

**DIAMOND CORE RESOURCES LIMITED**  
 (Incorporated in the Republic of South Africa)  
 (Registration number 1998/013468/06)  
**Share code:** DMR & ISIN Number: ZAE000076956  
**Option code:** DMR & ISIN Number: ZAE000078945  
 ("Diamond Core" or "the Company")

Interim results for the six month period ended 31 December 2006

**FINANCIAL RESULTS**

**CONSOLIDATED INCOME STATEMENT**

	Unaudited 6 months ended 31 December 2006 R '000	Reviewed 6 months ended 31 December 2005 R '000	Audited year ended 30 June 2006 R '000
<b>Revenue</b>	-	-	-
Cost of sales	-	-	-
<b>Gross loss</b>	-	-	-
Other operating income	3	19	19
Exploration costs	(240)	(734)	(1,315)
Other operating expenses	(15,340)	(3,200)	(9,681)
Impairment losses	-	-	1,233
Impairment of excess goodwill / investment on acquisition of subsidiary	-	-	(53,296)
<b>Operating loss</b>	(15,577)	(3,915)	(63,040)
Investment income	7,521	157	2,714
Finance costs	(14)	(5)	(7)
<b>Net loss before taxation</b>	(8,070)	(3,763)	(60,333)
Taxation	-	-	-
<b>Net loss for the period</b>	(8,070)	(3,763)	(60,333)
Attributable to:			
Minorities	(668)	-	-
Ordinary shareholders	(7,402)	(3,763)	(60,333)
	(8,070)	(3,763)	(60,333)
Number of shares in issue ('000)	294,340	66,340	294,276
Weighted average number of shares in issue ('000)	294,335	65,275	126,719
Weighted average number of shares in issue for diluted earnings ('000)	319,250	71,557	134,446
Headline loss per share (cents)	(2.51)	(5.76)	(6.53)
Loss per share (cents)	(2.51)	(5.76)	(47.61)
Diluted loss per share (cents)	(2.32)	(5.26)	(44.88)
Reconciliation of loss and headline loss:			
Attribute loss for the period	(7,402)	(3,763)	(60,333)
Impairment of mining assets	-	-	(1,233)
Impairment of excess goodwill on acquisition of subsidiary	-	-	53,296
<b>Headline loss</b>	(7,402)	(3,763)	(8,269)

**CONSOLIDATED BALANCE SHEET**
**ASSETS**

Non-current assets	194,355	17,396	109,194
Mining assets	88,263	3,896	7,004
Mineral rights	101,864	13,500	101,864
Exploration costs	4,228	-	326
Current assets	131,943	4,729	220,217
Inventories	1,204	-	-
Trade and other receivables	15,361	1,961	514
Cash and cash equivalents	115,378	2,768	219,703
Total assets	326,298	22,125	329,411

**EQUITY AND LIABILITIES**

Total equity	289,241	17,235	285,415
Share capital	3	6,634	3
Share premium	319,198	60,511	319,198
Shares to be issued	48,366	-	48,366
Share based payments reserve	24,826	491	24,826
Accumulated loss	(114,380)	(50,401)	(106,978)
Shareholders' interest	278,013	17,235	285,415
Minority interest	11,228	-	-

Non-current liabilities	28,518	3,975	29,593
Non-interest bearing borrowings	-	1,075	1,075
Rehabilitation provision	2,900	2,900	2,900
Deferred taxation	25,618	-	25,618

Current liabilities	8,539	915	14,403
Obligation to minorities	-	-	11,895
Short term portion of non-interest bearing borrowings	1,075	-	-
Trade and other payables	7,464	915	2,508
Total equity and liabilities	326,298	22,125	329,411

Net asset value per share (cents)	94.45	25.98	96.99
Net tangible asset value per share (cents)	67.11	5.63	70.97

**CONSOLIDATED CASH FLOW STATEMENT**

Cash flow from exploration and mining activities	(16,741)	(5,201)	(6,887)
Cash utilised by exploration and mining activities	(24,248)	(5,353)	(9,594)
Investment income	7,521	157	2,714
Finance costs	(14)	5	(7)
Cash flows from investment activities	(87,584)	(293)	(2,024)
Mining assets acquired	(83,682)	(293)	(2,144)
Exploration costs capitalised	(3,902)	-	(326)
Proceeds on disposal of mining assets	-	-	446
Cash flow from financing activities	-	968	221,320
Net proceeds from shares issued	-	968	223,544
Loans settled	-	-	(2,224)
Net increase / (decrease) in cash and cash equivalents	(104,325)	(4,526)	212,409
Net cash and cash equivalents at beginning of period	219,703	7,294	7,294
Net cash and cash equivalents at end of period	115,378	2,768	219,703

**STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY**

Share capital and share premium  
 Shares to be issued  
 Share-based payments reserve  
 Accumulated loss at beginning of period  
 Net loss for the period

	319,201	67,145	319,201
	48,366	-	48,366
	24,826	491	24,826
	(106,978)	(46,638)	(46,644)
	(7,402)	(3,763)	(60,333)
	278,013	17,235	285,415

## COMMENTARY

### 1. GENERAL

Subsequent to the capital raise in March 2006 and the appointment of operational and technical staff, the Company has commenced with the implementation of the first phase of its growth path. The focus for the period under review has been to bring to account the projects for which the capital has been raised and allocated. In addition, it has conducted a parallel strategy to identify and evaluate targets for acquisition which are in line with our strategy and operating philosophy, and are value accretive for shareholders.

Infrastructure and administrative functions have been developed to support the development of the Company's portfolio of projects. The Company subscribes to the Kimberley Process and has engaged an independent consultant to ensure compliance therewith and to implement the Chain of Custody documents required.

The Company has a total of 2 Mining Rights and 7 Prospecting Rights covering 106,761 hectares.

Integration with the Northern Cape communities in which we operate continues via numerous initiatives.

A surface use agreement for Sandstraat Eksplorasi (Edms) Bpk has been concluded.

### 2. OPERATIONAL REVIEW

#### 2.1 Paardeberg East

The commissioning of the 50 tonne per hour Dense Media Separation (DMS) plant and final recovery unit has been completed and the Company is poised to commence with the bulk sampling of PK1. Independent verification and auditing of the bulk sampling plant and process has been initiated as the Company wishes to report results that are SAMREC compliant. Further drilling and geological work on PK3 is scheduled for the second quarter of 2007.

#### 2.2 Silverstreams

Construction of the processing plant continues. The capital spend for the project increased by 14% but is expected to yield an increase in front end capacity in excess of 400%. Commissioning of the plant is scheduled for the middle of April 2007 and bulk sampling operations are scheduled to commence in the beginning of May 2007.

#### 2.3 Parallel strategy

Development of the Uitdraai and De Kalk projects will be the focus during the second quarter of 2007 upon completion of the Paardeberg East and Silverstreams projects.

The Company recently announced the conclusion of an agreement to acquire the Sanddrift project from SouthernEra Management Services (Pty) Ltd and Minex Projects (Pty) Ltd. Sanddrift is adjacent to the Silverstreams project and has the potential to add significantly to the alluvial gravel resources of the Company.

Additional exploration work has been performed on the Skeyfontein kimberlite project, results of which will be reported in due course.

Further exploration work is planned for the 'blue sky' projects, which include the Koa Valley and Kuiljiespan projects.

### 3. FINANCIAL REVIEW

#### 3.1 Statement of compliance and basis of preparation

The consolidated interim financial statements for the half year ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards in compliance with IAS 34, *Interim Financial Reporting*. These results have not been reviewed or audited by the Company's auditors. The accounting policies have been applied consistently to all periods presented in the interim financial statements.

### 3.2 Commentary

Diamond Core is an exploration company and does not generate mining revenue at present. Operating expenses increased to R15,339,664 (2005: R3,199,714) as the Company began to operationalise its assets. Exploration costs of R4,141,533 (2005: R733,899) were incurred during the period of which the largest proportion relate to the Paardeberg East project.

Investment income generated for the period amounted to R7,520,969 (2005: R157,195).

Capital expenditure of R83,6 million was incurred during the period which includes earthmoving plant (R38,5 million) and processing plant (R42,6 million) for the Paardeberg East and Silverstreams projects.

Cash resources available to the Company at the end of the period amount to R115,378,465. Trade and other receivables is comprised mainly of VAT recoverable from SARS arising from the acquisition of the earthmoving and processing plant.

### 4. LITIGATION

There are currently no legal or arbitration proceedings against the Company or its subsidiaries (including any proceedings which are pending or threatened) of which the Company is aware which may have, or have had in the 12 months preceding the date of this report, a material effect on the consolidate position of the Company.

### 5. OUTLOOK

Exploration for, and mining of diamonds is a long-term, high risk business activity which needs to be planned and implemented optimally. Nevertheless, the board is satisfied that the exploration capital with regards to the financial results for the period under review has been optimally applied and remains positive regarding the sustainability and future prospects of the Company.

For and on behalf of the Board:

A R Davids  
Non-executive Chairman  
30 March 2007

T Botoulas  
Chief Executive Officer

**Directors:** AR Davids\*, T Botoulas, CI Campbell, S Nachom\*(USA), MJ Prinsloo\*, GD Hunter\*, JK Barker\*(UK)  
[\* non-executive]

**Company secretary:** J Marshall

**Registered address:** Block C St Andrews Office Park, Meadowbrook Lane, Epsom Downs, Bryanston

**Transfer secretaries:** Computershare Investor Services 2004 Limited, 70 Marshall Street, Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

**Sponsor:** River Group