

Regulatory Story

Company [Pangea DiamondFields PLC](#)
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Pangea DiamondFields PLC
29 September 2009

Pangea DiamondFields plc

("PDF" or "the Company")

Interim Results for the six months ended 30 June 2009

Pangea DiamondFields plc (AIM: PDF), the mid-tier diamond producer and exploration company provides the following update of its activities to 30 June 2009. The Company has a portfolio of seven projects located in the Central African Republic ("CAR"), Democratic Republic of the Congo ("DRC"), Angola and South Africa.

HIGHLIGHTS

Angola

- Cassanguidi project now in production
- Project expansion at Cassanguidi complete with ramp up to full capacity underway

South Africa

- Positive feasibility study results for Bakerville
- 370% increase in resource carats at Bakerville including Indicated category
- Bakerville project Mining Right application submitted
- Project bulk sampling at Bakerville ceased pending granting of Mining Right

Resource Update

- Resource updates completed for Harts River, Longatshimo River and Bakerville

General

- Strategy to develop near-production assets and conserve cash reserves continues
- Cash reserves of US\$3.3 million and diamond stock of approximately US\$0.5 million as at 30 June 2009

Commenting on the results, Chief Executive Brett Thompson stated, "Whilst the diamond market has shown signs of recovery during the first half of 2009, the Company is positioning itself to operate even in

the current diamond price environment with the expansion of the Cassanguidi project to a cash flow-generative commercial scale operation as well as the ongoing application to expand the Bakerville project."

General Update

The Company continues to monitor recent trends in the movement of rough diamond prices following the substantial reductions late in 2008. While recent trends reflecting upward movement in rough prices to 65 - 70% of mid-2008 prices relative to the low of around 50% late in 2008 are promising, the Company is still waiting for signs of sustainability in these trends before changing its strategy of focusing on the development of near-production assets and the conservation of cash.

Following the expansion of the Cassanguidi project to a full capacity commercial scale operation, which is essentially complete and currently ramping up to full capacity by year end and provided there is no material worsening in the rough diamond market, the Company expects to be able to generate sufficient cash flow at current diamond prices to satisfy the operating costs of its other projects and central overhead costs. However the reader should note the comments which appear later in the Summary of Results under the heading, Going Concern.

As at 30 June 2009, shortly after the final payment for the purchase of the Bakerville farm was made, the Company had cash reserves of US\$3.3 million and not the US\$3.1 million previously reported due to a minor payment timing issue. In addition the Company had diamond stock of approximately 3,382 carats including sampling carats and valued at approximately US\$0.5 million, based on current estimated prices. This balance had reduced to US\$1.54 million by 21 September 2009, primarily due to the capital cost of additional equipment for Cassanguidi as well as the delayed ramp up of the project. As at 21 September 2009 the Company had unsold stock of diamonds in hand valued at approximately US\$0.3 million.

Angola

Cassanguidi

The production of diamonds from Pilot Mining activities has been significantly reduced for the first six months of 2009 compared to the same period last year due to the focus of the team being on construction and commissioning of the expansion project, rather than on bulk sampling and resource generation.

While some delays have been experienced with the availability of power generation facilities, the ramp up to full capacity at Cassanguidi is now progressing well and all processing facilities are fully commissioned and operational. It is expected that Cassanguidi will be generating sufficient revenues to cover its operational costs by October 2009 and will reach full capacity by the end of 2009.

Through the commissioning process a positive adjustment to the final capacity of the new processing facilities has been identified such that full capacity now is expected to be around 37,500 m³ of in situ gravel mined and processed per month, producing around 8,000 carats per month, with cash costs expected to be of the order of US\$16 per m³ of in situ gravel mined and processed. Recent data from third party sales in the first half of 2009 suggests that in the current market, a price of US\$120-130 per carat is achievable.

On 10 August 2009, PDF reported that it had concluded a transaction to acquire certain mining equipment and processing assets from New Millennium Resources ('NMR'), for use at its Cassanguidi

project in Angola, for a total cash and share consideration of \$600,000. The essential equipment has now been relocated to Cassanguidi and is already in use, while the removal of the remainder of the equipment considered unnecessary, has been terminated. PDF are in the process of renegotiating the agreement with NMR to reflect the value of only the equipment removed. Once this process is concluded a final settlement payment will be made to NMR by the issue of PDF shares as per the announcement made on 10 August 2009 and the details of this will be released to the market in due course.

South Africa

Bakerville

As recently reported, the third sale by tender of diamonds from the Bakerville project took place early in September, yielding an average price of US\$238 per carat from a run of mine parcel of 796 carats. To date, over 2,000 carats in total have been sold by tender from Bakerville at a weighted average price of US\$366 per carat. This is significant as the cumulative carats recovered and sold now exceed the minimum parcel size required to determine an average valuation for resource purposes in the indicated category.

As announced by the Company on 15 September 2009, project resource carats have increased dramatically by 370% to 455,000 carats at a recovered grade of 3.42 ct/100m³ and importantly after the most recent sale, confidence in the quality of the resource has increased with the inclusion of 2.50 million m³ and 85,600 carats of indicated resources in the overall resource.

A feasibility study has now been successfully completed in house with positive results and the Mining Right application to allow full scale exploitation of the deposit has been submitted to the relevant governmental authority in South Africa and the Company is awaiting feedback from the authorities on this submission. The final project scope at full production reflects a nominal capacity of 90,000 cubic metres per month, producing around 2,250 carats per month at a cost of around US\$4.50 per cubic metre. The total estimated capital cost to develop the project to this revised scale of operations is US\$8 million however the Company anticipates that given the favourable location of this project in South Africa, a substantial amount of the equipment required could be acquired on financing terms. At this time, it is not possible to determine when the Mining Right will be approved and as a consequence when commercial scale mining may commence, however PDF will undertake all preparatory work to ensure that the transition to commercial scale operations is not unduly delayed. Until such time as the Mining Right application has been approved and the Company is in a position to develop a commercial scale operation at Bakerville, in keeping with the overall Company objective of reducing unnecessary expenditure the Company has decided to cease bulk sampling operations at Bakerville and put the operation on "care and maintenance" with immediate effect. Exploration will however continue to delineate additional resource potential outside the current resource area.

As previously reported the Zamenkomst farm on which the operation is currently situated was recently purchased, with the final payment for this purchase of ZAR3.22 million (US\$0.39 million) being made in June 2009 and the transfer of ownership of the property to the Company has now been completed.

Harts River - Brussels Area

No further work has been undertaken on the ground at Harts River however a resource update has been completed which estimates the Harts River resource at 125,000 carats with an average resource value of US\$1,043 per carat from 22.7 million cubic metres at a grade of 0.55 carats per hundred cubic metres.

Bloemhof

There are currently no plans to undertake additional work on this project. The Company is currently considering the best options to maximise value from the project including a possible sale or joint venture arrangement to further develop the project. Progress in this regard is not expected imminently.

DRC

Longatshimo River

This project is currently on hold and no further work has been undertaken on the ground at Longatshimo River however with the bulk sampling work undertaken to date, a resource update has been completed which reflects increased confidence in the resource base with 0.49 million carats now in the indicated category and a total resource of 3.57 million carats.

Tshikapa River

This project is now on hold and no further work has been undertaken by PDF on the ground at Tshikapa River.

Options to enter into joint venture arrangements with other operators in the DRC to develop these projects jointly are still being considered although limited progress has been made to date.

CAR

Dimbi

This project is now on hold and no further work has been undertaken on the ground at Dimbi. In line with the Company's current strategy the Dimbi project will remain suspended until market conditions change materially or a decision is made on its future. Apart from resuming operations if market conditions are conducive, a number of other options are being considered for the future of the project, including if necessary a possible sale or the transfer of the equipment to the Company's DRC projects.

SUMMARY OF RESULTS

	6 months to 30 June 2009	6 months to 30 June 2008	12 months to 31 December 2008
	US\$ millions	US\$ millions	US\$ millions
Net exploration expenditure	5.266*	5.019	7.471
Loss for the period	8.972*	11.119	17.198
Loss per share (US cents)	0.52	8.56	8.64
Cash in bank (period end)	3.308	7.422	7.270

Net exploration and capital expenditure for the periods under review by geographic location was as follows:

	Total	Angola	DRC	CAR	South Africa
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<i>6 months to 30 June 2009</i>					
Net exploration expenditure	5.266*	1.393	0.485	3.515*	(0.127)
Capital expenditure	0.205	0.202	-	-	0.03

<i>6 months to 30 June 2008</i>					
Net exploration expenditure	5.019	1.269	2.154	1.398	0.198
Capital expenditure	2.100	-	0.344	0.658	1.098

* Includes an impairment charge of US\$3.116 million recognised against the carrying value of the Company's Dimbi project.

FINANCIAL RESULTS

The Company expenses all exploration and evaluation costs per project, until the commissioning of commercial scale production.

The Company incurred a loss before taxation for the six months under review of US\$8.97 million compared to a loss for the same period last year of US\$11.11 million. The reduction in loss is in line with Pangea's strategy of reducing expenditure as much as possible.

Diamond revenues of US\$0.9 million were lower than the corresponding period in the prior year as a result of reduced production from the Cassanguidi Project due to the ongoing construction activities of the expansion project. In addition, other income of US\$0.9 million was derived from the sale of sample diamonds incidental to the exploration process. The Company had unsold diamond stocks on hand of 3,382 carats from its various projects as at 30 June 2009 compared to 4,933 carats at 30 June 2008.

An impairment charge of US\$3.1 million was recognised against the carrying value of the assets of the Dimbi project in the CAR, which has now been written down to zero in the Company's accounts.

As at 30 June 2009 the Company had cash resources of US\$3.3 million (2008 - US\$7.4 million). This balance had reduced to US\$1.54 million by 21 September 2009, primarily due to the capital cost of additional equipment for Cassanguidi as well as the delayed ramp up of the project. As at 21 September 2009 the Company had unsold stock of diamonds in hand valued at approximately US\$0.3 million.

GOING CONCERN

The Company is in the process of exploring and evaluating its mineral property interests. Except for the Cassanguidi Project, where expansion to commercial production status is near completion and the Bakerville project where an application to expand to commercial production status has been submitted, the Company has not yet formally announced the decision to proceed to commercial production status at any of its other mineral property interests. The underlying value and recoverability of the amounts shown for mineral property interests and exploration costs are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the mineral property interests and future profitable production or proceeds from the disposition of the mineral property interests.

Global rough diamond prices fell significantly in late 2008 and this fall continued until April 2009 when prices started to improve to the point that they are now at approximately 65 - 70% of target prices. The Company took cognizance of the depressed diamond market and adjusted its budgets accordingly; reducing expenditure on projects that were unlikely, at significantly reduced diamond prices, to be cash flow positive in the short term.

The financial statements have been prepared on the going concern basis, since the directors believe that the Company will be successful in continuing to trade from its current position to operate as a going concern. This is premised on the assumption that the Cassanguidi project will be scaled up as planned. Should this scaling up be delayed in any way and should the Company be unable to source additional bridging funding, a material uncertainty exists which may cast doubt on the Company's ability to continue as a going concern. Similarly there exists a material uncertainty as to when rough diamond prices will recover significantly and this may also cast doubt on the Company's ability to continue as a going concern, rendering it potentially unable to realise its assets and discharge its obligations in the normal course of business.

DIVIDENDS

No dividends have been paid or proposed (2008 - nil).

RESULTS REVIEWED

These results have been reviewed by KPMG Inc. in terms of IAS 34: Interim Financial Reporting and they have approved the financial results and the content of this release.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2009 which has significantly affected, or may significantly affect the operations or state of affairs of the Company.

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

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BY ORDER OF THE BOARD

Brett Thompson

Chief Executive Officer

29 September 2009

Note: The information in this statement has been reviewed by Mr. Brett Thompson, B Eng (Mining), Grad Dip Applied Finance & Investment, FSAIMM, MAusIMM and Mr Anton Esterhuizen B Sc (Geology), MSc (Mineral Exploration), FGSSA, MSME who are qualified persons for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr. Thompson is Chief Executive Officer of Pangea DiamondFields plc and has over 24 years experience in mining operations with some 12 years specifically in diamond mining and exploration. Mr. Anton Esterhuizen is Chief Exploration Officer of Pangea DiamondFields plc and has over 30 years experience in exploration activities throughout the world and has been the recipient of numerous awards for his exploration successes.

Pangea DiamondFields plc

Consolidated Income Statement

for the six months ended 30 June 2009

	Note	Reviewed for the six months ended	Reviewed for the six months ended	Audited for the twelve months ended
		30 June 2009	30 June 2008	30 December 2008
		US\$	US\$	US\$
Diamond revenue *		895 661	2 211 254	2 802 564
Other income		893 936	-	4 533 901
Pilot mining expenditure		(2 288 484)	(2 888 410)	(5 644 498)
Exploration expenditure		(1 651 224)	(4 341 742)	(9 162 585)
Impairment of CAR projects		(3 116 115)	-	-
Net exploration expenditure		<u>(5 266 226)</u>	<u>(5 018 898)</u>	<u>(7 470 618)</u>
Other operating expenses		(3 705 866)	(5 497 910)	(13 703 400)
Equity-settled share-based payments		-	(723 750)	3 862 317
Operating losses		<u>(8 972 092)</u>	<u>(11 240 558)</u>	<u>(17 311 701)</u>
Finance income		2 557	121 174	142 964
Finance expense		(1 216)	-	(29 720)
Loss before taxation		<u>(8 970 751)</u>	<u>(11 119 384)</u>	<u>(17 198 457)</u>
Taxation		-	-	-
Loss for the period		<u>(8 970 751)</u>	<u>(11 119 384)</u>	<u>(17 198 457)</u>
Attributable to:				
• Equity shareholders of the parent company		(8 970 751)	(11 119 384)	(17 198 457)
• Minority interest		-	-	-
		<u>(8 970 751)</u>	<u>(11 119 384)</u>	<u>(17 198 457)</u>
Loss per share (US cents)	3	<u>(0.52)</u>	<u>(8.56)</u>	<u>(8.64)</u>

* net of applicable royalties

Pangea DiamondFields plc

Consolidated Balance Sheet

at 30 June 2009

	Reviewed as at 30 June 2009	Reviewed as at 30 June 2008	Audited as at 31 December 2008
	US\$	US\$	US\$
Assets			
Non-current assets	8 774 105	16 027 390	13 304 165
Mineral properties	2 636 532	3 170 390	2 636 532
Plant and equipment	6 137 573	11 447 941	10 667 633
Unlisted investments	-	1 409 059	-
Current assets	4 495 517	8 919 614	8 111 464
Inventory	321 841	808 045	101 500
Other receivables	866 006	689 958	739 788
Bank and cash	3 307 670	7 421 611	7 270 175
Total assets	13 269 622	24 947 004	21 415 628
Equity and liabilities			
Capital and reserves	12 284 554	19 904 000	20 929 528
Share capital	12 688 428	669 249	12 137 627
Share premium	62 695 017	61 988 226	61 988 226
Foreign currency translation reserve	(606 434)	103 091	325 381
Share-based equity reserves	-	4 586 067	-
Accumulated losses	(62 492 457)	(47 442 633)	(53 521 706)
Total equity attributable to equity holders of the company	12 284 554	19 904 000	20 929 528
Minority interest	-	-	-
Non-current liability			
Loans payable	-	3 786 601	-
Current liabilities	985 068	1 256 403	486 101
Short-term loans	596 052	644 687	85 237
Finance lease liability	-	-	387 755
Trade and other payables	389 016	611 716	13 108

Total equity and liabilities	13 269 622	24 947 004	21 415 628
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Pangea DiamondFields plc

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

	Share capital	Share premium	Foreign currency translation reserve	Share- based equity reserves	Accumulated losses	Total recognised income and expenses
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 January 2008	586 749	48 165 897	(177 085)	3 862 317	(36 323 249)	(32 638 017)
Shares issued for cash	11 550 878	13 822 329	-	-	-	-
Share-based payment	-	-	-	(3 862 317)	-	(3 862 317)
Total recognised income and expense	-	-	502 466	-	(17 198 457)	(16 695 991)
Balance at 1 January 2009	12 137 627	61 988 226	325 381	-	(53 521 706)	(53 196 325)
Shares issued for cash	550 801	706 791	-	-	-	-
Total recognised income and expense	-	-	(931 815)	-	(8 970 751)	(9 902 566)
Balance at 30 June 2009	12 688 428	62 695 017	(606 434)	-	(62 492 457)	(63 098 891)

Pangea DiamondFields plc

Consolidated Cash Flow Statement

for the six months ended 30 June 2009

	Notes	Reviewed for the six months ended 30 June 2009	Reviewed for the six months ended 30 June 2008	Audited for the twelve months ended 31 December 2008
		US\$	US\$	US\$
Cash flows from operating activities				
Cash utilised by operations	4	(4 207 632)	(9 099 789)	(18 278 362)
Finance income		2 557	121 174	142 964
Finance expense		(1 216)	-	(29 720)

Net cash flows from operating activities	(4 206 291)	(8 978 615)	(18 165 118)
Cash flows from investing activities			
Acquisition of plant and equipment	(205 051)	(2 099 510)	(3 234 901)
Investments acquired	-	-	(485 000)
Mineral properties acquired	-	-	(591 836)
Net cash used in investing activities	(205 051)	(2 099 510)	(4 311 737)
Cash flows from financing activities			
Shares issued for cash	1 257 592	13 904 829	25 373 207
Increase in short-term loans	123 060	443 371	-
Net cash flows from financing activities	1 380 652	14 348 200	25 373 207
Increase in cash and cash equivalents	(3 030 690)	3 270 075	2 896 352
Foreign currency translation adjustment on cash	(931 815)	280 176	502 464
Cash and cash equivalents at the beginning of the period	7 270 175	3 871 360	3 871 360
Cash and cash equivalents at the end of the period	3 307 670	7 421 611	7 270 175

Pangea DiamondFields plc

Notes to the Reviewed Interim Financial Information

for the six months ended 30 June 2009

1. Accounting policies and Statement of Compliance

Pangea DiamondFields plc ("the Company") is a company domiciled in the Isle of Man. The consolidated interim financial information as at and for the period ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as "the Group").

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS34: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the Group as at and for the year ended 31 December 2008.

2. Segment Reporting

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

at 30 June 2009	Total	Angola	DRC	CAR	South Africa
	US\$	US\$	US\$	US\$	US\$
Total assets	8 633 935	3 786 315	3 006 804	15 722	1 825 094
Cash utilised by operating activities	(2 855 444)	(1 608 603)	(503 413)	(603 226)	(140 202)
Cash utilised by investing activities	(205 051)	(201 985)	-	-	(3 066)
Capital expenditure	(205 051)	(201 985)	-	-	(3 066)
Revenue	895 661	895 661	-	-	-
at 30 June 2008	Total	Angola	DRC	CAR	South Africa
	US\$	US\$	US\$	US\$	US\$
Total assets	15 003 361	4 372 035	4 089 934	4 191 256	2 350 136
Cash utilised by operating activities	(6 583 340)	(800 687)	(2 422 385)	(2 182 347)	(1 177 921)
Cash utilised by investing activities	(2 099 510)	-	(343 988)	(658 421)	(1 097 101)
Capital expenditure	(2 099 510)	-	(343 988)	(658 421)	(1 097 101)
Revenue	2 211 254	1 619 238	-	592 016	-
at 31 December 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	-	-	-

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

	Reviewed six months to	Reviewed six months to	Audited twelve months to
	30 June 2009	30 June 2008	31 December 2008
	US\$	US\$	US\$
Total assets	4 635 687	9 943 643	9 105 480
Cash utilised by operating activities	(1 352 187)	(2 395 275)	(4 918 737)
Cash utilised by investing activities	-	-	(485 000)
Cash generated by financing activities	1 380 652	13 921 365	25 373 207

3. Loss per share

The basic loss per share has been calculated using the weighted average number of shares in issue during the period. The weighted number of shares in the period was 1 727 982 140 (30 June 2008: 117 083 051 and 31 December 2008: 199 076 922) and the loss after taxation for the Group was \$8 970 751 (30 June 2008: \$11 119 384 and 31 December 2008: \$17 198 457).

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

4. Note to the cash flow statement

	Reviewed six months to	Reviewed six months to	Audited twelve months to
	30 June 2009	30 June 2008	31 December 2008
Cash utilised by operations			
Loss before taxation for the period	(8 970 751)	(11 119 384)	(17 198 457)
<i>Adjusted for:</i>			
Depreciation of plant and equipment	1 618 996	1 794 939	4 016 742
Equity-settled share-based transactions	-	723 750	(3 862 317)
Impairment losses attributable to plant and equipment	3 116 115	-	-
Impairment losses attributable to unlisted investment	-	-	1 409 059
Negative goodwill	-	-	(3 301 601)
Impairment losses attributable to mineral properties	-	-	819 592
Finance income	(2 557)	(121 174)	(142 964)
Finance expense	1 216	-	29 720

Decrease/ (increase) in loans and other borrowings		-	(116 079)
Decrease/ (increase) in inventory	(220 341)	(535 571)	213 761
Increase in trade and other payables	375 908	318 203	107 351
Increase in trade and other receivables	(126 218)	(160 552)	(253 170)
Cash utilised by operations	(4 207 632)	(9 099 789)	(18 278 363)

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