



## **PETRA DIAMONDS LIMITED**

### **QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTH PERIOD ENDED 30 September 2006**

(dateline 31 October 2006)

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Petra Diamonds Limited (“Petra” or “the Company” or “the Group”), the AIM-quoted and ASX-listed diamond mining group (AIM and ASX: PDL), announces its quarterly activities report (unaudited) for the three month period ended 30 September 2006.

#### **Highlights**

- Alto Cuilo - bulk sampling commences; 62 kimberlites now identified; analysis of further drill core gives more highly encouraging indicator mineral chemistry results, in some cases potentially more prospective than results from previous samples
- Botswana - Kukama project area identified, hosting 24 kimberlites, within Petra’s licence areas, a very positive and important development for the Kalahari exploration programme
- Kono project - highly encouraging diamond recoveries from mini samples of 224 diamonds totaling 23.91 carats
- South Africa - production from the South African mines of 35,602 carats for the quarter (quarter to June 2006: 43,378 carats); although production for the quarter was affected by unexpected labour and power interruptions outside of Petra’s control, these factors are not long term in nature and action has been taken to address the issues
- Corporate - Petra issues a US\$20 million unsecured, interest free bond, convertible at 130 pence per share; the financing strengthens Petra’s treasury on an interest free basis, giving Petra the flexibility to act quickly on potential growth opportunities
- Proposed transaction - Petra announces that it is in advanced and exclusive discussions with De Beers with regards to the acquisition of the Koffiefontein mine and associated assets in South Africa; it is expected that a formal sale agreement will be signed in the near future

#### **Angola - Project Alto Cuilo**

- Bulk sampling has commenced with the large diameter drill rig; priority targets have been ranked for large diameter drilling according to mineral chemistry analysis, surface area and logistical considerations; initial results are expected by December 2006
- 62 kimberlitic occurrences now confirmed (June Quarterly Activities Report: 50) out of 70 targets drilled, an exceptional success rate of 89%
- Laboratory analysis of drill core from an additional 13 kimberlites records indicator mineral chemistry results that are, in some cases, even more encouraging than results returned on previous core samples; the indicator mineral results are comparable to some of the world’s leading economic kimberlite deposits

- Approximately 32,000 metres of core drilling has now been completed, illustrating the effectiveness of the three drills now working on site; a total of 208 holes have been drilled to date

#### **Botswana - Kalahari Diamonds**

- Botswana – the delineation of the Kukama project area hosting 24 kimberlites (some diamondiferous) is a significant advance in Petra’s exploration of the Kalahari; the “known” kimberlite indicator mineral (“KIM”) halo cannot be explained by the 24 known kimberlites alone; this development means Petra has identified another highly prospective and relatively unexplored target area, further illustrating the quality of the Kalahari ground
- Further modelling of Falcon gravity and magnetics over the Mabutsane 306 (“Mab 306”) anomaly suggests an intrusive, pipe-like model; further drilling on Mab 306 planned for October 2006

#### **Sierra Leone - Kono project**

- Encouraging diamond recoveries made from mini sample treatment; 224 diamonds totaling 23.91 carats recovered (June Quarterly Activities Report; 44 diamonds totaling 5.6 carats), the largest diamonds being stones of 1.6, 1.4, 1.34, 1.1 and 0.85 carats
- Shaft sinking at the two bulk sampling shafts proceeding well

#### **South Africa**

##### **Helam, Sedibeng and Star mines**

- Production from the South African mines of 35,602 carats for the quarter (quarter to June 2006: 43,378 carats); production was affected by unexpected labour and power interruptions outside of Petra’s control (refer Review of Operations for detail); action has been taken to address the issues and production is returning to that of the June 2006 quarter
- EBITDA on mine of US\$490,691 delivered for the quarter, despite these external interruptions
- The current US\$/Rand exchange rate provides an underpin for sales revenue
- Management remain confident that the capacity and engineering improvements being put in place at Helam, Sedibeng and Star will, over the medium term, lead to improved production and cash flow generation

##### **Acquisition of Koffiefontein mine**

- The Company is aware of speculation in respect of Petra and the Koffiefontein mine and associated assets (“Koffiefontein”) currently owned by De Beers. Petra confirms that it is, with BEE partners, in advanced and exclusive negotiations with De Beers in respect of the acquisition of Koffiefontein and expects to be in a position to update shareholders of progress in this respect in the near future.

On the successful completion of the proposed transaction, Petra would expect Koffiefontein to add a significant level of production to the Group.

The proposed acquisition of Koffiefontein will be funded out of Petra’s existing resources and will be subject to the completion of a formal sale agreement, issue of a new order mining licence to Petra by the South African Department of Minerals and Energy and approval from the South African Competition Commission.

<b>DIAMOND SALES SUMMARY</b>			
Quarter to;	Carats sold	Price/carats (average) US\$	Sales US\$M
30 September 2006	33,916	133.5	4.5
30 June 2006	37,387	151.6	6.0
12 Months to;			
30 June 2006	160,856	130.9	21.7

<b>DIAMOND PRODUCTION SUMMARY</b>			
Quarter to;	Tonnes Treated	Carats Recovered	Grade CPHT *
30 September 2006: ROM	70,228	32,147	45.8
30 September 2006: Tailings	49,757	3,455	6.9
30 June 2006: ROM	72,295	37,566	51.96
30 June 2006: Tailings	56,518	5,812	10.28
12 Months to:			
30 June 2006: ROM	288,397	155,614	53.9
30 June 2006: Tailings	192,086	19,398	10.1

\* CPHT – carats per hundred tonnes

## **CORPORATE**

On 19 September 2006 Petra announced the issue of a US\$20 million unsecured, interest free convertible bond (“the Convertible”) to Al Rajhi Holdings W.L.L, and on 5 October 2006 Petra drew down the US\$20 million under the terms of the Convertible.

As stated in the announcement of 19 September 2006, the Company is currently evaluating opportunities that the board of Petra believe may have the potential to grow revenue and cash flow, and the Company will provide further information should any of these opportunities progress to formal agreements. One of the opportunities is the proposed acquisition of Koffiefontein. In the meantime, the proceeds of the Convertible will be held by Petra and accrue bank deposit interest and any acquisitions or other business developments will be subject to the Company’s demanding review criteria.

## **SUMMARY OF TRADING RESULTS (UNAUDITED)**

	<b>3 months to 30 September 2006 US\$</b>	3 months to 30 June 2006 US\$
Revenue	<b>4,528,487</b>	5,975,338
EBITDA on mine – South African operations	<b>490,691</b>	1,129,600
Exploration expenses *	<b>(137,860)</b>	(568,482)
Administration expenses *	<b>(853,958)</b>	(1,231,431)
Net finance costs	<b>(104,188)</b>	(28,413)
Loss before depreciation, amortisation and foreign exchange movements	<b>(605,315)</b>	(698,726)
Loss for the quarter **	<b>(6,434,022)</b>	(12,920,750)
CAPEX	<b>606,680</b>	984,164

\* Expenses before depreciation, amortisation, interest and foreign exchange movements.

\*\* Loss after non-cash flow items; unrealised foreign exchange of US\$3.5m, depreciation and amortisation of US\$2.3m

<b>CASH AND STOCK SUMMARY</b>		
	30 September 2006 US\$ million	30 June 2006 US\$ million
Cash balance	5.3 ***	7.0
Diamond stock (recorded at production cost)	2.3	1.9
Total	7.6	8.9

Note; \*\*\* on 5 October 2006 Petra drew down the US\$20 million Convertible, taking Group cash balances to US\$25 million.

## **REVIEW OF OPERATIONS**

### **ANGOLA, PROJECT ALTO CUILO**

#### **Kimberlite Exploration**

##### **Core drilling**

Ongoing core drilling of the anomalies identified by the Midas low level helicopter aeromagnetic survey has now resulted in the discovery of 62 kimberlites, a significant advance on the 50<sup>th</sup> kimberlite which was a milestone for the project in July 2006, and again illustrating the solid progress being made on a regular basis.

The third core rig which arrived on site during the quarter to 30 June has accelerated the programme significantly; core drilling now totals 32,000 metres on 208 holes (June Quarterly Activities Report; 26,000 metres on 190 holes). One core rig is focused on drilling additional holes into the large AC98 kimberlite close to the main camp at Mussenuige (this kimberlite delivered highly encouraging indicator mineral chemistry), while the other two rigs continue drilling in the Luxinga area of north eastern Alto Cuilo, where they have recorded 12 further kimberlite discoveries since the June Quarterly Activities Report.

The success rate of this accelerated drilling programme continues to surpass the norms for global kimberlite exploration with 70 of the 249 magnetic anomalies now having been drilled, and 62 confirmed as kimberlitic.

##### **Bulk Sampling**

The RB40 Prakla Bohrtechnik large diameter drill ("LDD") rig has commenced operation. The LDD rig will take mini bulk samples of approximately 200 tonnes from selected anomalies to give an indication of grade and value per carat. Priority targets have been identified and ranked for LDD drilling according to mineral chemistry, surface area and logistical considerations. The LDD rig has the capacity to drill holes with a diameter starting at 17 inches (43cm) and reducing to 12 inches (30cm) down to depths of 350 metres.

It was decided to start the large diameter drilling programme on AC 16 which, although ranked at number 5 in the original ranking process, has the least overburden cover in the top 5 kimberlites. This approach will allow for testing of the rig and conditioning of the crew under favourable logistical conditions, resulting in improved performance and substantial cost savings down the line.

The LDD rig is now drilling at full capacity and the initial technical assessment of the bulk sampling programme is very encouraging. The exploration team is stockpiling material

recovered by the LDD rig for treatment by the 10 tonne per hour dense media separation (“DMS”) sample plant. The DMS plant, which is a custom made closed circuit unit designed specifically for kimberlite bulk sampling, is currently under construction on site and is expected to be commissioned in November 2006. It will commence treatment of the samples immediately and initial results are expected in December 2006.

### **Indicator Mineral Chemistry**

Core from a further 13 kimberlites was analysed during the quarter with regards to indicator mineral chemistry and the results are again highly encouraging. Diamond stability field G10 garnets and high-sodium eclogitic garnets were found in a number of these samples in abundances that are comparable to, and in some cases surpass, the previous diamond indicator mineral results announced from Alto Cuilo. Analyses of these latest samples also indicate a mantle geotherm favourable to the kimberlites having sampled material derived from the earth’s diamond stability field at conditions favourable for the formation of diamonds.

Results from mineral chemistry analysis continue to guide the exploration programme and particularly assist in the selection and prioritising of the kimberlites from where mini bulk samples will be taken. A kimberlite re-ranking exercise will be undertaken in the near future utilising the ongoing mineral chemistry results.

### **Alluvial Exploration**

The alluvial exploration programme continues to further evaluate the potential for economically viable alluvial deposits. All of the project partners, including Endiama and Moyoweno, have decided to delay the trial mining of the alluvial block on the Luangue river as it was decided that, at this stage, such a programme would have incurred significant costs and not produced a proportional increase in data.

The alluvial trenching and pitting programme will now be extended to other areas in order to obtain additional data. The programme is focused on the Mussunuige river to the west of the Luangue river and has already started yielding results that will be used to further assess the characteristics of the nearby kimberlitic bodies as well as the feasibility of alluvial deposits.

### **BHP Billiton Joint Venture**

As at 30 September 2006, BHP Billiton had advanced funding of US\$28.2 million (30 June 2006: US\$22.8 million) in respect of exploration at Alto Cuilo. The advances for the quarter were largely for capital and operating costs associated with the commencement of the bulk sampling programme.

## **BOTSWANA, KALAHARI DIAMONDS**

### **Kukama kimberlite field**

Petra has identified a further 24 kimberlites, all located within Kalahari Diamond’s licence areas, known as the Kukama project area.

The kimberlites lie beneath approximately 50 metres of Kalahari sand cover, which previously hampered exploration to the extent that assessment of their diamond potential was limited to indicator mineral chemistry and micro diamond sampling, with no significant bulk sampling having been carried out to date. Kimberlites were first discovered in this area by Falconbridge during the late 1970’s and subsequent discoveries were made by De Beers and other companies in the early 1990’s.

The Kukama project area is comprised of the Kikau pipes, the Khutse pipes and 4 other pipes discovered in close proximity to the village of Kukama (there is little further information available on Khutse kimberlites at this stage).

Historical exploration drilling by other exploration companies of Kikau 1 kimberlite (diameter approx. 800 metres) intersected crater facies kimberlite to a depth of 180 metres before the

hole was stopped without intersecting tuffitic kimberlite. Micro-diamond sampling produced 6 micro-, and 1 macro- diamonds from 839 kilogrammes of material. Historical micro-diamond sampling of the smaller Kikau 5 kimberlite produced 13 micro-diamonds from 717 kilogrammes of material.

Historical micro-diamond sampling of Go211 (near Kukuma) recovered 8 micro- and 1 macro-diamonds from 601 kilogrammes of material, with a reported grade of 3.8 cpht. Similarly, Go173N (also near Kukuma) produced 36 micro- and 3 macro-diamonds from 628 kilogrammes of material with a reported grade of 5.8 cpht, which is a significant result at the prospecting phase.

The presence of these diamondiferous kimberlites is very significant in that it indicates that fractures exist in this area that tapped the mantle within the diamond stability field. The area lies within very magnetically noisy Karoo basalts under 50 metres of Kalahari sand cover. The extent of the KIM halo cannot be explained by the location of the 24 known kimberlites alone; this is an excellent, relatively unprospected target area for which an exploration programme will be drawn up in the coming months.

### **Mabutsane anomaly**

Further modelling and processing of Falcon geophysical data over Mab 306, the very prominent circular gravity anomaly of 70 Eos (a measure of gradient gravity) and with a diameter of 1.5 kilometres that was drilled during the quarter to December 2005, has detected a subtle magnetic anomaly co-incident with the gravity anomaly.

Further modelling of the magnetic data will allow the accurate positioning of 1 borehole to intersect this body where it lies closest to surface (about 200 metres), to test the possibility of a pre-Karoo kimberlite situated at depth.

### **Gope**

78 magnetic anomalies have been identified from the Xcalibur aeromagnetic survey in the Gope area to date. In addition to this a further 14 magnetic anomalies have been identified from the Gope West Falcon block A, and a further 3 from the Gope Falcon Test Block, bringing the total number of magnetic anomalies identified in the Gope area to 95. Of the anomalies selected in the Gope area, a total of 60 have been investigated by ground geophysical follow-up.

A drilling programme is due to commence in the Gope and Mabutsane areas by November 2006. 15 anomalies have been selected for drilling at Gope, all of which lie within or adjacent to historical KIM halos.

With recent developments in Falcon technology, a high-resolution helicopter-borne Falcon gravity survey is being considered over the unexplained historical KIM halo to the south and west of the Gope kimberlite cluster. The system will first be tested over Gope kimberlites with a known gravity response. If the system proves successful it will remove the need for ground follow-up geophysical surveys in this area, accelerating significantly the exploration programme.

### **Orapa South**

Fieldwork has continued in the Orapa south area. Ground follow-up has produced some interesting co-incident magnetic and gravity anomalies, 8 of which are currently being tested by anomaly-specific heavy mineral and geochemical soil sampling. One anomaly has so-far been earmarked for drilling as a continuation to the Gope drilling campaign.

BHP Billiton's Orion Geophysical Unit has just completed a neo-neural networking geophysical processing exercise over the entire Orapa South Falcon survey, which was designed to enhance kimberlite-style anomalies not immediately obvious on the airborne gravity and magnetic Falcon data. If this exercise proves successful in finding previously unidentified anomalies, this processing technique may be applied to all historical Falcon data.

## **SIERRA LEONE, KONO PROJECT**

### **Sample Treatment**

To date, 224 diamonds totaling 23.91 carats have been recovered (June Report; 44 diamonds totaling 5.6 carats), the largest diamonds being stones of 1.6, 1.4, 1.34, 1.1 and 0.85 carats. The samples processed to date comprise mixed material from the various exploration activities and the results, whilst very encouraging, are not large enough to arrive at a representative grade.

### **Exploration Development**

Since the implementation of a rolling exploration trenching method in December 2005, 28 rolling exploration trenches have been excavated with a combined length of 336 metres. In order to reach the fissure at depths of between 8 and 12 metres, a total of 5,241 tonnes of overburden has been stripped manually, samples extracted and the trench area rehabilitated. The combined length of known diamondiferous fissure strikes now exceeds 17 kilometres.

According to Petra's knowledge no other company has conducted such comprehensive analysis of the multiplicity of fissures in the Koidu, Simbakaoro, Yengema, Bumpe and Yendema areas up to date. The integrated result of the exploration programme is providing Petra with a sound understanding of the diamondiferous fissures available, their potential and the project strategy ahead. While many other companies operating in the area ceased activities during the monsoon rain period, Petra continued with exploration work indicating its commitment to achieving results and moving to full production.

### **Bulk shafts and test trenches**

Shaft sinking at the two bulk sampling shafts, both of which are on kimberlite fissure, are on track in reaching the applicable stoping depth, whereafter stopes will be prepared to access production test tons of fissure. At a depth of over 24 metres and on both shafts the width of the fissure remains narrower than the normal mining width. The situation will be reviewed once the mini stoping depth of 30 metres has been reached by November 2006 and the results of the core drilling programme known.

At Yendema, the 'Lion 2 Original' fissure was intersected with two exploration trenches. A 7 tonne mini sample returned 22 transparent diamonds totaling 2.42 carats, the largest being a transparent diamond of 1.34 carats. The width of the fissure at the point it was intersected was 1 metre. A test shaft was established and shaft sinking is well underway at a depth of over 7 metres. The first 11 tonne (ROM) mini sample extracted from the test shaft delivered 37 transparent diamonds totaling 5.35 carats, the largest being stones of 1.6, 0.85, 0.75, 0.6 and 0.55 carats. Sample extraction and processing is ongoing as the shaft sinking progresses.

## **SOUTH AFRICA- HELAM, SEDIBENG & STAR**

The combined operations produced a total of 35,602 carats for the quarter (Quarter to June; 43,378 carats).

Production was lower than projected due to:

(i) a shortage of skilled labour, due to contract staffing operators in the Helam area recruiting a substantial number of the skilled workers from the mine. Whilst this practice is not encouraged, it is a result of the shortage and competition for skilled labour in the South African mining environment. Suitable replacement labour has now been hired at Helam and training to the required standards is progressing well:

(ii) the national electricity provider providing an irregular power supply to the Helam mine, affecting the operation and efficiency of plant and machinery. This problem is of a seasonal

nature due to higher demand on the power supply during the winter and is not expected to adversely impact operations now that winter demand has passed: and  
(iii) ventilation complications at Star mine.

Despite these interruptions, EBITDA on mine of US\$490,691 for the combined operations was recorded for the quarter. Management remain confident that the capacity and engineering improvements being put in place at Helam, Sedibeng and Star will, over the medium term, lead to improved production and cash flow generation

### **Helam Mine**

A total of 27,766 ROM fissure tonnes were delivered to the plant for 21,187 carats, yielding a grade of 76 cpht for the quarter. In addition 1,078 carats were produced from the tailings operation. This resulted in a total of 22,265 carats for the combined operation.

The slyping and equipping of John main shaft to 21 Level and the pilot raising of the main shaft between 22 and 21 Level will commence during the quarter to December 2006. The break-away from the west-sub shaft to the 22 Level main shaft station position is now 8 metres short of being vertically beneath John main shaft. The sinking of John main shaft to 23 Level will commence during the quarter to December 2006 once the main shaft position is reached.

The Second Lease incline project has progressed well and the production build up from this shaft system has commenced. The focus during the next quarter will be directed to the establishment of multiple stopes and the continuous deepening of the shaft to 18 Level which is already 16 metres below the bank elevation of 17 Level.

The development projects at Second Lease, John main shaft and to 25 Level at Edward shaft will open-up the required resources to maintain the production.

### **Sedibeng Mine**

A total of 33,585 ROM fissure tonnes were delivered from the mining operation, which yielded 8,014 carats at a ROM grade of 24 cpht. In addition 1,638 carats were produced from the Dancarl tailings operation at a grade of 5 cpht. This resulted in a total of 9,652 carats for the Sedibeng operation.

At Sedibeng production is going well and the difficult ground conditions that delayed proper stope development on 23 Level have been successfully rectified. The continuous stope establishment will assist in increasing production from underground operations as planned. The deepening of the west sub shaft progressed well and is on 24 Level.

The 20 South drive into the Dancarl section is now vertically beneath Dancarl main shaft. The planning to initiate a raise-bore holing to the bottom of Dancarl main shaft is progressing as scheduled and development will commence during the quarter to March 2007.

The construction of the new DMS diamond recovery plant is progressing well and is on schedule to be commissioned during the quarter to March 2007. This plant will cater for all production (present and future) from the Sedibeng mining and tailings. It is anticipated that when this plant is commissioned it will result in a significant reduction in operating cost and a significant improvement in diamond security.

### **Star Mine**

A total of 8,877 ROM fissure tonnes were delivered to the plant for 2,946 carats, yielding a grade of 33 cpht for the quarter. In addition 7,200 tonnes of tailings were processed for 739 carats. This resulted in a total of 3,685 carats for the Star operations.

Although the sealing and support of the 1.4 metre diameter raise-bore ventilation shaft was completed during the previous quarter, problems were experienced in the area where the shaft intersects the shale formations. This delayed the establishment of the ventilation



districts in the Burns operational sections, which resulted in the persistence of the poor underground ventilation conditions. Mechanical support will now be installed during the next quarter improving ventilation to assist in increasing production from underground operations.

The Wynandsfontein section is producing well, with an anticipated production increase once the replacement 14 Level haulage development is complete. The development of the 14 Level haulage is on schedule and will be fast-tracked as soon as the ventilation condition has improved.

The deepening of the main shaft between 12 and 14 Levels has reached 8 metres below 13 level and is planned to extend below 15 Level to cater for future production.

**JOHAN DIPPENAAR  
CHIEF EXECUTIVE OFFICER**

**Notes**

1. The information in this update that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Jim Davidson, Pr. Sci Nat (reg No 400031/06), who is a Member of the Geological Society of South Africa, a 'Recognised Overseas Professional Organisation' ('ROPO'), included in a list promulgated by the ASX from time to time. Jim Davidson is a full-time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Jim Davidson has given his written consent to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. Jim Davidson is the Qualified Person for the purposes of the AIM Guidance Note on Mining, Oil and Gas Companies dated March 2006

2. It should be noted that the potential quantity in this report is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

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Rule 5.3

## Appendix 5B

### *Mining exploration entity quarterly report\**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**Petra Diamonds Limited**

ACN or ARBN

**114474574**

Quarter ended ("current quarter")

**30 September 2006**

### **Consolidated statement of cash flows\***

	Current quarter US\$'000	Year to date US\$'000 3 Months
<b>Cash flows related to operating activities</b>		
1.1 Net loss before taxation	(4,724)	(4,724)
1.2 <i>Adjustments for:</i>		
- Depreciation and amortisation	1,326	1,326
- Foreign exchange loss/(gain)	2,949	2,949
- Other non cash items	127	127
1.3 <i>Operating (loss)/profit before working capital changes</i>	(322)	(322)
1.4 (Increase)/Decrease in trade and other receivables	(61)	(61)
1.5 (Decrease)/Increase in trade payables	(701)	(701)
1.6 (Increase)/Decrease in inventories	(774)	(774)
<i>Cash (utilised)/generated in operations</i>	(1,858)	(1,858)
1.7 Interest paid	(170)	(170)
<b>Net Operating Cash Flows</b>	<b>(2,028)</b>	<b>(2,028)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for		
a) development expenditure	(1,259)	(1,259)
b) property plant and equipment	(607)	(607)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments		
(c) other fixed assets		
1.10 Interest received	73	73
1.11 Other	(60)	(60)
<b>Net investing cash flows</b>	<b>(1,853)</b>	<b>(1,853)</b>
1.12 Total operating and investing cash flows (carried forward)	(3,881)	(3,881)

1.12	Total operating and investing cash flows (brought forward)	(3,881)	(3,881)
<b>Cash flows related to financing activities</b>			
1.13	Proceeds from issue of shares – net of costs	1,745	1,745
1.14	Proceeds from Joint Venture partner	783	783
1.15	Proceeds from borrowings	-	-
1.16	Repayment of borrowings	(501)	(501)
1.17	Dividends paid		
1.18	Transaction deal costs		
	<b>Net financing cash flows</b>	<b>2,027</b>	<b>2,027</b>
	<b>Net (decrease) increase in cash held</b>	<b>(1,854)</b>	<b>(1,854)</b>
1.19	Cash at beginning of quarter/year to date	7,020	7,020
1.20	Exchange rate adjustments to item 1.20	137	137
1.21	<b>Cash at end of quarter</b>	<b>5,303</b>	<b>5,303</b>

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter US\$'000
1.22	Aggregate amount of payments to the parties included in item 1.1	N/A
1.23	Aggregate amount of loans to the parties included in item 1.17	N/A

1.24 Explanation necessary for an understanding of the transactions

N/A
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### Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	1,375	699
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	US\$'000
4.1 Exploration and evaluation	780
4.2 Development	580
<b>Total</b>	<b>1,360</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter US\$'000	Previous quarter US\$'000
5.1 Cash on hand and at bank	852	62
5.2 Deposits at call	5,150	7,226
5.3 Bank overdraft	(699)	(268)
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,303</b>	<b>7,020</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (pence)	Amount paid up per security (see note 3) (pence)
7.1 <b>Preference securities</b> (description)				
7.3 <b>*Ordinary securities</b>	150,491,764	150,491,764	-	-
7.4 Changes during quarter (a) Increases through new issue (b) Decreases through returns of capital, buy-backs	1,666,666	1,666,666	-	-
7.5 <b>*Convertible debt securities</b>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through conversion and repayment	-	-	-	-
7.7 <b>Options</b> (description and conversion factor – see details below)	6,646,375	-	See below	
7.8 Issued during quarter	-	-	Various	
7.9 Exercised during quarter	-	-	Various	
7.10 Expired during quarter	-	-	Various	

Options		
238,875	Employee Incentive Options expiring various dates, exercisable at \$A1.12 each	
72,500	Employee Incentive Options expiring various dates, exercisable at \$A1.36 each	
400,000	Director incentive Options expiring 11 April 2007 with exercise prices from 30p to 45p each	
1,500,000	Director incentive Options expiring 5 September 2013 with exercise price of 44p each	
2,000,000	Director incentive Options expiring 16 June 2015 with exercise price of 85p each	
385,000	Employee incentive Options expiring 5 September 2013 with exercise price of 44p each	
50,000	Employee incentive Options expiring 13 September 2014 with exercise price of 56.75p each	
500,000	Employee incentive Options expiring 27 November 2015 with an exercise price of 65.75p	
1,000,000	Director incentive Options expiring 31 May 2016 with an exercise price of 79.5p	
500,000	Employee incentive Options expiring 31 May 2016 with an exercise price of 79.5p	
Warrants over ordinary shares		
	Exercise Price	Expiry
1,500,000	30p	31 December 2007
1,000,000	100p	31 December 2007
200,843	85p	17 June 2008

