



Target Resources plc
Annual Report and Financial Statements
for the year ended 31 October 2009

TARGET RESOURCES PLC

CONTENTS

	Page
Chairman's Statement	1
Directors' Report	2
Independent Auditors' Report	5
Consolidated Income Statement	7
Consolidated Balance Sheet	8
Company Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Company Statement of Changes in Equity	11
Consolidated Cash Flow Statement	12
Company Cash Flow Statement	13
Notes to the Financial Statements	14

TARGET RESOURCES PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2009

I am pleased to announce the final audited results of Target Resources plc ("Target" or "Company") for the year ended 31 October 2009. The financial information comprises the consolidated results of Target, its direct subsidiary Milestone Trading Limited and Milestone's Sierra Leone subsidiaries.

For the year ended 31 October 2009, the Group generated turnover of US\$1,236,800 (2008: US\$582,574) which resulted in a loss before tax of US\$8,282,490 (2008: US\$19,978,372). The loss per share is 6.72 cents (2008: 16.56 cents). The Group had cash balances at the year end of US\$105,295 (2008: US\$452,783).

From November 2008, we were able to ramp up production and substantially achieved our targets for earthmoving. In the 5 months from then until March 2009 we recovered about 3,700 carats of high quality stones. Average stone size was nearly one carat, with several over 10 carats and one of 33 carats.

However, the overall grade was lower than we had hoped for, and this was exacerbated by a severe fall in rough diamond prices during this period. While in mid-2008 stones of the quality we have been recovering would have brought average prices near US\$800 per carat, the last parcel we exported achieved under US\$400 per carat.

As a result, in common with many other diamond mining companies worldwide, we were unable to operate profitably and had no alternative but to suspend our diamond mining operations in the Kono district of Sierra Leone in March 2009.

We have reduced our operational budget to an absolute minimum and have been exploring possible sources of income in Sierra Leone outside mining, to help the Group through this difficult period.

The Company delisted from the London Stock Exchange on 29 October 2009.

In May 2010, Target's operating subsidiary, Milestone Trading Ltd ("Milestone"), agreed to sell to the Frankfurt-listed Irish company Anglo-African Minerals plc ("AAM") (FSX:AMQ) the Group's plant and equipment mostly located at the Group's mining camp in Sierra Leone, together with the mining lease No. ML01/08 which permits the extraction of diamonds and gold in parts of Sandoh and Nimiya Chiefdoms in the Kono District of Sierra Leone, together being effectively the entire assets of the Group.

The equipment and the mining lease are held in two Sierra Leonean subsidiaries of Milestone which were acquired by AAM in return for the issue to Milestone of 3,000,000 Ordinary Shares of €0.001 each in the capital of AAM.

Due to lack of funds, and the absence of any available mining prospects likely to produce profits without substantial further investment, the Group has been subsisting on a "care and maintenance" basis apart from a low cost diamond mining operation at Bo run as a joint venture with Canaf Group Inc. The prospects of the Group being able to restart substantial operations were, in this context, very remote and dependent on attracting further funding which the Board considered highly unlikely. The sale agreed with AAM accordingly appeared to the Board to offer by far the best prospect available of enabling the Group to pay its creditors and (subject to market performance of the shares of AAM) potentially to produce residual value in future for Target's shareholders.

AAM has recently agreed to acquire (in return for shares) majority interests in a poly-metallic gold deposit in Armenia and a bauxite deposit in Guinea, both being world-class deposits substantially proven by drilling in the past. In addition it has a number of exploration licences in Guinea and intends to develop plans for restarting mining in Sierra Leone using the equipment acquired from Target. Dr Levy and Mr Bressloff have joined the Board of AAM.

I believe that AAM has a good chance of becoming a well established and substantial mineral investment company, and that being part of AAM represents the best prospect for Target Group in the future.

Freddy Hager, Chairman, 14 September 2010

TARGET RESOURCES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2009

The directors present their annual report and audited financial statements of Target Resources plc ("the Company") and its subsidiaries (together "the Group") for the year ended 31 October 2009.

The Company was incorporated in England and Wales on 19 September 2005. On 7 November 2005 the Company was registered as a public company under the name Target Resources plc.

On 12 July 2006, the Company completed a public share placing and its shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company delisted from the Stock Exchange on 29 October 2009.

Events after the balance sheet date

In May 2010, Target's operating subsidiary, Milestone Trading Ltd ("Milestone"), agreed to sell to the Frankfurt-listed Irish company Anglo-African Minerals plc ("AAM") (FSX:AMQ) the Group's plant and equipment mostly located at the Group's mining camp in Sierra Leone, together with the mining lease No. ML01/08 which permits the extraction of diamonds and gold in parts of Sandoh and Nimiyama Chiefdoms in the Kono District of Sierra Leone, together being effectively the entire assets of the Group.

The equipment and the mining lease are held in two Sierra Leonean subsidiaries of Milestone which were acquired by AAM in return for the issue to Milestone of 3,000,000 Ordinary Shares of €0.001 each in the capital of AAM.

Principal activities

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary undertakings are as below:

Milestone Trading Limited	Intermediate holding company
Haliburton Overseas Limited	Asset holding
Nimikoro Mining Company Limited	Diamond mining
Sandoh Development Corporation Limited	Diamond mining
Nimiyama Development Company Limited	Diamond mining

Results and dividends

The Group results for the year ended 31 October 2009 are shown on page 7. The Group's loss for the year was US\$8,282,490 (2008: US\$19,978,323). The directors do not recommend the payment of a dividend (2008: Nil).

Review of business and future prospects

A review of the Group's operations during the year and of its future prospects is set out in the Chairman's Statement.

Performance

The Group's revenue from the mining of diamonds during the year was below expectations, as the period was marred by the near collapse in diamond prices as a result of the worldwide financial crisis, which led to the Group's decision to halt production indefinitely. As a result, the Group's revenue, which was only US\$1,236,800 was below its costs. It is therefore not very meaningful to consider a review of key performance indicators in respect of the year under review. Further details on the Group's performance and activities are in the Chairman's Statement.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009**

Directors

The following directors held office during the year under review:

F S Hager
Dr N Levy
Y Ziv
A Greenblatt
J Carrick-Smith (resigned 10 November 2009)
P Samson (resigned 7 May 2009)
P O'Kane (resigned 10 March 2009)

Position in the marketplace

During the year under review, the Group was well placed to compete with the relatively small number of other alluvial miners in Sierra Leone, having proved it can efficiently mine large volumes. As stated above, the collapse in world diamond prices led to the Group ceasing mining operations in March 2009.

Principal risks and uncertainties facing the Group

Mineral exploration involves a high degree of risk, as the identification of potential mineral sources based on analysis of geological data is not an exact science.

Principal risks and uncertainties facing the Group include but are not limited to:

- no assurance that diamonds will be discovered;
- delays in expanding mining activities;
- market price of diamonds and foreign exchange rates which are affected by numerous factors beyond the Group's control;
- operations may be disrupted by a variety of risks and hazards which are beyond the control of the Group, including environmental hazards and inclement weather conditions;
- the political situation in Sierra Leone exposes the Group to political, economic and other uncertainties, including but not limited to terrorism, war, military repression, and changes in policies, regulations, taxation, or operations of foreign-based companies; and
- future exploration and development may be dependent upon the Group's ability to obtain suitable financing at reasonable terms.

Financial risk management

Target's financial risk management objectives are to minimise debt and to ensure sufficient working capital for the Group's overheads and capital expenditure commitments. This is achieved by prudent financial management and careful management of the Group's cash balances, both short and long term. Other than this, Target's use of financial instruments is not material for the assessment of the assets, liabilities, financial position and results of the Group.

Creditor payment policy

It is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 October 2009, the Group had an average of 31 days (2008: 31 days) purchases outstanding in trade creditors.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009**

Going concern

The details for adopting the going concern basis are set out in the note 2.1 to the financial statements under going concern.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period in accordance with applicable laws and International Financial Reporting Standards (IFRSs) adopted by the European Union and which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgments and estimates that are reasonable and prudent;
- c) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- e) provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standard (IFRS) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

Internal controls

The Board is responsible for identifying and evaluating the major business risks faced by the Group and for determining and monitoring the appropriate systems of internal controls to manage these risks. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. While they are aware that no system can provide absolute assurance against material misstatement or loss, in light of the increased activity and further development of the Group, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Statement of disclosure to auditors

So far as the Board of directors is aware:

- a) there is no relevant audit information of which the Company's auditors are unaware; and
- b) all directors have taken all steps that they ought to have as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Civvals Ellam Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

By order of the Board

D I Bressloff

Secretary 14 September 2010

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TARGET RESOURCES PLC**

We have audited the Group and Company financial statements of Target Resources plc for the year ended 31 October 2009 on pages 7 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards to the Group financial statements, Article 4 of the IAS Regulations.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF TARGET RESOURCES PLC**

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2.1 to the financial statements under going concern, concerning the Group's and Company's ability to continue as a going concern. The Group incurred a net loss attributable to equity holders of the Company of US\$8,261,411 during the year ended 31 October 2009 and, at that date, the Group's liabilities exceeded its total assets by US\$21,779,176. These conditions along with the other matters explained in note 2.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Aamir Kazi (Senior Statutory Auditor)
for and on behalf of Civvals Ellam Limited
Chartered Accountants and
Statutory Auditors
Marble Arch House
66 - 68 Seymour Street
London
W1H 5AF

14 September 2010

TARGET RESOURCES PLC

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2009**

	Notes	2009 US\$	2008 US\$
Continuing operations			
Group turnover	6	1,236,800	582,574
Cost of sales:			
Depreciation & amortization	11	(2,364,103)	(3,936,530)
Operating expenses		(3,746,285)	(5,443,558)
Total cost of sales		(6,110,388)	9,380,088
Gross loss		(4,873,588)	(8,797,514)
Administrative expenses		(2,218,254)	(5,417,476)
Impairments of intangible assets		–	(3,635,545)
Share based payments	19	87,960	(770,104)
Total other expenses		(2,130,294)	(9,823,125)
Group operating loss	7	(7,003,882)	(18,620,639)
Finance costs - net	8	(1,278,608)	(1,357,733)
Loss before tax		(8,282,490)	(19,978,372)
Taxation	10	–	49
Loss for the year		(8,282,490)	(19,978,323)
Attributable to:			
Equity holders of the Company		(8,261,411)	(19,943,375)
Minority interests		(21,079)	(34,948)
		(8,282,490)	(19,978,323)
Loss per share (cents)	4		
Basic		(6.72)	(16.56)
Diluted		(6.72)	(16.56)

TARGET RESOURCES PLC

CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2009

	Notes	2009 US\$	2008 US\$
ASSETS			
Non-current assets			
Plant and equipment	11	3,646,769	5,839,438
Current assets			
Trade and other receivables	14	48,330	204,790
Inventories	13	–	278,865
Cash and cash equivalents		105,295	452,783
		153,625	936,438
TOTAL ASSETS		3,800,394	6,775,876
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	18	2,308,889	2,305,251
Share premium	18	27,101,693	27,101,693
Other reserves		4,973,307	4,973,307
Retained losses		(55,847,971)	(47,586,560)
Minority interest		(315,094)	(294,015)
Total Deficit in Shareholder Funds		(21,779,176)	(13,500,324)
LIABILITIES			
Non-current liabilities			
Borrowings	17	8,500,000	5,660,000
Provision for liabilities and charges	15	1,849,200	1,966,960
Licence fees payable		189,458	189,458
		10,538,658	7,816,418
Current liabilities			
Trade and other payables	16	3,732,907	2,634,834
Borrowings	17	11,308,005	9,824,948
		15,040,912	12,459,782
Total Liabilities		25,579,570	20,276,200
TOTAL EQUITY AND LIABILITIES		3,800,394	6,775,876

The financial statements were approved by the Board on 14 September 2010.

N Levy
Director

Y Ziv
Director

TARGET RESOURCES PLC

COMPANY BALANCE SHEET
AS AT 31 OCTOBER 2009

	Notes	2009 US\$	2008 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	12	–	–
Current assets			
Trade and other receivables	14	–	–
Cash and cash equivalents		7,727	7,654
		7,727	7,654
TOTAL ASSETS		7,727	7,654
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	18	2,308,889	2,305,251
Share premium	18	27,101,693	27,101,693
Other reserves		36,166,958	36,166,958
Retained losses		(79,775,959)	(76,168,904)
Total Deficit in Shareholder Funds		(14,198,419)	(10,595,002)
LIABILITIES			
Non-current liabilities			
Provision for liabilities and charges	15	1,849,200	1,966,960
Borrowings	17	8,500,000	5,000,000
		10,349,200	6,966,960
Current liabilities			
Borrowings	17	3,686,211	3,500,000
Trade and other payables	16	170,735	135,696
		3,856,946	3,635,696
Total Liabilities		14,206,146	10,602,656
TOTAL EQUITY AND LIABILITIES		7,727	7,654

The financial statements were approved by the Board on 14 September 2010.

N Levy
Director

Y Ziv
Director

TARGET RESOURCES PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2009**

	Share capital	Share premium	Other reserves	Retained losses	Minority interest	Total equity
	US\$	US\$	US\$	US\$	US\$	US\$
Year ended 31 October 2008						
At 1 November 2007	2,210,394	26,539,768	4,550,236	(28,243,114)	(259,067)	4,798,217
Issue of share capital	94,857	931,786	–	–	–	1,026,643
Share issue costs	–	(369,861)	–	–	–	(369,861)
Share based payments	–	–	1,023,000	–	–	1,023,000
Transfer on exercise of share options	–	–	(599,929)	599,929	–	–
Loss for 2008	–	–	–	(19,943,375)	(34,948)	(19,978,323)
Balance at 31 October 2008	2,305,251	27,101,693	4,973,307	(47,586,560)	(294,015)	(13,500,324)
Year ended 31 October 2009						
At 1 November 2008	2,305,251	27,101,693	4,973,307	(47,586,560)	(294,015)	(13,500,324)
Issue of share capital	3,638	–	–	–	–	3,638
Share issue costs	–	–	–	–	–	–
Share based payments	–	–	–	–	–	–
Transfer on exercise of share options	–	–	–	–	–	–
Loss for 2009	–	–	–	(8,261,411)	(21,079)	(8,282,490)
Balance at 31 October 2009	2,308,889	27,101,693	4,973,307	(55,847,971)	(315,094)	(21,779,176)

The Group's other reserves comprise the following:

	2009 US\$	2008 US\$
Merger reserve	400,843	400,843
Share-based payments reserve	4,779,467	4,779,467
Currency translation reserve	(207,003)	(207,003)
	<u>4,973,307</u>	<u>4,973,307</u>

TARGET RESOURCES PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2009

	Share capital	Share premium	Other reserves	Retained losses	Total Equity
	US\$	US\$	US\$	US\$	US\$
Year ended 31 October 2008					
At 1 November 2007	2,210,394	26,539,768	35,743,887	(4,559,448)	59,934,601
Issue of share capital	94,857	931,786	–	–	1,026,643
Share issue costs	–	(369,861)	–	–	(369,861)
Share based payments	–	–	1,023,000	–	1,023,000
Transfer on exercise of share options	–	–	(599,929)	599,929	–
Loss for 2008	–	–	–	(72,209,385)	(72,209,385)
Balance at 31 October 2008	2,305,251	27,101,693	36,166,958	(76,168,904)	(10,595,002)
Year ended 31 October 2009					
At 1 November 2008	2,305,251	27,101,693	36,166,958	(76,168,904)	(10,595,002)
Issue of share capital	3,638	–	–	–	3,638
Share issue costs	–	–	–	–	–
Share-based payments	–	–	–	–	–
Transfer on exercise of share options	–	–	–	–	–
Loss for 2009	–	–	–	(3,607,055)	(3,607,055)
Balance at 31 October 2009	2,308,889	27,101,693	36,166,958	(79,775,959)	(14,198,419)

The Company's other reserves comprise the following:

	2009 US\$	2008 US\$
Merger reserve	31,387,267	31,387,267
Share-based payments reserve	4,779,691	4,779,691
	<u>36,166,958</u>	<u>36,166,958</u>

TARGET RESOURCES PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2009**

	Notes	2009 US\$	2008 US\$
Cash used in operations	20	(3,619,506)	(11,192,573)
Interest paid		(1,313,357)	(248,726)
Net cash used in operating activities		(4,932,863)	(11,441,299)
Investing activities			
Purchase of plant and equipment		(171,433)	(7,966,008)
Purchase of intangible assets		–	(243,767)
Interest received		181,049	111,692
Net cash generated/(used) in investing activities		9,616	(8,098,083)
Financing activities			
Proceeds from issue of shares		–	1,026,643
Share issue costs		–	(369,861)
Loans obtained		4,323,057	7,210,000
Net cash from financing activities		4,323,057	7,866,782
Decrease in cash and cash equivalents		(600,190)	(11,672,600)
Cash and cash equivalents at beginning of the year		452,783	12,518,296
Exchange rate effects		252,702	(392,913)
Cash and cash equivalents at the end of the year		105,295	452,783

TARGET RESOURCES PLC

**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2009**

Notes	2009 US\$	2008 US\$
Cash used in operations	(3,267,260)	(256,392)
Interest paid	(418,878)	(439,931)
Net cash used in operating activities	(3,686,138)	(696,323)
Investing activities		
Loans to subsidiaries	–	(15,316,309)
Costs of acquisition of subsidiary	–	–
Net cash used in investing activities	–	(15,316,309)
Financing activities		
Proceeds from issue of shares	–	1,026,643
Share issue costs	–	(369,861)
Loan obtained	3,686,211	3,500,000
Net cash from financing activities	3,686,211	4,156,782
Increase/(decrease) in cash and cash equivalents	73	(11,855,850)
Cash and cash equivalents at beginning of the year	7,654	11,863,504
Cash and cash equivalents at the end of the year	7,727	7,654

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

1. General Information

Target Resources plc (“the Company”) and its subsidiaries (together “the Group”) undertakes the exploration and mining of diamonds and gold. The Group undertakes its activities in Sierra Leone.

The Company is a public limited liability company incorporated and domiciled in the United Kingdom.

These consolidated financial statements were approved for issue by the Board of Directors on 14 September 2010.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods for which the financial statements have been presented.

2.1 Basis of preparation

International Financial Reporting Standards

The Group’s and Parent Company’s financial statements have been prepared using the historical cost convention and in accordance with the International Financial Reporting Standards (“IFRS”) including IFRS 6, Exploration for and Evaluation of Mineral Resources, as adopted by the European Union (“EU”) and in accordance with the provisions of the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

New IFRS standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

		<i>Effective from:</i>
IAS 23	Borrowing costs	1 January 2009
IAS 36	Impairment of assets	1 January 2009
IFRS 2	Share based payments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IFRS 3	Business combinations	1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on Operating Segments when IFRS 8 comes into effect for its year commencing on 1 November 2009.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

2.1 Basis of preparation (continued)

Going concern

During the year ended 31 October 2009, the Group made a loss of US\$8,282,490 and its liabilities exceeded its assets by US\$21,779,176 at that date.

This situation indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

During the year, the Group suspended its diamond mining operations and subsequent to the year end disposed of its mining equipment and mining lease as disclosed in note 24 to the financial statements. These actions have greatly reduced cash outflows and together with the continuing support of certain of the Group's lenders, the directors are satisfied that the going concern basis remains appropriate for the preparation of these financial statements.

2.2 Basis of consolidation

a) *Involving entities not under common control*

The consolidated financial statements incorporate the financial statements of the Company and all those enterprises and companies that it controls by way of, directly or indirectly holding more than half of the votes of all shares, or in some other way has a controlling influence. Control is achieved where the Company has the power to direct the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

These entities' accounts have been consolidated by using the purchase method. This method requires the Group to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities of the subsidiary.

b) *Involving entities under common control*

The Company acquired the Milestone Trading Limited group in a prior year in exchange for its own shares; this, under IFRS 3, has resulted in a business combination involving entities under common control, where no acquirer is identified.

When the Company acquires another company, by means of a share exchange, resulting in a business combination involving entities under common control and where no acquirer is identified, the difference between the purchase consideration and the carrying value of the net assets acquired is adjusted to equity and the comparative figures are stated on a combined basis.

c) *General*

All the enterprises and companies over which the Company has control, apply, where appropriate, the same accounting policies as the Company. The effects of intra-group transactions are eliminated in preparing the Group financial statements.

2.3 Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such net assets.

Goodwill arising on acquisitions is capitalised and subject to impairment testing, both annually and when there are indications that the carrying value may not be recoverable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

2.4 Deferred exploration costs

Exploration and evaluation costs following acquisition of licences are capitalised as exploration and evaluation assets and are accumulated separately for each "area of interest" (or "cost pool") on a project by project basis, as a cash generating unit, following determination of the technical feasibility and commercial viability of the project. The capitalised costs are included in intangible assets. The mining equipment used in connection with exploration is included in tangible assets. Pre-licensing costs are recognised in the income statement when incurred. If a mining development project is successful, the related costs, on commencement of commercial production, are amortised on a unit-of-production basis over the total estimated remaining life of the mine in the related "area of interest", using estimated economically recoverable proven and probable reserves. Costs used in the unit-of-production calculation comprise the net book value of capitalised costs plus the estimated future development costs for proved and probable reserves, where the estimated future costs can be reliably estimated. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs are written off as impairment.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

2.5 Mining licences

Costs of acquiring licences for the exploration of natural resources are capitalised as intangible assets and are accumulated separately for each "area of interest" on a project by project basis as a cash generating unit, pending determination of the technical feasibility and the commercial viability of the project. If a mining development project is successful, the related costs are amortised or impaired on the same basis as deferred exploration costs (2.4 above).

Amounts recorded for these assets represent costs and are not intended to reflect present or future values.

2.6 Rehabilitation costs

Sierra Leone local environmental legislation requires rehabilitation of land disturbed by mining.

The Group records, in the financial period when the related environmental disturbance occurs, the fair value of obligations associated with rehabilitation work planned for backfilling and surface profiling of the proportion of the land which is disturbed by mining, in the "area of interest" in which the mining commenced. These costs are capitalised as intangible assets and the related provisions are included in liabilities. The costs are amortised or written off over the estimated life of the commercial reserves held in the proportion of the land in the "area of interest" commenced for mining, on a unit-of-production basis. As the timing difference between the commencement and completion of mining in a proportion of land in an "area of interest" is generally short, the provision for these costs is not discounted.

2.7 Inventories

Inventories, consisting of uncut diamonds, are valued at estimated market values prevailing at the year end, reduced by the application of anticipated margins. The use of this method results in a carrying value of inventory which approximates to the lower of cost and net realisable value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

2.8 Foreign currencies

a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). With effect from 1 November 2007, the Directors consider the US Dollar to be the Company's and Group's functional currency. Comparative figures have been restated into US Dollars from Pounds Sterling. The effective exchange rate at 31 October 2009 was £1:US\$1.65. The consolidated financial statements are presented in US dollars, which is the Company's functional and presentational currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non monetary items including those arising on consolidation of the net investments in subsidiaries, are taken directly to reserves.

c) Group companies

The results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- ii) income and expenses for each income statement are translated at average rate; and
- iii) all resulting exchange differences are recognised as a separate component of equity.

2.9 Plant and equipment

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on these assets is calculated using the straight-line method to allocate the cost less residual values over their estimated useful lives as follows:

Plant and equipment	33%
Cabin and associated set up costs	20%
Fixtures and fittings	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

2.10 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.11 Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and expected to apply when the related deferred tax is realised or the deferred liability is settled.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purposes of the cash flow statement, cash and cash equivalents include bank overdrafts.

2.13 Trade receivables

Trade receivables are carried at their invoiced value, less any provision for impairment.

2.14 Trade payables

Trade payables are recognised initially at fair values and subsequently at amortised cost using the effective interest method.

2.15 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

2.16 Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

2.17 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts and after eliminated sales within the Group. Sales of goods are recognised when the goods are delivered and title has passed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

2.18 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument. For this purpose:

- Short term trade and other receivables and creditors are not treated as financial assets or financial liabilities except for the currency disclosures; and
- The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

2.19 Borrowing costs

All borrowing costs are recognised in the income statement for the period in which they are incurred.

2.20 Share based payments

The Company makes share based payments to certain employees, directors and advisers by way of issues of share options for services rendered. The fair value of these payments is calculated by the Company using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Company's best estimate of the number of shares that will eventually vest.

2.21 Parent Company investments in subsidiaries

The Parent Company's investments in subsidiary and associated undertakings are included in the Company balance sheet at cost less any provisions for impairments.

3. Critical Accounting Estimates, Judgements and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Estimated impairment of intangible assets

The Group tests annually whether its intangible assets, including goodwill, have suffered any impairment in accordance with the accounting policies stated above. The recoverable amounts are derived from future expected revenues based on independent valuation of the mining leases, discounted as appropriate.

(b) Income taxes

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the world wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

4. Loss Per Share

The basic loss per ordinary share has been calculated using the loss for the financial year attributable to the Company's equity shareholders of US\$8,261,411 (2008: US\$19,943,375) and the weighted average number of ordinary shares in issue of 123,234,220 (2008: 120,404,299).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 123,470,433 (2008: 121,889,944). The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

5. Parent Company Income Statement

In accordance with the provisions of Section 408 of the Companies Act 2006 the Parent Company has not presented an income statement. A loss for the year ended 31 October 2009 of US\$3,607,055 (2008: US\$72,209,385) has been included in the consolidated income statement. This loss arose primarily as a result of impairment charges against the Company's investments in its subsidiaries and its loans due from subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

6. Segment Information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

6.1 Primary reporting format – business segments

During the year the Group was organised into one business segment as follows:

Exploration and mining of alluvial diamonds and selling them in the related world markets.

6.2 Secondary reporting format – geographical segments

The segmental information on sales, total assets, total liabilities and capital expenditure is set out below:

	2009	2008
	US\$	US\$
Sales		
Europe excluding UK	1,236,800	582,574
	1,236,800	582,574

Sales are allocated based on the country in which the customer is located.

	2009	2008
	US\$	US\$
Total assets		
UK	82,449	601,160
Sierra Leone	3,717,945	6,174,716
	3,800,394	6,775,876

Total assets consist of plant and equipment, inventories, receivables and cash. Total assets are allocated based on where the assets are located.

	2009	2008
	US\$	US\$
Capital expenditure		
UK	–	–
Sierra Leone	171,433	8,209,775
	171,433	8,209,775

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

7. Group Operating Loss

	Notes	2009	2008
		US\$	US\$
The Group's operating loss is stated after charging:			
Depreciation and amortisation charges	11	2,364,103	3,936,530
Employee benefit expenses excluding share based payments		1,868,481	3,486,622
Transportation and fuel charges		973,537	1,272,646
London office – expenses		457,803	892,069
Audit fees		40,000	163,367
Other expenses		1,387,918	5,037,330
Total cost of sales and administrative expenses		7,091,842	14,788,564

Fees payable to the Company's auditors consist of audit fees of US\$40,000 (2008: US\$80,000) and non-audit fees of US\$nil (2008: US\$40,000).

8. Finance Costs

	2009	2008
	US\$	US\$
Interest expense:		
- other loans	1,376,627	1,153,332
- bank overdraft	26,289	49,970
- foreign exchange	56,740	266,123
Less: Interest receivable and exchange gains	(181,048)	(111,692)
Total finance costs	1,278,608	1,357,733

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

9. Employee Information

	2009	2008
	Number	Number
Number of employees		
The average monthly numbers of employees (including the directors) during the year were:		
Employed in UK – Administration	6	6
Employed in Sierra Leone – Administration	2	3
– Operation	160	270
	168	279
	2009	2008
	US\$	US\$
Employment costs		
Wages and salaries	1,656,603	2,912,903
Social security costs	79,698	276,183
Staff welfare	105,906	191,527
Share based payments	-	1,023,000
Staff accommodation costs	19,099	81,448
Staff medical costs	7,175	24,561
	1,868,481	4,509,622

9.1 Directors' Emoluments

	2009	2008
	US\$	US\$
Remuneration and other emoluments	639,557	837,715

The remuneration of directors was as follows:

	Fees/salaries	Benefits in kind	2009 Total	2008 Total
	US\$	US\$	US\$	US\$
F Hager	59,494	-	59,494	70,137
N Levy	254,451	8,007	262,458	320,612
Y Ziv	220,524	2,878	223,402	277,830
J Carrick Smith	37,873	-	37,873	48,717
A Greenblatt	50,000	-	50,000	49,250
P O'Kane	17,215	-	17,215	48,717
P Samson	-	-	-	11,226
	639,557	10,885	650,442	826,489

In addition to the above remuneration the Group's IFRS 2 share based payments charge includes US\$nil (2008: US\$761,782) relating to directors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

10. Taxation

	2009	2008
	US\$	US\$
Current year		
UK Corporation tax	–	–
Double tax relief	–	–
Overseas tax	–	49
Prior years		
UK Corporation Tax	–	–
	–	49

UK corporation tax is calculated at 28% (2008: 30%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group's tax charge/(credit) can be reconciled to the income statements as follows:

	2009	2008
	US\$	US\$
Loss before tax	(8,282,490)	(19,978,372)
Tax at the weighted average tax rate	(2,395,895)	(5,793,728)
Tax effects of deferred tax assets not recognised	2,395,895	4,479,479
Tax effects of expenditure not deductible in determining taxable profit	–	1,314,249
Overseas withholding taxes not recoverable	–	49
	–	49

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009

11. Plant and Equipment

Group	Mining equipment plant and machinery	Cabin and associated setup costs	Motor vehicles	Fixtures and fittings	Total
	US\$	US\$	US\$	US\$	US\$
Cost					
At 1 November 2007	2,748,160	127,741	155,606	184,297	3,215,804
Additions in 2008	7,660,351	151,010	154,645	–	7,966,006
At 1 November 2008	10,408,511	278,751	310,251	184,297	11,181,810
Additions in 2009	82,602	88,831	–	–	171,433
At 31 October 2009	10,491,113	367,582	310,251	184,297	11,353,243
Depreciation and impairment					
At 1 November 2007	1,275,665	44,975	40,970	44,230	1,405,840
Charge for 2008	3,747,446	53,280	67,482	68,322	3,936,530
At 1 November 2008	5,023,111	98,255	108,452	112,553	5,342,371
Charge for 2009	2,049,404	207,558	47,264	59,877	2,364,103
At 31 October 2009	7,072,515	305,813	155,716	172,430	7,706,474
Net Book Values					
At 31 October 2009	3,418,598	61,769	154,535	11,867	3,646,769
At 31 October 2008	5,385,400	180,496	201,800	71,745	5,839,438

The above assets are held in Sierra Leone.

12. Investments in Subsidiaries

Company	Investment in subsidiary undertakings
Cost	
	US\$
At 1 November 2008	32,178,904
Additions	–
At 31 October 2009	32,178,904
Impairment	
At 1 November 2008	32,178,904
Provision for impairment	–
At 31 October 2009	32,178,904
Net Book Value	
At 31 October 2009	–
At 31 October 2008	–

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

At 31 October 2009 the Company held 20% or more of the nominal value of the share capital of the following companies:

Subsidiary undertakings	Nature of business	Country of incorporation	Share capital held	Share of votes
<i>Direct Subsidiaries</i>				
Milestone Trading Ltd	Holding company	England	100%	100%
<i>Indirect Subsidiaries</i>				
Haliburton Overseas Ltd	Hire of plant	Sierra Leone	100%	100%
Sandoh Development Corporation Ltd	Mining	Sierra Leone	70%	70%
Nimikoro Mining Company Ltd.	Mining	Sierra Leone	70%	70%
Nimiyama Development Company Ltd	Mining	Sierra Leone	70%	70%
Milestone Group (SL) Ltd	Dormant	Sierra Leone	100%	100%
Pride Diamonds (SL) Ltd	Dormant	Sierra Leone	75%	75%
Milestone Trading Ltd	Licence holder	Sierra Leone	100%	100%

13. Inventories

As at 31 October 2009, the Group had US\$nil (2008: US\$278,865) of uncut diamonds and gold in stock.

14. Trade and Other Receivables

	Group 2009	Company 2009	Group 2008	Company 2008
	US\$	US\$	US\$	US\$
VAT refundable	3,820	–	15,751	–
Prepayments	13,343	–	128,397	–
Other receivables	31,167	–	60,642	–
	48,330	–	204,790	–

15. Provision for Liabilities and Charges

	Group 2009	Company 2009	Group 2008	Company 2008
	US\$	US\$	US\$	US\$
Provisions for:				
Deferred consideration	1,849,200	1,849,200	1,879,000	1,879,000
Employer's national insurance	–	–	87,960	87,960
	1,849,200	1,849,200	1,966,960	1,966,960

The provision for deferred consideration arose on the acquisition of Pride Diamonds LLC in March 2007, less payments made to date. The deferred consideration is payable in cash to the vendors of Pride based on 3 per cent of the Group's future diamond sales, capped at US\$1,900,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

16. Trade and Other Payables

	Group 2009	Company 2009	Group 2008	Company 2008
	US\$	US\$	US\$	US\$
Salaries, Social security and other taxes	64,433	–	167,314	–
Accruals and deferred income	1,704,055	170,735	733,422	135,696
Corporate tax payable	149,611	–	149,611	–
Other payables	1,814,808	–	1,584,487	–
	3,732,907	170,735	2,634,834	135,696

The directors consider that the carrying amount of payables approximates their fair values.

17. Borrowings

	Group 2009	Company 2009	Group 2008	Company 2008
	US\$	US\$	US\$	US\$
Non-current				
Loans (note a)	8,500,000	8,500,000	5,660,000	5,000,000
Current				
Other loans (note b)	11,308,005	3,686,211	9,824,948	3,500,000
Total borrowings	19,808,005	12,186,211	15,484,948	8,500,000

a) This comprises of 3 loans:

- 1) US\$5,000,000 repayable in a single instalment by October 2012, which is unsecured and incurs interest at 1% above LIBOR.
- 2) US\$1,000,000 repayable in a single instalment by March 2012, which is unsecured and incurs interest at 10%.
- 3) US\$2,500,000 repayable in a single instalment by December 2010, which is unsecured and incurs interest at 4% above LIBOR.

b) This principally comprises of 4 loans:

- 1) US\$3,606,512 repayable on demand, which is unsecured and incurs interest at a fixed rate of 12.5%.
- 2) US\$2,002,367 repayable on demand, which is unsecured and incurs interest at a fixed rate of 10%.
- 3) US\$3,686,211 repayable on demand and unsecured. \$3,000,000 of the loans incurs interest at 4% above LIBOR.
- 4) Loans provided by the directors, N Levy and Y Ziv, of \$1,712,796 and \$255,133 respectively. The loans are unsecured and incur a fixed interest rate of 9.5%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

18. Share Capital, Warrants and Options

	2009	2008
Authorised		
1,000,000,000 ordinary shares of 1p each	£10,000,000	£10,000,000
Allotted, called up and fully paid		
123,470,433 (2008: 123,234,220) ordinary shares of 1p each	£1,234,704	£1,232,342
	US\$2,308,889	US\$2,305,251

During the year, 236,213 share options were exercised at the price of 1 pence.

The movements of the issued share capital of the Company for the year ended 31 October 2009 and the share premium account are as follows:

	Number of shares of 1p each	Share capital at nominal value US\$	Share premium US\$
At 1 November 2008	123,234,220	2,305,251	27,101,693
Issue of shares on the exercise of options	236,213	3,638	–
Issue of shares for cash	–	–	–
Share issue costs	–	–	–
At 31 October 2009	123,470,433	2,308,889	27,101,693

The details of share warrants and share options outstanding at 31 October 2009 are as follows:

	Number of warrants	Number of options
At 1 November 2008	–	11,395,523
Issued during the year	–	6,000,000
Lapsed during the year	–	(2,882,695)
Exercised during the year	–	(236,213)
Balance at 31 October 2009	–	14,276,615

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

18. Share Capital, Warrants and Options (continued)

Further details of the share options as at 31 October 2009 are set out below:

Date of Grant	Exercisable From	Exercisable To	No of options	Exercise price
23-Nov-04	23-Nov-04	22-Nov-09	2,778	1p
06-Jul-06 (note a)	06-Jul-09	06-Jul-16	4,106,181	50p
06 Jul 06 (note b)	06-Jul-09	06-Jul-16	1,026,545	50p
06-Jul-06	06-Jul-09	06-Jul-16	30,000	50p
21-Sep-06	21-Sep-06	21-Sep-16	500,000	50p
02-Aug-07	24-Oct-07	24-Oct-10	1,111,111	22.5p
21-Aug-07	21-Aug-08	21-Aug-11	500,000	22.5p
29-July-08	29-July-08	29-July-11	1,000,000	21p
25-Feb-09	25-Feb-09	25-Feb-12	3,000,000	25p
26-Feb-09	26-Feb-09	26-Feb-12	3,000,000	10p
			14,276,615	

- a. These are subject to the performance condition of the Group achieving production of 150,000 carats over three years following the grant of options.
- b. These are subject to the performance condition of the Group achieving a diamond sale price of a minimum US\$365/carat over three years following the grant of options.

The Company's share price ranged between 2.5 pence and nil pence during the year. The closing share price as at 31 October 2009 was nil pence per share.

During the year, 3,000,000 warrants were granted at an exercise price of 25 pence per share and 3,000,000 warrants were granted at 10 pence per share.

19. Share Based Payments

	2009	2008
	US\$	US\$
The Group recognised the following charge in the income statement in respect of its share based payment plans:		
IFRS 2	-	1,023,000
Employer's national insurance	(87,960)	(252,896)
	(87,960)	770,104

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

20. Reconciliation of Cash Generated from Operations

Group	2009	2008
	US\$	US\$
Operating loss	(7,003,882)	(18,620,639)
Adjustments for:		
Depreciation and amortisation	2,364,103	3,936,530
Impairment charges	-	3,635,545
Share based payment charge	(87,960)	770,104
Changes in working capital	(4,727,739)	(10,278,460)
Decrease/(increase) in receivables	156,460	(171,972)
Increase/(decrease) in payables	951,773	(742,141)
Net cash outflow generated from operations	(3,619,506)	(11,192,573)

21. Financial Instruments – Risk Management

The Group has no credit risk in respect of its trade receivables as the diamonds produced by the mines are initially taken to Freetown for Kimberley Process formalities, where they are also provisionally valued, and then sent to Antwerp Diamond Exchange, where these are again valued for a second time and sold for cash proceeds.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest and maturity profile of the Group's financial liabilities are shown in note 17 to the financial statements.

22. Control

The Group is not under the control of any one party.

23. Related Party Transactions

During the year ended 31 October 2009 the following transactions were entered into with related parties:

Rent and expenses of the London office were paid to First Leader (UK) Limited (a company in which N Levy is a director) of \$153,751 (2008: \$342,113)

Included in current borrowings are loans due to the directors N Levy and Y Ziv of \$1,712,796 and \$255,134 respectively. These loans are unsecured, incur interest at a fixed rate of 9.5% and are subordinated to the other borrowings. Interest charged on the loans for the year ended 31 October 2009 was \$163,893 and \$5,134 respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009**

24. Events After The Balance Sheet Date

In May 2010, Target's operating subsidiary, Milestone Trading Limited, agreed to sell to the Frankfurt-listed Irish company Anglo-African Minerals plc ("AAM") (FSX:AMQ) the group's plant and equipment mostly located at the group's mining camp in Sierra Leone, together with the mining lease No. ML01/08, which permits the extraction of diamonds and gold in parts of Sandoh and Nimiyama Chiefdoms in the Kono District of Sierra Leone, together being effectively the entire assets of the group.

The equipment and the mining lease are held in two Sierra Leonean subsidiaries of Milestone Trading Limited which were acquired by AAM in return for the issue to Milestone Trading Limited of 3,000,000 Ordinary Shares of €0.001 each in the capital of AAM.

25. Going Concern

During the year ended 31 October 2009, the Group made a loss of US\$8,282,490 and its liabilities exceeded its assets by US\$21,779,176 at that date.

This situation indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

During the year, the Group suspended its diamond mining operations and subsequent to the year end disposed of its mining equipment mining lease as disclosed in note 24 to the financial statements. These actions have greatly reduced cash outflows and together with the continuing support of certain of the Group's lenders, the directors are satisfied that the going concern basis remains appropriate for the preparation of these financial statements.