

## Regulatory Announcement

**Company** [Pangea DiamondFields PLC](#)  
**TIDM** PDF  
**Headline** Trading Update  
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### **Pangea DiamondFields plc ("PDF" or "the Company")**

#### **Trading Update**

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

This trading update follows the detailed update of activities and plans for each of the Company's projects contained in the shareholder circular published on 20 November 2008 in connection with the Company's open offer (the 'Circular'). Unless otherwise stated, activities have continued as described in the Circular.

#### **HIGHLIGHTS**

##### General

- Revised strategy to develop near-production assets and conserve cash reserves
- Open Offer successfully concluded in December raising approximately US\$13.0 million before expenses

##### Angola

- Cassanguidi expansion equipment 60% on site

##### South Africa

- Bakerville Pilot Mining commenced and resource increased by 65%

##### DRC

- Positive developments in quality of Longatshimo River project resource
- TshikapaRiverfloodplain sampling by dredging delivering encouraging results

##### CAR

- Dimbi project – Plant on care & maintenance, resource generation ongoing
- Etoile Project – Nzako area on care & maintenance, Bangana regional exploration ongoing

As described in the Circular, PDF is pursuing a revised strategy which endeavours to conserve scarce funds while focusing on the development of projects with a high probability of rapidly becoming cash generative.

The Company continues to monitor recent trends in the movement of rough diamond prices following the substantial falls late in 2008 and in doing so, is positioned to react to changing market conditions accordingly. These price falls should they persist, may have a marked impact on the viability of some of the Company's projects.

## **Angola**

### ***Cassanguidi***

A total of 3,786 carats were produced for the quarter ended 31 December 2008 which suffered from poor grades averaging 11.65 ct/100m<sup>3</sup>. This was further exacerbated by reduced throughput of an average of 10,834 m<sup>3</sup> per month due to heavy seasonal rains which affected operations as well as access to site for fuel and other spares deliveries. The production team is currently focused on construction of the expansion facilities. Production in Q1 2009 may therefore be affected, however this is expected to improve significantly by mid Q2 2009 when the expansion is fully commissioned.

While the purchase of required equipment and spares from a third party operation in Angola was concluded early in Q4 2008, protracted negotiations with other parties in Angola delayed the transport of the equipment to the Cassanguidi site. This delay pushed the transport schedule into the peak of the wet season when roads in the Lunda North province of Angola are almost impassable. Despite these delays and the inclement weather, approximately 60% of the assets purchased had been transported to site at Cassanguidi by the end of December 2008.

Additional assets outside the key earthmoving and process plant items originally identified for purchase were included in the sale and this will inevitably extend the transport schedule until probably the end of March 2009, without materially impacting on the development schedule of expansion at Cassanguidi.

Site establishment on the new processing facility is well underway and the loading schedule of outstanding equipment has been optimized to minimize delays to the construction and commissioning schedule. Management is optimistic that the ramp up to full scale commercial production can still be completed by the end of May 2009. Capital expenditure of up to US\$2.3 million had been planned to fully develop the expansion at Cassanguidi and to date there has been no material change to this estimate.

An additional purchase of equipment from another third party operation is currently being considered which could further improve reliability and potentially increase capacity at Cassanguidi. Negotiations with the vendors have progressed well and discussions with local interested parties have commenced.

As reported previously the Company has an effective 58.5% indirect participation interest in the Cassanguidi Project. The purchase of an additional 30% shareholding in Angolan subsidiary Sub Sahara, is now subject only to the formal registration of the transfer of shares in Angola, however all documentation is in place for this transfer to proceed and the Company is confident that this process will be finalised imminently.

## **South Africa**

### ***Bakerville***

The Pilot Mining plant at the Bakerville project was successfully commissioned and operational in late October 2008. The ramp up phase was interrupted by the December shutdown of operations in keeping with local annual leave commitments but full Pilot Mining capacity is expected to be reached by March 2009.

During the Pilot Mining phase management is currently budgeting for a per carat value of \$300, reflecting current market conditions, and is targeting an average operating cost of \$6.00 per cubic metre. Excellent sale results were achieved from the first tender of diamonds from Bakerville which took place in July 2008, with an average per carat value achieved of \$1,448 although diamond prices have reduced significantly since this time.

In the Company's latest resource statement, dated 31 March 2008, an Inferred Resource of 2.17 million m<sup>3</sup> was declared at an average recovered grade of 3.22 ct/100m<sup>3</sup>. As a result of additional bulk sampling work since the last resource statement, a recent independent review has updated the resource base for the Patsema area of the project to December 2008, to an Inferred Resource of 3.59 million m<sup>3</sup> at an average grade of 3.42 ct/100m<sup>3</sup>. The new resource estimated in compliance with the SAMREC Code, for the Bakerville project is as follows:

Project Area	Resource Classification	Gravel Volume (m <sup>3</sup> )	Grade (ct/100m <sup>3</sup> )	Carats	Diamond Value (US\$/ct)	Bottom Screen Size (mm)	PDF's Attributable Interest	PDF's Attributable Carats
Patsema	Inferred	3,587,340	3.42	122,513	310	1.60	74% <sup>1</sup>	90,660

<sup>1</sup> Assumes the exercise of the Panex option

Management expects to be able to continue to increase the resource base given that the current resource relates to only 10% of the total area under permit. In addition, applications for exploration permits over a further two adjacent farms have recently been granted while two more applications are presently in the assessment process.

A feasibility study to determine the most efficient and cost effective methodology to fully develop the Bakerville project to commercial scale has been ongoing for some time with results expected by the end of June 2009. Information from the Pilot Mining phase, including average per carat sales values achieved on more representative volumes will be used in the feasibility study. Subject to the results of this study, the successful conversion of existing permits to a Mining Right and the availability of funding, the Company anticipates a decision to progress to a full scale commercial operation being made in the second half of 2009.

To expand the project to full commercial scale it is necessary to purchase the Zamenkomst farm on which the operation is currently situated. A revised agreement was negotiated during December 2008 to effect this purchase of the farm for a consideration of ZAR5.22 million (approximately US\$0.52 million) and in terms of this agreement some ZAR2.0 million (approximately US\$0.2 million) or 38% of this has already been paid with the balance to be paid by mid-2009.

Whilst the feasibility study is still in progress, current scoping studies suggest that a scale of operations producing around 1,350 carats per month at a cost of around US\$4.00 per cubic metre, are the likely targets for a commercial scale operation at Bakerville.

### **Harts River**

Limited work has been undertaken on the ground in the Brussels area recently, however to date some 120 million cubic metres of Upper Calcretised Gravel (UCG) gravel resource has been identified and additional farms extending this resource are planned to be drilled in mid 2009 once permits are issued.

Limited expenditure is planned for the Harts Brussels project in the next 18 months with the exception of the aforementioned drilling. Depending upon the strategy determined for this project going forward, this may be revisited should more confidence in grade and hence additional bulk sampling be required.

Preliminary scoping studies for this project suggest a large scale, low cost operation producing around 18,000 carats per annum of US\$1,500 per carat (Q3 2008 prices) diamonds at an operating cost of US\$7.00 per cubic metre and a capital cost of around US\$20 million. These parameters will form the target for future studies on how best to develop full value for this project.

## **DRC**

### ***Longatshimo River***

Positive results are being achieved on resource delineation at this project. A reduction in the operating costs on site has been implemented and bulk sampling operations at the current scale are to continue until a decision is made to further develop or suspend operations.

Results achieved from the bulk sampling operation suggest an improvement in grade and thickness of diamondiferous gravels lying under deeper cover. The sampling operation was modified to focus on testing these deeper gravels. The results were very encouraging and confirmed higher grade material with grades encountered between 25 carats per hundred cubic meters up to 120 carats per hundred cubic meters, with a lower effective stripping ratio due to the volume of available material. The average grade on the area sampled to date is 40 ct/100m<sup>3</sup> with an average overburden of 5m and average gravel thickness of 0.3 meters. Efforts will now be focused on verifying the extent of this deposit which is expected to extend along most intra-tributary zones of the 50km<sup>2</sup> concession.

PDF is close to finalizing the importation of diesel from Angola. This should result in a significant saving on the cost of diesel which is also of a higher quality and so may deliver consequential savings on repairs and maintenance of machinery.

### ***Tshikapa River***

Encouraging results are being achieved at Tshikapa, particularly from the pumping operation. The Company intends to maintain the current exploration programme at reduced costs and an advanced pitting program is in progress to delineate high grade zones. The current exploration program is being reconfigured to continue targeted operations at a reduced cost.

Options to enter into joint venture arrangements with other operators to develop these projects in the DRC, are currently being considered.

Recently reported civil unrest in the north east of the DRC has had no effect to date on operations and given the regionalized nature of the hostilities, is not expected to have any effect in the near future.

## **CAR**

### ***Dimbi***

Activities at this project have been reduced significantly. Due to a breakdown of the main generator on site the project was shut down over December and following the repair of the generator a small team returned to site early in January 2009 to clear the stockpiles and secure the site. Hand pitting and auger

drilling over the 50 km length of the paleo-Kotto River is continuing where new blocks of gravel have been identified with more favourable stripping ratios than those encountered to date.

As a function of the Company's revised strategy the project will remain suspended until market conditions improve and/or a decision is made on its future. Apart from resuming operations if conditions permit, a number of options may be considered for the future of the project later in 2009, including if necessary a possible sale or the transfer of the equipment to the Company's DRC projects.

### **Etoile**

Processing of the samples generated from hand-pitting on the target resource areas at the Nzako area ceased early December and after a shutdown over December, the treatment of samples in the Bangana area has now resumed and is expected to continue until late February 2009. Hand pitting and jigging of gravel samples over a 27km area is concentrating on a large paleo-gravel system south of the Bangana River.

After the final sampling has been completed in the Bangana area, all of the results will be analysed and the potential of the project re-assessed. In the interim, until market conditions and more specifically rough diamond prices improve, the project will be placed on care and maintenance and all equipment still at Bangana will be transferred to Dimbi for safe keeping.

### **Corporate**

As reported on 15 December the Company successfully raised approximately US\$13.0 million before expenses from the Open Offer to existing shareholders. Of this total amount there are invalidated applications accounting for approximately US\$1.5 million due to insufficient funds paid. The Company continues to treat these applications as valid and is vigorously pursuing the outstanding payments on these applications. The market is and will continue to be updated on this progress and a further report is expected by 6 February 2009.

Excluding the outstanding US\$1.5 million from the Open Offer mentioned above, the Company had cash reserves of US\$8.7 million as at 31 December 2008. Subsequent to this date and as announced on 23 January 2009, the Company has repaid the Panex loan of US\$2 million together with interest and other expenses of approximately US\$0.1 million.

As at 31 December 2008, the Company held diamond stock of approximately 6,289 carats valued at approximately US\$1.1 million, based on Q3 2008 prices. While the Company has not sold any material quantities of diamonds since that time, recent global trends in the price of rough diamonds suggest that should it become necessary to sell this stockpile of diamonds in the present market, this value may not be fully realised. No such necessity is currently anticipated.

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

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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.

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