



African Diamonds

Table 1: Operating model for the AK6 project showing African Diamonds' attributable cash flow.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021+
Ore (Mt)	2.5	2.5	2.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.0
Carats (mn)	0.6	0.6	0.6	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.7
Value (US\$/ct)	189	194	199	204	209	214	219	225	230	236	242	248	254
Gross revenue (US\$m)	113	116	119	220	225	231	237	243	249	255	261	268	183
Mining cost (US\$m)	21.3	21.3	21.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	25.5
Royalty	11.3	11.6	11.9	22.0	22.5	23.1	23.7	24.3	24.9	25.5	26.1	26.8	18.3
Tax	0.0	20.5	21.1	39.6	40.8	42.1	43.4	44.7	46.1	47.5	48.9	50.4	34.5
AFD op. cash flow	18.4	14.3	14.7	27.3	28.1	29.0	29.9	30.8	31.7	32.7	33.6	34.6	23.8

Source: FDC

Table 2: DCF valuation of African Diamonds based on the AK6 project.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021+
Net op. cash flow	0.0	0.0	18.4	14.3	14.7	27.3	28.1	29.0	29.9	30.8	31.7	32.7	33.6	34.6	23.8
Less capex	0.0	29.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Free cash flow	0.0	-29.5	18.1	14.0	14.4	27.0	27.8	28.7	29.6	30.5	31.4	32.4	33.3	34.3	23.5
WACC															10%
Total PV of future FCF (US\$m)															164

Source: FDC

Table 3: Fair value calculation for African Diamonds.

PV of future FCF (US\$m)	164
Plus net cash / (debt) (US\$m)	1.50
GBP / USD exchange rate	1.95
NPV (£mn)	£84.6
Ordinary shares in issue	74.3
Options and warrants	2.6
Fully diluted shares	76.9
NPV per share (£)	1.10

Source: FDC



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Peter Rose – Head of Mining Research

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine.

Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Brock Salier – Mining Analyst

Brock has over eight years of international commercial and academic work experience as both a geologist and management consultant. Following a period as a mine geologist, Brock completed a geology PhD with distinction at the University of Western Australia, focused on gold mineralisation systems. His previous experience includes periods with Rio Tinto, Placer Dome and Great Central Mines covering diamond, nickel, uranium and gold projects. Most recently, Brock was undertook management consulting in London with Accenture and Credo Group.

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Research disclosure as of June 28, 2007

Company: African Diamonds

Disclosure: 9

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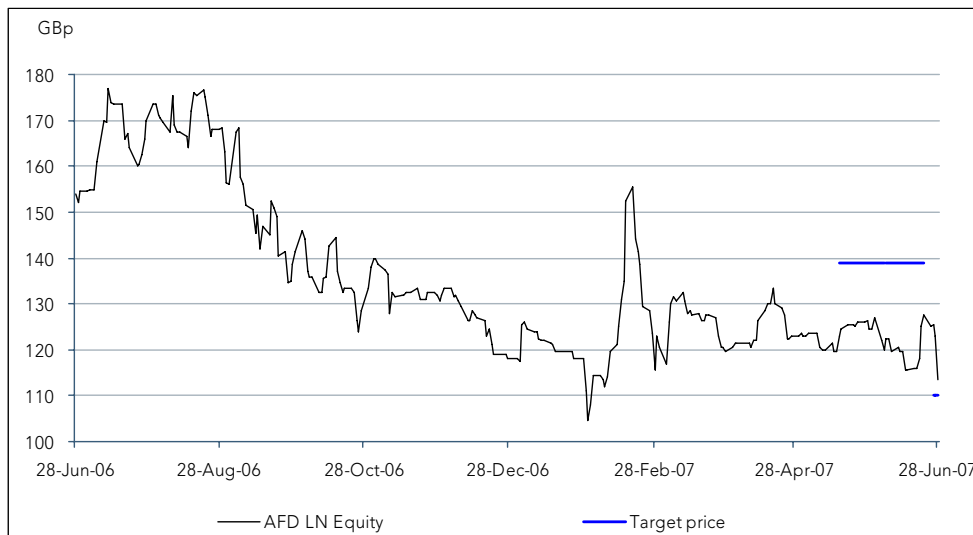
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Disclosure Chart

Exhibit 1: African Diamonds share price.



Source: Bloomberg, FDC

AFD Recommendation Summary

Date	Recommendation	Target Price (£)
Apr 17, 2007	Initiate at Hold	£1.39
Jun 28, 2007	Maintain Hold, downgrade target price	£1.10



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