

# Everfor Diamonds Plc

## Final Results for the year ended 31 December 2005

Everfor Diamonds Plc ('Everfor', or the 'Company') (AIM:EVE), the AIM-listed diamond exploration company developing deposits in the North-West of the Russian Federation, announces its audited results for the year ended 31 December 2005.

### Highlights:

- Private placements of 38,755,000 ordinary shares in March 2006 to raise £1,630,200
- Carry forward tax loss benefits of £538,000
- AIM listing April 2006
- Drilling programme commenced May 2006

### Annual General Meeting:

The annual general meeting of the Company will be held at Ground Floor, 1 Red Place, London W1K 6PL at 10.30 am on 27 July 2006

### Financial Report:

The full Annual Report of the Company is available for download from the Company's website ([www.everfor.com](http://www.everfor.com)) and will be mailed to shareholders on Friday 30 June 2006"

### Executive Chairman, Dr Sergey V Kurzin commented:

*"The monies raised to date are being used to fund the continued exploration programme on the four territories within the Kola Peninsula, North-Western Russia. The vigorous start to diamond exploration which began in 2004, continued into and was maintained throughout 2005, with a mix of exploration activities designed to provide a first round of drilling targets for testing in 2006.*

*"Everfor's strategy of building a solid exploration footing in a highly prospective region is designed to allow the company to take advantage of sales of a commodity expected to be in future high demand".*

30th June 2006

**For further information please contact:**

Dr Sergey V Kurzin, Executive Chairman, Everfor Diamonds Plc

Tel: +44 (0) 20 7514 0590

Gavin Dallas, Marketing and PR, Everfor Diamonds Plc

Tel: +44 (0)20 7514 0590

Michael Padley / Daniela Hale, Bankside Consultants

Tel: +44 (0) 20 7367 8888

[www.everfor.com](http://www.everfor.com)

## **Chairman's Statement**

I am delighted to present Everfor Diamond Plc's financial results for the year ended 31 December 2005. After a private placement in 2004 which raised approximately GB£3 million, Everfor listed on the London Stock Exchange AIM (Alternative Investment Market: EVE) in April 2006.

After successful rounds of private placements on AIM, the Company raised approximately GB£1,630,000 which, in addition to the previously raised funds, is being used to fund the continued exploration programme on the four territories within the Kola Peninsula, North-Western Russia.

Everfor is the first company to have obtained diamond exploration licences in the Kola Peninsula. Totalling approximately 12,500 km<sup>2</sup> the licences are located in one of the most prospective territories for diamond exploration.

The vigorous start to diamond exploration began after fund-raising in 2004, continued into and was maintained through 2005, with a mix of exploration activities designed to provide a first round of drilling targets for testing in 2006. At the end of 2005, over 40 high priority targets from a total exceeding 120 of possible interest were deemed suitable for investigation in 2006.

Everfor was particularly fortunate to secure the services of Barry Hawthorne as a non-executive director in mid-year. With over 30 years working with Anglo America/De Beers Consolidated Mines Group, Barry's scientific achievements in the understanding of kimberlites and diamonds, coupled with a truly world-wide network of colleagues and board-level management experience provides us with a level of technical guidance rarely equalled in a small exploration company.

### **Project Status**

Exploration has been undertaken in over 50% of our total ground-holdings. Sub-areas within each project (licence) have been and continue to be identified where further work has taken or will take place. The sampling and geophysical results received to date vindicate the initial choices of licence area, with subordinate evidence in the form of new licences being applied for by competitor companies in the Varzugskaya and Pulongskaya areas.

A considerable amount of geophysical and sample results have been gathered over the past 12 months. Current work is encompassing general exploration and the follow-up of targets generated from the combination of those results. Most of the sampling will be concentrated in Varzugskaya, in the northern remainder of Ermakovskaya and in the north-west of Pulongskaya. It is planned to relinquish those areas which have been proved to be devoid of positive samples or geophysical targets towards the end of the 2006 and 2007 work programme.

### **Outlook**

Everfor's strategy of building a solid exploration footing in a highly prospective region is designed to allow the company to take advantage, geological, political and economic factors permitting, of sales of a commodity expected to be in future high demand.

The growth in demand for rough diamonds, as stated by several independent analysts, is expected to continue; by 2014 an additional US\$3-5billion of rough product would be required to meet the expected demand. This equates to more than the current annual production from Botswana.

For diamond exploration companies such as Everfor, there has rarely been a more apposite time to put in place sound exploration programmes. Economic discoveries should be selling their future product to a market both willing and able to absorb all production at premium prices.

Dr Sergey V Kurzin  
Executive Chairman  
30 June, 2006

## Group profit and loss account for the year ended 31 December 2005

	Note	<u>2005</u>	2004
		<u>£'000</u>	£'000
Exploration expenses		<b>(584)</b>	(645)
Other administrative expenses		<b>(601)</b>	(684)
<b>Operating loss</b>		<b>(1,185)</b>	(1,329)
Interest receivable and similar income		<b>38</b>	32
<b>Loss on ordinary activities before taxation</b>		<b>(1,147)</b>	(1,297)
Tax on loss on ordinary activities		-	-
<b>Loss on ordinary activities after taxation</b>		<b>(1,147)</b>	(1,297)
Minority interest		<b>85</b>	78
<b>Retained loss for the financial year</b>		<b>(1,062)</b>	(1,219)
Loss per share - basic and diluted	<b>2</b>	<b>(1.83)p</b>	(3.47)p

All amounts relate to continuing activities.

**Group statement of total recognised gains and losses for the year ended 31 December 2005**

	<b>2005</b>	2004
	<b>£'000</b>	£'000
<b>Loss for the financial year</b>	<b>(1,062)</b>	(1,219)
Foreign exchange differences	<b>(23)</b>	(9)
<b>Total losses recognised for the year</b>	<b>(1,085)</b>	<b>(1,228)</b>

## Group balance sheet as at 31 December 2005

	<b>2005</b>	2004
	<b>£'000</b>	£'000
<b>Fixed assets</b>		
Intangible fixed assets	<b>3,182</b>	3,182
Tangible fixed assets	<b>6</b>	6
	<hr/> <b>3,188</b>	3,188
 <b>Current assets</b>		
Debtors	<b>250</b>	89
Cash at bank and in hand	<b>448</b>	1,808
	<hr/> <b>698</b>	1,897
 <b>Creditors: amounts falling due within one year</b>	 <b>(78)</b>	 (102)
	<hr/> <b>620</b>	1,795
 <b>Net current assets</b>		
	<hr/> <b>620</b>	1,795
 <b>Total assets less current liabilities</b>	 <hr/> <b>3,808</b>	 4,983
 <b>Capital and reserves</b>		
Called up share capital	<b>581</b>	581
Share premium	<b>3,122</b>	3,122
Merger reserve	<b>1,950</b>	1,950
Profit and loss account – deficit	<b>(2,313)</b>	(1,228)
	<hr/> <b>3,340</b>	4,425
 <b>Total shareholders' funds</b>		
	<hr/> <b>3,340</b>	4,425
 <b>Minority interests</b>		
	<b>468</b>	558
	<hr/> <b>3,808</b>	4,983

**Group cash flow statement for the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
<b>Net cash outflow from continuing operating activities</b>	<b>3</b>	<b>(1,367)</b>	<b>(1,276)</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		<u>38</u>	<u>32</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>38</b>	<b>32</b>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		<u>(3)</u>	<u>(7)</u>
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(3)</b>	<b>(7)</b>
<b>Acquisitions</b>			
Purchase of subsidiary undertaking		<u>-</u>	<u>(305)</u>
<b>Net cash outflow from acquisitions</b>		<b>-</b>	<b>(305)</b>
<b>Cash outflow before management of liquid resources &amp; financing</b>		<b>(1,332)</b>	<b>(1,556)</b>
<b>Management of liquid resources</b>			
Movement on deposits		<u>-</u>	<u>(60)</u>
<b>Cash outflow from the management of liquid resources</b>		<b>-</b>	<b>(60)</b>
<b>Financing</b>			
Issue of ordinary shares		<u>-</u>	<u>3,403</u>
<b>Cash inflow from financing</b>		<b>-</b>	<b>3,403</b>
<b>(Decrease)/increase in net cash in the year</b>	<b>4,5</b>	<b>(1,332)</b>	<b>1,787</b>

## Notes forming part of the financial statements for the year ended 31 December 2005

### 1. Principal accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with currently applicable Accounting Standards in the United Kingdom, which have been applied consistently, and under the historical cost convention.

#### Basis of consolidation

Everfor Diamonds plc, together with its subsidiaries as listed in note 8, is a diamond exploration group that is focused on opportunities in the territories of the Former Soviet Union.

The consolidated financial statements incorporate the results of Everfor Diamonds plc and all of its subsidiaries as at 31 December 2005 using the acquisition method of accounting as required. Under the acquisition method, the results of subsidiary undertakings are included from the date of acquisition.

#### Goodwill

Goodwill arising on acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

#### Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment to their carrying value.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life, as follows:

Office and computer equipment: 3-5 years on a straight-line basis

#### Mining rights and deferred exploration

Initial exploration and other expenditure incurred in relation to the project areas to which the licences and rights relate are charged to the profit and loss in the year in which they are incurred. When a project reaches a stage whereby a positive assessment of its economic viability can be reasonably determined, then to the extent that they are recoverable, all further exploration and development costs are carried forward as an asset in the balance sheet.

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on a unit of production output basis.

#### Environmental provisions

Appropriate and adequate provision is made for rehabilitation costs over the estimated period of exploration activity. As at 31 December 2005 no environmental damage had occurred and hence no provisions exist.

### **Operating leases**

Amounts payable under operating leases are charged against income on a straight-line basis over the lease term.

### **Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account as they arise. Results of overseas subsidiaries and their balance sheets are translated at year end rate. Exchange differences which arise from the translation of the opening net assets of foreign subsidiaries are taken to reserves.

### **Deferred Taxation**

FRS 19 'Deferred tax' requires deferred taxation to be recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are only recognised to the extent they are deemed recoverable. The group has chosen not to discount deferred tax balances, as permitted by FRS 19.

### **Financial instruments**

In relation to the disclosures made in note 19:

- short term debtors 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 trading purposes.

### **Share based employee remuneration**

When shares and share options are awarded to employees a charge is made to the profit and loss account based on the difference between the market value of the company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (Revised 2004) 'Employee Share Schemes'.

### **Liquid resources**

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

## **2. Loss per ordinary share**

The basic and diluted loss per share of 1.83 pence (2004: 3.47 pence) is calculated, in accordance with FRS22 (Earnings per share), on a loss on ordinary activities of £1,062,000 (2004: £1,219,000) and on 58,099,290 ordinary shares (2004: 35,091,719), being the weighted average number of ordinary shares in issue for the year ended 31 December 2005.

### 3. Reconciliation of operating loss to net cash outflow from operating activities

	2005 £'000	2004 £'000
Operating loss	(1,185)	(1,329)
Depreciation of tangible fixed assets	3	1
Increase in debtors	(161)	(89)
(Decrease)/increase in creditors	(24)	102
Foreign exchange differences	-	39
<b>Net cash outflow from operating activities</b>	<b><u>(1,367)</u></b>	<b><u>(1,276)</u></b>

### 4. Reconciliation of net cash flow to movement in the net cash

	2005 £'000	2004 £'000
Net cash at the start of the year	1,808	-
(Decrease)/increase in net cash in the year	(1,332)	1,787
Liquid resources – cash deposit	-	60
Movement in net cash arising from cashflows	<u>476</u>	<u>1,847</u>
Foreign exchange movement	<u>(28)</u>	<u>(39)</u>
<b>Net cash at end of the year</b>	<b><u>448</u></b>	<b><u>1,808</u></b>

### 5. Analysis of net funds

	At 1.1.05 £'000	Cash flow £'000	Foreign Exchange £'000	At 31.12.05 £'000
Cash and short term deposits	1,748	(1,332)	(28)	388
Liquid resources	60	-	-	60
<b>Net funds</b>	<b><u>1,808</u></b>	<b><u>(1,332)</u></b>	<b><u>(28)</u></b>	<b><u>448</u></b>