs from the surface to a depth of half a metre below. No overburden stripping is required other than scraping off the top layer of vegetation.

There are areas of significantly higher grade that have been processed where grades of up to 17 carats/100m³ have been attained. To date, a total of over 800 carats have been recovered from the Zamenkomst property bulk sampling activities. A small parcel of 217 carats was sold on tender in Johannesburg during July and yielded a price of US\$1,448 per carat, well above the US\$300 per carat previously considered for the area.

Indications are that these surface gravels extend to the north and west of the farm Zamenkomst. Pangea has secured the prospecting rights to additional properties to the west and north of Zamenkomst.

Feasibility studies are being undertaken to fast track this project to commercial production as soon as market conditions permit.

The Harts River Project

The Harts River project was identified by the PDF exploration team and represents a substantial target area which had been overlooked in the past.

A number of large volume gravel deposits situated over a 250km plus stretch of the paleo-Harts River have been successfully investigated by Pangea. All activities are now concentrated on the best 40km stretch of the paleo-river system (Brussels Area) close to the town of Vryburg and other rights held which are considered less prospective, are in the process of being relinquished.

During 2008 a second bulk sampling exercise was conducted to the north of the original Brussels site which confirmed the previously obtained grades of the upper concentrated gravel ("UCG"). Apart from the ongoing grade confirmation objective, different mining techniques were also investigated during this phase of bulk sampling, to determine an optimum mining method for large scale expansion. Trials using a continuous surface mining machine similar to a road-header as well as ripping and tramping the calcretised gravel matrix with a large tracked dozer were undertaken to compare costs and efficiencies relative to the traditional drill and blast method used in the past. With the equipment available, the large dozer option was considered to be the most suitable.

Extensive percussion drilling has substantially increased the UCG resource and identified other potentially diamondiferous gravels. Further drilling has been put on hold for the time being to conserve funds as the resource is considered large enough to sustain a significant operation.

A double 16 foot pan plant was established on the Pampierstad area in the south of the Harts River project area and bulk sampling commenced in April 2009. Diamonds were recovered from the various gravels tested, however the results were not considered sufficient to warrant further exploration.

The Harts River project has already demonstrated that it can host a large scale, low cost mining operation recovering high-value diamonds similar to large successful operations on the middle Orange River. Much of this potential is already reflected in Pangea's resource statements with significant additional potential subject only to the expending of additional exploration funds.

Significant work has been undertaken on scoping the development of the Harts River project during 2008 and this work suggests a capital requirement of around US\$20 million. Any plans to further develop the project will remain on hold until market conditions are more conducive to a development decision and funding is more accessible.

The 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 that 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 were concluded with the respective surface rights owners for access to these farms and some initial exploration was undertaken.

While it is still Pangea's intention to seek suitable joint venture partners to jointly explore these projects, this is not management's main focus at present and this process has been put on hold until market conditions improve.

DEMOCRATIC REPUBLIC OF CONGO ("DRC")

Despite civil unrest in certain areas of the country the Lucapa Corridor area in the Kasai Oriental Province in south-eastern DRC where the Company's projects are located, has not demonstrated any indication of instability.

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 advanced exploration, including extensive mapping, pitting and drilling of the various terraces, was conducted. An extensive bulk sampling operation on the Longatshimo River project and additional advanced mega pitting together with a pumping operation was conducted on the Tshikapa River project.

Longatshimo River project areas have the potential to host both extensive and highly economic deposits of alluvial diamonds.

Pangea has re-evaluated its land holdings and relinquished permits outside of the target focus areas, resulting in the termination of both the Luebo and Kasai projects. Pangea currently holds six PEPM (small mine) permits and six PR (research exploration) permits.

Notwithstanding the excellent potential of alluvial diamond mining in the Kasai Occidental region of the DRC, the logistical challenges to commercial scale diamond mining are considerable.

During the latter half of 2007 Pangea pioneered a new 4700km overland route from South Africa through Namibia and Angola to its Southern Kasai Occidental licenses. This entailed the building of a new road and the task of constructing numerous steel bridges from Dundo in Angola to the camp. The last items of the 600 ton convoy of mining equipment transported to the project reached the Longatshimo camp during December 2007.

This route has subsequently been used to bring a number of additional shipments of equipment from South Africa to the projects. In addition Pangea is well advanced in its discussions with the relevant Angolan and DRC authorities to be able to source fuel from Angola for its DRC projects. This would result in a significant cost saving to the projects on one of the primary input costs.

Over 3,370 carats were recovered from the Tshikapa and Longatshimo River project areas during 2008. The first parcel of 1,500 carats was exported to Antwerp in October 2008 and the government evaluator in DRC estimated a valuation at an average price of US\$180 per carat for these diamonds. The diamonds

will be sold by tender in Antwerp by the Company's agents, WWW International in due course once a more sizeable parcel is reached.

The Longatshimo River Project

The bulk sampling plant consisting of a 20 ton per hour Dense Media Separation plant ("DMS") and associated equipment with a hands-free grease belt recovery was set up and commissioned on site in February 2008. This is a first for the area and is currently the only mechanized operation of this size in the Kasai Occidental Region. The first bulk sample was taken in February 2008.

All pitting, mapping, topographical and auger hole information was collated and assessed and prospective sites close to the plant which demonstrated high grade pit results and limited overburden, were delineated. To date a total of 170 mega pits, 370 "jimbo pits" and 98 auger holes have been dug in this project area, providing detailed geological and grade information. The initial focus of the bulk sampling operation was on relatively shallow gravels in close proximity to the plant site. Eight bulk samples which include four sites in close proximity to the Kapopo River, one adjacent to the Longatshimo River and three along a tributary to the Kapopo River, have been completed to date.

Initially the shallower flood plain gravels were targeted with acceptable results. Further analysis of these results suggested the potential of higher grade material under slightly deeper cover. The sampling program was modified to focus on exploring this potential. It was found that the diamondiferous gravel increased in volume and grade under the thicker cover.

These deposits are at a higher elevation than the river and as such remain dry and mineable even in the wet season. Grades as high as 108 carats/m³ were encountered, with an average grade of 34 carats/100m³ from the last bulk sampling area. Over 2,800 carats have been recovered from the initial bulk sampling exercise to date. A targeted block of more than 150,000m³ gravel which includes the last two bulk sample sites with an average grade of 33 carats/m³ and an average overburden of 4.5m has been delineated adjacent to the Kapopo River.

The bulk sampling results to date are very encouraging, indicating that there are sufficient resources at economic grades to support a mine under normal diamond market conditions. The objective of the bulk sampling programme which is to delineate economic resources has to date been successful. However at the current scale of operations, and the current weak rough diamond price, the bulk sampling activities are not expected to be cash flow positive. As a consequence, bulk sampling operations in this highly prospective area have been temporarily suspended until diamond prices improve. An updated ore resource estimate is in progress.

The Tshikapa River Project

Advanced exploration continued on the Tshikapa River project areas with extended mega pitting, mapping and a new initiative pumping programme. An additional 63 mega pits were dug during 2008 to refine the evaluation of the terrace gravels. One of these mega pits, DMP30B which is situated in a tributary to the Tshikapa River yielded a grade of 228 carats/100m³. The mega pitting programme was completed in November and prospective bulk sampling sites selected.

Additional gravel pumping equipment was imported and commissioned on site in April 2008. Prospective sites were selected from an assessment of all geological exploration results to date. The pumping programme commenced in the dry season on the 1st May 2008 within the relatively dry elevated bank of the Tshikapa River. The aim of this operation was to evaluate the shallow riverbank and floodplain gravels which are normally submerged in the rainy season with the assistance of a high pressure water pump and classifier.

This program was assisted by two local divers, to mobilise and guide the pump during the rainy season. A total of eight sites were pumped with two areas indicating a grade of more than 500 carats/100m³. Some of the larger gravel volumes were bagged and transported to the Longatshimo DMS plant for processing.

The initial results of this pumping project suggest that although the sample volumes of these easily accessible river bank gravels are often challenging to measure, the gravels are highly prospective and the sale of the diamonds can be used as an easy method for generating revenue to fund the main terrace exploration programme.

The next phase of evaluation of the Tshikapa project will require the significant investment needed to commence bulk sampling and will be put on hold until market conditions permit.

CENTRAL AFRICAN REPUBLIC ("CAR")

Pangea's primary focus in the CAR continues to be the 1,000 km² Dimbi project in the south-east of the country.

The Dimbi Project

Pangea's wholly owned subsidiary, Dimbi Diamants SAU ("Dimbi Diamants") continued with the bulk sampling exercise during 2008 which has focused on an area within a 3km radius of the plant. Both the Mea River (Paleo-Kotto) floodplain and the Akongo River (a Dimbi Formation tributary) were sampled with the objective 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 40,000m³ per month.

Operations were expanded during Q1 2008 with the delivery and commissioning of additional earthmoving equipment, allowing bulk sampling of areas at the extremities of the initial mining block.

Over 3,500 carats were recovered to October 2008 when a failure of the main generator caused operations to be suspended. More than 8,000 carats of diamonds had been recovered in total at the project from start-up to the suspension of activities. Due to prevailing market conditions and lower diamond prices, It was decided not to resume operations but rather to maintain the suspension of the project and place the plant and equipment on care and maintenance. Of the diamonds produced to date, 6,310 carats were sold during 2008 at an average price of US\$163 per carat.

Data from bulk sampling trenches mined across the Paleo-Kotto and the Akongo River floodplains indicated that future potentially mineable large resource blocks would mainly be confined to the Paleo-Kotto gravels. As a result an extensive auger drilling programme was embarked on to test the full extent of this 50km long gravel deposit on the Dimbi Licence. Approximately 50% of the resource has been drilled confirming the presence of large gravel deposits. Of particular interest is that significant gravel blocks have been found to be present outside of the wet floodplain and under less cover than in the floodplain.

The Etoile Project

This prospect, covering some 3,000 km², 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, one at Nzako and one 150 km to the north at Bangana. In both localities the targets are dry terrace paleo-channels occurring next to more recent alluvial diamond deposits in present day rivers. The deposits are evaluated by hand pitting and diamond recovery is by bushman jigs.

At the Nzako site the grade of the paleo-channel deposits was too low to warrant further exploration and our activities there have ceased. At Bangana the potential for a large dry alluvial deposit under thin cover was identified. Diamonds with an average size of about 0.5 carats were encountered in many pits. Activities on this prospect have also been suspended pending the recovery of the diamond market.

CONSOLIDATED INCOME STATEMENT

For the year ended December 2008

	Group 2008 US\$	Group 2007 US\$
Diamond revenue *	2,802,564	4,816,980
Other income	4,533,901	-
Pilot mining operating expenditure	(5,644,498)	(5,319,251)
Exploration expenditure	(9,162,585)	(8,953,315)
Other operating expenses	(13,703,400)	(7,782,231)
Equity-settled share based payment expense	3,862,317	(2,576,306)
Operating loss	(17,311,701)	(19,814,123)
Finance income	142,964	799,038
Finance expense	(29,720)	(4,091)
Loss before taxation	(17,198,457)	(19,019,176)
Taxation	-	-
Loss for the year	(17,198,457)	(19,019,176)
Attributable to:		
- Equity holders of the parent company	(17,198,457)	(18,691,186)
- Minority interests	-	(327,990)
Loss for the year	(17,198,457)	(19,019,177)
Loss per share (US cents)	(8.64)	(15.95)

* net of applicable royalties

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Group 2008 US\$	Group 2007 US\$
Assets		
Total non-current assets	13,304,165	15,722,819
Mineral properties	2,636,532	3,170,390
Plant and equipment	10,667,633	11,143,370
Unlisted investments	-	1,409,059
Total current assets	8,111,464	4,673,240
Trade and other receivables	739,788	486,619
Inventory	101,500	315,261
Cash and cash equivalents	7,270,175	3,871,360
Total assets	21,415,628	20,396,059
Equity and liabilities		
Equity		
Share capital	12,137,627	586,749
Share premium	61,988,226	48,165,897
Foreign currency translation reserve	325,381	(177,085)
Share-based equity reserve	-	3,862,317
Accumulated losses	(53,521,706)	(36,323,249)
Total equity attributable to equity holders of the company	20,929,528	16,114,629
Minority interest	-	-
Total equity	20,929,528	16,114,629
Non-current liability		
Loans and borrowings	-	3,786,601
Total current liabilities	486,101	494,829
Loans and borrowings	85,237	201,316

Finance lease liability	387,755	-
Trade and other payables	13,108	293,513
Total equity and liabilities	21,415,628	20,396,059

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	Share Capital	Share Premium	Foreign Currency Translation Reserve	Share Based Equity Reserve	Accumulated Losses	Total	Minority Interest	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 31 December 2006	585,415	48,000,564	(156,530)	1,286,011	(17,632,063)	(16,502,582)	327,990	32,411,387
Shares issued for cash	1,334	165,333	-	-	-	-	-	166,667
Share-based payments	-	-	-	2,576,306	-	2,576,306	-	2,576,306
Total recognised income and expense	-	-	(20,555)	-	(18,691,186)	(18,711,741)	(327,990)	(19,039,731)
Balance at 31 December 2007	586,749	48,165,897	(177,085)	3,862,317	(36,323,249)	(32,638,017)	-	16,114,629
Shares issued for cash	11,550,878	13,822,329	-	-	-	-	-	25,373,207
Share-based payments	-	-	-	(3,862,317)	-	(3,862,317)	-	(3,862,317)
Total recognised income and expense	-	-	502,466	-	(17,198,457)	(16,695,991)	-	(16,695,991)
Balance at 31 December 2008	12,137,627	61,988,226	325,381	-	(53,521,706)	(53,196,325)	-	20,929,528

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	Notes	Group 2008	Group 2007
		US\$	US\$
Net cash flows utilised in operating activities		(18,278,363)	(15,180,382)
Net cash flows utilised in investing activities		(4,198,493)	(6,965,275)
Finance income		142,964	799,038
Finance expense		(29,720)	(4,091)
Acquisition of plant and equipment		(3,234,901)	(6,351,163)
Acquisition of investment		(485,000)	-
Acquisition of mineral properties		(591,836)	-
Acquisition of unlisted investments		-	(1,409,059)
Shares issued for cash		25,373,207	166,667

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 2008 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") and with the companies Act of the Isle of Man.

1.2 Basis of preparation

The consolidated financial statements have been prepared in US dollars on the historical cost basis except for financial instruments classified as available-for-sale measured at fair value. 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 recognized 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 capitalized 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 related to development is capitalized. 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 capitalized is subsequently considered not viable and is abandoned, the amount capitalized will be written off in the Income Statement.

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

1.4 Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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 fair value less costs to sell 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 recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized 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 recognized.

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 2008 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.

2008	Total	Angola	DRC	CAR	South Africa
	US\$	US\$	US\$	US\$	US\$
Total Assets	12,310,149	4,112,216	3,544,858	2,810,306	1,842,769
Cash utilised by operating activities	(13,359,625)	(2,482,547)	(4,318,220)	(4,562,951)	(1,995,908)
Cash utilised by investing activities	(3,713,493)	(1,037,866)	(412,308)	(667,078)	(1,596,241)
Capital expenditure	(3,826,738)	(1,037,866)	(412,308)	(667,078)	(1,709,486)
Revenue	2,802,564	2,802,564	-	-	-

2007	Total	Angola	DRC	CAR	South Africa

	US\$	US\$	US\$	US\$	US\$
Total Assets	14,757,608	5,243,199	3,991,774	3,969,724	1,552,910
Cash utilised by operating activities	(11,297,201)	(241,562)	(3,353,563)	(5,864,575)	(1,837,502)
Cash utilised by investing activities	(6,369,301)	(134,667)	(4,221,731)	(1,600,172)	(412,731)
Capital expenditure	(6,351,163)	(134,667)	(4,203,593)	(1,600,172)	(412,731)
Revenue	4,816,980	4,702,736	-	-	114,244

The following items have not been allocated to any of the geographical locations as they relate to the corporate head office:

	2008	2007
	US\$	US\$
Total assets	9,105,480	5,638,452
Cash utilised by operating activities	(4,918,737)	(3,883,181)
Cash utilised by investing activities	(485,000)	(595,974)
Cash generated/(utilised) by financing activities	25,373,207	(56,126)

4. Loss per share

	2008 US cents	2007 US cents
Loss per share	(8.64)	(15.95)

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 199,076,922 (2007: 117,199,946) and the loss after tax for the group was \$17,198,457 (2007: \$18,691,186).

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.

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