

Regulatory Story

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Headline MERGER WITH IGE AB BY DISPOSAL OF ASSETS
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Pangea DiamondFields plc

MERGER OF DIAMOND OPERATIONS WITH INTERNATIONAL GOLD EXPLORATION AB BY DISPOSAL OF EFIDIUM LIMITED

Pangea DiamondFields plc ("Pangea") is pleased to announce that it has entered into a legally binding conditional sale and purchase agreement (the "Agreement") with International Gold Exploration AB ("IGE") whereby Pangea will merge its diamond interests with those of IGE by the disposal to IGE of the entire issued share capital of Efidium Limited ("Efidium"), which is the holding company for all operational activities of Pangea, together with all intra-group claims in favour of Pangea (the "Merger"). The enlarged IGE will be a significant diamond exploration and mining company with resources across three African countries, together with its large existing portfolio of Nordic exploration projects and the exciting Ronnbacken Nickel Project.

The consideration for the Merger will be satisfied by the issue of 495,399,057 new fully paid ordinary shares of IGE ("IGE Shares"). On completion Pangea will hold IGE Shares representing approximately 38.4 per cent. of IGE's enlarged issued share capital. Based on the closing mid market price of the IGE Shares on the Oslo Stock Exchange ("OSX") as at 19 February 2010, the consideration represents a value of approximately US\$47.6 million, or 1.7p per Pangea ordinary share. The consideration represents a premium of approximately 81 per cent. to the closing mid market price of Pangea's ordinary shares on the AIM market of the London Stock Exchange ("AIM") as at 19 February 2010.

IGE's primary assets comprise:

- (i) the Rönnebäcken nickel project in Sweden, a large low grade deposit from which a high grade Nickel concentrate (28% Ni) is currently targeted. Preliminary assessments indicate the project is viable as a consequence of superior infrastructure, potentially low mining costs and favourable mineralogy and Pangea believes that the project has realistic prospects for significant enhancement from ongoing evaluation and exploration; and
- (ii) its diamond project portfolio, with a current focus in the development of its alluvial and kimberlite diamond assets in Angola. IGE holds four diamond concessions in Angola including the Luxinge project which is approximately 50km away from Pangea's Cassanguidi project.

The enlarged IGE will have nine diamond projects across Angola, South Africa and the Democratic Republic of Congo. IGE's diamond portfolio will include one project in commercial operation (Casanguidi, Angola), a second project ready for commercialisation (Luxinge, Angola) and a third project expected to commence production later this year (Bakerville, South Africa).

Boris Kamstra, Pangea's Chief Executive Officer, will lead the management of IGE's diamond activities following the completion of the Merger and will be supported by the full Pangea and IGE senior management teams within the merged entity.

The enlarged IGE will have a broad shareholder base including international institutional investors, senior management and a large number of retail investors. IGE will remain listed on the OSX. In order to accelerate the

development of its enlarged diamond portfolio, IGE is contemplating an equity offering in the form of a rights issue following completion of the Merger.

The Merger is subject to certain conditions precedent, including:

- the approval of the Pangea's shareholders in a general meeting to be convened; and
- the approval of IGE's shareholders in a general meeting to be convened.

The outstanding conditions to the Agreement are to be satisfied by 15 April 2010 or such other date as the parties may agree.

Following completion of the Merger, it is the current intention of Pangea to distribute the IGE Shares received by it as consideration (the "Consideration Shares") to its shareholders by way of a voluntary liquidation process. Pangea also intends to apply for cancellation of its admission to trading on AIM. Further details in respect of these intentions will be included in the circular to be sent to Pangea shareholders to convene the general meeting noted above.

Pangea's CEO Boris Kamstra commented "The diamond operations of IGE and Pangea are an excellent fit. The combined interests will comprise a well balanced project portfolio, highly experienced exploration and operational staff and sufficient critical mass to be an important player in African diamond mining. In particular, combining our respective operations in Southern Africa creates opportunities to maximize the efficiency and reach of the merged organization".

Pangea's Deputy Chairman, Rob Still, commented that "In recommending this effective merger with IGE to its shareholders, Pangea's board was attracted by the resultant critical mass and synergies in the combined diamond operations, the prospects of the Ronnbacken Nickel project and the broad shareholder base, liquidity and capital markets of the Oslo exchange.

Pangea's Chairman, Mr Bill Nairn, commented further that "In particular the board is encouraged that this merger will enable the rapid commercialisation of Pangea's five viable diamond projects which are the result of four years of extensive and professional exploration work and evaluation by the Pangea team and believe that the new IGE will enable the potential of those projects to be reached, resulting in additional value creation for Pangea's shareholders".

IGE's CEO Tomas Fellbom said "Pangea represents extensive diamond exploration and mining experience and a well established presence in Africa. The merger of the two diamond operations creates a considerable resource base and a growing cash flow from diamond mining. Within the next 12 months, we expect three diamond projects to generate revenues".

This summary announcement should be read in conjunction with the further details of the Merger and Agreement as set out in the full detailed announcement below.

For further information please contact:

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Please also refer to www.ige.se and www.pangeadiamondfields.com

FULL ANNOUNCEMENT

Pangea is pleased to announce that it has entered into a legally binding conditional Agreement with IGE whereby IGE will merge its diamond interests with those of Pangea by the disposal to IGE of the entire issued share capital of Efidium, which is the holding company for all operational activities of Pangea, together with all intra-group claims in favour of Pangea. The merged entity will be a significant diamond exploration and mining company with resources across three African countries, together with its large existing portfolio of Nordic exploration projects and the exciting Ronnbacken Nickel Project.

Key Terms of the Merger

The key terms of the Agreement are as follows:

Consideration

- The consideration is to be settled by the issue of 495,399,057 IGE Shares valued at approximately US\$47.6 million and representing approximately 38.4 per cent. of IGE's issued share capital as enlarged by the issue of the Consideration Shares.
- The consideration represents a value of approximately 1.7p per Pangea ordinary share and a premium of approximately 81 per cent. to the closing mid market price of Pangea's ordinary shares on AIM as at 19 February 2010.

Conditions Precedent

The completion of the Merger is subject, *inter alia*, to the satisfaction or waiver of the following conditions precedent:

- approval of Pangea shareholders in general meeting;
- approval of IGE shareholders in general meeting;
- confirmation from the relevant authorities that Pangea will not be required to make a mandatory offer for any further IGE Shares as a result of its shareholding on completion of the Merger;
- approval of the OSX for all documents required to ensure that the Consideration Shares can be traded on the OSX;
- approval of the OSX for the admission of the Consideration Shares to trading on the OSX;
- that Pangea delivers to IGE written undertakings from shareholders representing not less than 60% of its issued share capital not to dispose of any IGE Shares issued to them for a period of 90 days from the date they are issued to Pangea; and
- that Pangea delivers to IGE written undertakings from shareholders representing not less than 10% of its issued share capital not to dispose of any IGE Shares issued to them for a period up until 31 January 2011.

The conditions precedent are to be fulfilled by 15 April 2010 or such other date as the parties may agree.

About IGE

IGE, is a Swedish exploration and mining group focused on diamonds, nickel and gold. The Company started bulk sampling of alluvial diamonds in Angola and has been running a gold exploration program in Kenya since early 2009. IGE has an extensive portfolio of gold, base metal and diamond projects in Angola, Sweden, and Kenya. IGE has its shares listed on the OSX (ticker: IGE) with a large shareholder base and high trading liquidity. The company is headquartered in Stockholm, Sweden.

IGE's most advanced base metal project is the Ronnbacken Nickel project in Sweden. The evaluation and advancement of this large low grade deposit is making encouraging progress. Details thereof can be accessed on the IGE website, www.IGE.SE and on that of its subsidiary, IGE Nordic AB, on www.igenordic.se. Given the importance of this project a presentation summary will also be added to the Pangea website.

Attributes of this project include:

- an experienced management team comprising some 9 individuals with over 200 years of combined experience in the nickel industry with Falconbridge, BHP, Boliden, Rio Tinto, and Extrata covering all the world's major nickel mining and processing regions including Canada, Europe and Russia, Africa and Australia and having the requisite skills in geology, mining, metallurgy, environment and the nickel industry to progress the project;
- an independent 43-101 compliant nickel project resource of 55m tons indicated and 193 tons inferred, with significant upside potential to increase this following exploration in progress on the extensive project area where less than 5% has been explored;
- well established infrastructure, projected low strip ratios, favourable topography for site layouts, and nearby hydro power;
- unique mineralogy leading to good metal recoveries and, critically, the ability to produce a high grade nickel concentrate; and
- significant advances in Project permitting.

Preliminary assessment indicate that the project is viable and potential exists in Pangea's opinion having consulted with industry experts, for ongoing exploration, metallurgical and other planned project work to add significant value to the project.

In Angola IGE has a diamond bulk sampling operation at its Luxinge concession. IGE has presented the Technical and Financial evaluation to Endiama which is the final step to achieving commercial status of the project allowing it to sell its production. Ratification of this is expected in the coming months. This project is equipped to operate at pilot mining level. IGE has three other diamond concessions which include both alluvial and kimberlite licenses.

Strategy of the Enlarged IGE

The merger of Pangea's diamond operations with those of IGE furthers the ambitions of both companies to become significant players within the African diamond mining sector as part of a stronger, merged entity.

For Pangea, the Merger offers its shareholders continued exposure to an expanded portfolio of diamond projects in addition to exposure to IGE's highly prospective Ronnbacken Nickel Project in Sweden.

The enlarged IGE will become a significant diamond exploration and mining company in Africa, with nine diamond projects in Angola, South Africa and the Democratic Republic of Congo. IGE's diamond portfolio will comprise one project in commercial operation (Casanguidi, Angola), a second project ready for commercialisation (Luxinge, Angola) and a third project expected to commence production later this year (Bakerville, South Africa).

The critical mass and wider shareholder base provided to IGE by the Merger is expected by its Board to enhance access to the capital required to bring a significant portfolio of attractive diamond projects into production.

The combination of the Pangea and IGE management teams and operational staff brings together two strong teams with considerable diamond experience. It will allow for a more rapid development of the project portfolio than on a stand alone basis and provides opportunities to maximise efficiency within a merged organisation. In particular, IGE's Luxinge project is located just 50km from Pangea's Cassanguidi project, providing significant opportunities for operational synergies and enabling the merged company to benefit from the experience gained by Pangea in bringing Cassanguidi into production. In addition IGE has an established presence in Angola with strong management well versed in operating in this region.

IGE also continues to progress the evaluation and upgrading of its highly prospective Ronnbacken Nickel project. The IGE Nickel team expects to work closely with senior Pangea management, who have a long track record of successful exploration within Africa, to selectively target advanced nickel and base metal projects in Africa on an arms length basis.

Board, Senior Management and Employees of the Enlarged IGE

IGE plans to hold a meeting of the IGE nomination committee to appoint two Pangea Directors to the Board of IGE soon after completion of the Merger.

The enhanced management team of IGE will benefit from Pangea's extensive exploration and operational experience in the diamond sector into which IGE's extensive experience in Angola will add momentum to the combined company's operations there, which will be named IGE Diamonds. All members of the Pangea senior management have agreed to accept new positions with IGE Diamonds, which will be managed by Boris Kamstra.

IGE corporate affairs will be handled within the current IGE corporate structure from its head office in Stockholm under the direction of IGE's CEO, Tomas Felbom.

Requirement for Shareholder Approval

The Merger is classified as a disposal by Pangea resulting in a fundamental change of business pursuant to Rule 15 of the AIM Rules for Companies. Accordingly, completion of the Merger is conditional upon the consent of Pangea's shareholders being given in general meeting by approval of an ordinary resolution.

Pangea intends to convene a general meeting of shareholders to approve the Merger to be held on or about 26 March 2010. A notice formally convening the general meeting, including a shareholder circular will be dispatched to shareholders and a further announcement confirming that it has been sent will be made in due course.

This issue of the Consideration Shares by IGE requires the approval of IGE shareholders in general meeting by the passing of a resolution requiring the approval of 2/3 of votes cast. IGE intends to convene an extraordinary general meeting for this purpose to be held on or about 26 March 2010.

Distribution of IGE Shares by Pangea

Pangea intends to achieve a tax-efficient distribution to its shareholders of the Consideration Shares as quickly as possible after the completion of the Merger. Pangea currently intends that such distribution will be achieved by way of a members voluntary liquidation of Pangea, with the liquidator making an interim distribution of approximately 87.5% of the Consideration Shares to Pangea shareholders within a few weeks of completion of the Merger.

Pangea will hold up to 7.5% of the Consideration Shares until 31 January 2011 as security in respect of warranty claims (of which none are currently expected) customary for a transaction of this nature and a further 5% of the Consideration Shares are to be allotted to an employee benefit trust to incentivise key senior management and employees following the completion of the Merger.

The number of Consideration Shares issued to Pangea will be adjusted within certain parameters dependent on the net debt of Efidium and its subsidiary undertakings as at the date of completion of the Merger. A maximum net debt of US\$3.5million will be assumed by IGE.

Pangea expects to convene a general meeting, separate to that which is to be convened for shareholder approval of the Merger, to be held shortly after completion of the Merger at which resolutions will be proposed to appoint a liquidator and cancel the Company's admission to trading on AIM.

Management Incentivisation

Pangea's senior management has agreed to remain with the Company and involved with the enlarged IGE. Pangea's Chief Executive Officer, Boris Kamstra, will be appointed as Chief Executive Officer of the IGE subsidiary, IGE Diamonds.

In order to incentivise the current key senior management and employees of Pangea which will be key to creating value for the merged entity and the enlarged IGE's combined shareholder base, Pangea and IGE, by mutual agreement, have decided to allocate up to 5% of the Consideration Shares to an employee benefit trust or similar vehicle ("EBT"). Beneficiaries of the EBT are expected to include Boris Kamstra, Brett Thompson, Rob Still, Bill Nairn and Miles Kennedy, each current directors of Pangea. This allocation will, in part, provide compensation for their services as directors since mid 2008 for which no fees have been sought or paid.

Financial Effect on Pangea

Efidium is the holding company for all of Pangea's operating activities excluding the administrative and corporate activities of Pangea DiamondFields plc, its parent company.

In its interim results for the six months ended 30 June 2009 and the three years ended 31 December 2008, Pangea has disclosed the following financial information:

US\$000	1H 2009	2008	2007	2006
Diamond revenue	896	2,803	4,817	3,092
Other income	894	4,534		
Operating result*	-8,972	-17,312	-19,814	-15,250
Net result	-8,971	-17,198	-19,019	-14,855
Non-current assets	8,774	13,304	15,723	10,711
Current assets	4,496	8,111	4,673	26,641
Equity	12,285	20,930	16,115	32,083
Non-current liabilities		0	3,787	4,009
Current liabilities	985	486	495	931
Total balance sheet	13,270	21,416	20,396	37,352

*Note: All exploration costs have been expensed and not capitalised. This expense constitutes the majority of the operating costs.

Throughout this announcement, exchange rates of £1:US\$ 1.55 and £1:NOK9.2 have been used.

This information is provided by RNS
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