

Sociedade Mineira de Catoca, Lda

Financial Statements for the year ended

31 December 2011



Independent auditor's report

To the Quotaholders of
Sociedade Mineira de Catoca, Lda

Report on the financial statements

We have audited the accompanying financial statements of Sociedade Mineira de Catoca, Lda. These financial statements comprise the balance sheet with a total assets of 377.056 million of United States of Dollars (USD) and a net equity of USD 200.370 million including a profit for the period of USD 141.581 million, the profit and loss account and a statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Angola and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the entity's financial affairs at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with accounting principles generally accepted in Angola.

For PricewaterhouseCoopers (Angola), Lda

Ricardo Santos

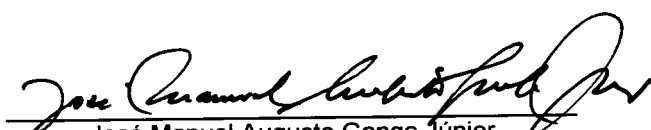
Ricardo Santos
Partner

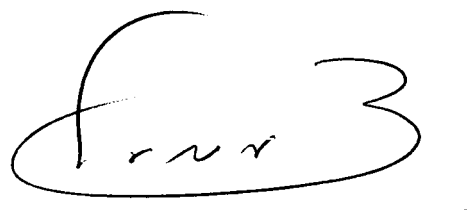
Luanda
19 March 2012

BALANCE SHEET
as at 31 December 2011 and 2010

	Notes	USD'000	
		2011	2010
Assets			
Non-current Assets			
Tangible fixed assets	4	560,842	505,896
Intangible fixed assets	4	721	721
Fixed assets in progress	4	17,300	21,451
Investment in subsidiaries and associates	6	64	64
Accounts receivable	9	1,894	4,093
		<u>580,821</u>	<u>532,225</u>
Acumulated depreciation	4	(423,790)	(374,114)
Total non-current assets		<u>157,031</u>	<u>158,111</u>
Current Assets			
Inventories	8	65,313	74,744
Accounts receivable	9	96,774	32,558
Cash	10	57,525	53,739
Other current assets	11	413	374
Total Current Assets		<u>220,025</u>	<u>161,415</u>
Total Assets		<u>377,056</u>	<u>319,526</u>
Quotaholders' Equity and Liabilities			
Quotaholders' Equity			
Share Capital	12	29,268	29,268
Legal Reserve	13	16,828	16,828
Other Reserves	13	12,693	12,693
Profit for the year		141,581	111,752
Total Quotaholders' Equity		<u>200,370</u>	<u>170,541</u>
Non-current Liabilities			
Suppliers	19	1,510	4,370
Medium and long term loans	15	10,720	26,582
Provision for other risks and charges	18	2,569	2,000
Total Non-current Liabilities		<u>14,799</u>	<u>32,952</u>
Current Liabilities			
Suppliers	19	140,888	98,280
Short term loans	20	1,693	
Short term part of long term loans	15	15,162	14,012
Other current liabilities	21	4,144	3,741
Total Current liabilities		<u>161,887</u>	<u>116,033</u>
Total Liabilities and Quotaholders' Equity		<u>377,056</u>	<u>319,526</u>

Luanda, 16 March 2012


 José Manuel Augusto Ganga Júnior
 General Director



 David Mishal
 Finance Director


Sociedade Mineira de Catoca, Lda.

PROFIT AND LOSS ACCOUNTS
For the years ended 31 December 2011 and 2010

	Notes	USD'000	
		2011	2010
Sales of diamonds	22	611,306	527,334
Services rendered	23		
Other operational income	24	10,710	9,728
		<u>622,016</u>	<u>537,062</u>
Change in finished stocks	25	(8,124)	2,459
Production for own consumption	26	121	65
Production expenses	27	(95,418)	(91,324)
personnel costs	28	(109,218)	(100,342)
Depreciation	29	(53,440)	(64,368)
Other operating costs and losses	30	(113,256)	(91,024)
Operational results		<u>242,681</u>	<u>192,528</u>
Financial income (losses)	31	598	(2,480)
Non-operational income (losses)	33	(6,931)	(3,128)
Income before tax		<u>236,348</u>	<u>186,920</u>
Income tax	35	(94,767)	(75,168)
Net income for the year		<u>141,581</u>	<u>111,752</u>

Luanda, 16 March 2012

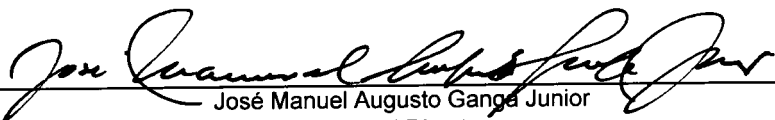

 José Manuel Augusto Ganga Júnior
 General Director

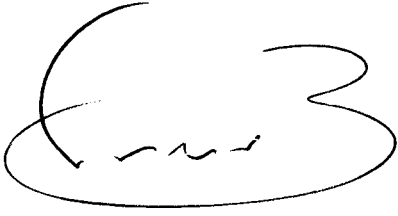

 David Mishal
 Finance Director

Statement of Cash Flows
For the years ended 31 December 2011 and 2010

	USD'000	
	2011	2010
Cash flows from operating activities		
Receipts from customers from the sale of products	554,425	527,333
Payments to suppliers	(182,637)	(171,266)
Payments to employees	(52,767)	(50,322)
Payments of Tax on Employees' remuneration (IRT)	(6,126)	(5,696)
Payments to the Social Security Fund (FFSS)	(4,384)	(4,432)
Cash and cash equivalents generated from operations	308,511	295,617
Advance payments of 2011 corporation tax and other taxes paid (Note 19)	(21,397)	(18,457)
Payment of the balance of 2010 corporation tax (Note 19)	(56,711)	(31,972)
Payment of royalties	(30,565)	(26,367)
Payment for services provided during the sales of diamonds	(18,280)	(10,037)
Payment of security	(5,460)	(3,783)
Payment of dividends	(93,118)	(99,449)
Payment of withholding tax on dividends	(11,175)	(7,004)
Cash provided by operating activities	71,805	98,548
Cash flows from investing activities		
Acquisition of fixed assets and civil construction	(52,876)	(48,691)
Acquisition of fixed assets - conveyor belts	-	-
New investments (Lapi and Luemba)	(1,485)	(1,188)
Interest received	2,711	160
Cash used in investing activities	(51,650)	(49,719)
Cash flows from financing activities		
Loans - financial institutions and suppliers	(16,369)	(19,072)
Cash used in financing activities	(16,369)	(19,072)
Increase in cash and equivalents	3,786	29,757
Cash and equivalents at the beginning of the year	53,739	23,981
Cash and equivalents at the end of the year	57,525	53,738

Luanda, 16 March 2012


 José Manuel Augusto Ganga Junior
 General Director


 David Mishal
 Finance Director

Sociedade Mineira de Catoca, Lda.

NOTES TO THE ACCOUNTS AS AT 31st DECEMBER 2011

The notes to the financial statements are disclosed in a numerical sequence as established by the General Charter of Accounts. The notes omitted, were either not applicable to the company, or not relevant for disclosure. All amounts are in USD thousand.

1. Introduction

Sociedade Mineira do Catoca, Lda. (the Company), was founded as a mixed capital company in accordance with an incorporation agreement dated 26th October 1992 and was incorporated by public deed on 16th September 1993. Its main objective is the exploration, survey, development, mining, treatment and sale of diamonds and other minerals.

The Company bases its administrative services on the mining site – Lunda Sul -, and its financial and logistics functions in Luanda headquarters; there are also representative offices in Moscow

Total net profit for the year ended 31st December 2011, is USD 141,581 thousand (2010 - USD 111,752 thousand), which represents an increase of 27%, as a result of the gradual increase in diamond price in international markets (the average price in 2011 was 18% higher than in 2010) the quantities of diamonds sold by Catoca during the year were very close to the quantities sold in 2010. These conditions allowed the Company to invest USD 55,178 thousand in fixed assets and infrastructure (2010 - USD 61,591 thousand) and to distribute USD 110,480 thousand of social welfare in the form of salaries and other fringe benefits, such as food and transportation (2010 - USD 108,583 thousand) and to pay income taxes and other contributions to the State in the amount of USD 156,957 thousand (2010 – USD 115,533 thousand).

2. Presentation of financial statements

The Company prepares its annual statutory financial statements in accordance with the legal requirements in the currency of Angola, the Kwanza and in the functional currency the US dollar.

These financial statements in US dollars are presented in conformity with accounting principles generally accepted in Angola. These statements were prepared based on the principles and procedures disclosed in Note 2.1.

2.1 Accounting policies and procedures

The financial statements have been prepared on the going concern, accruals basis in order to properly reflect the Company's financial position and were drawn up in accordance with accounting principles generally accepted in Angola. The principal accounting policies and procedures followed by the Company are as follows:

- a) The accounting records are kept in the functional currency, the US dollar, and then automatically converted into the local currency, the Kwanza (Kz), taking into consideration IAS 21.
- b) The historical cost principle is applied to the US dollar accounting records: where assets are recorded at the date of acquisition for the amount of cash or cash equivalents paid or payable in order to acquire them. Liabilities are recorded at the value of the proceeds received in exchange for the related obligation or, under certain circumstances, at the amount of cash expected to be paid in order to meet the liability in the normal course of business.

c) The valuation and measurement criteria used for assets and liabilities is as follows:

- (i) Fixed Assets - are recorded at their historical cost of acquisition in US Dollars, including any applicable insurance and freight charges. Items are recognized as fixed assets when the related risks and ownership are transferred from the supplier to the company
- (ii) Pre-operating expenses - all expenses incurred during the installation and development stages of the company, or later expansion of the company are recorded in this account and are amortized as intangible fixed assets from the time production begins.
- (iii) Stocks - raw materials, parts, accessories and foodstuffs are recorded at invoice price which includes insurance and freight charges. Diamond stocks at 31st December 2011 have been valued at the monthly cost of production, specific to each batch.
- (iv) Debtors and creditors - the movements in these accounts are converted at the exchange rate on the date of the transaction and payments or receipts are recorded using the exchange rate prevailing on the date of payment or receipt. The foreign currency balances in these accounts are updated monthly using the official exchange rate. Any differences arising from the use of these different exchange rates are accounted for as gains or losses and disclosed in Note 31.

Investments in new concessions are evaluated at the end of each accounting period to determine whether any provision for impairment is required to cover the risks of non-recoverability of such investments. Once there is unequivocal evidence of economic and technical feasibility, any impairment provision is reversed. The Company's investment is then repaid by the Association responsible for the mine before it declares any dividends.

- (v) Cash and cash equivalents – cash and cash equivalents in currency other than the functional currency are translated using the official year-end exchange rate. Increases and decreases in these funds are recorded using the exchange rate prevailing on the date of the transaction.
- (vi) Sales – product sales are recognized when risk and reward are transferred to the customer. Sales occur generally only once a month due to the nature of the product and are valued based on the amounts presented on the invoice, which corresponds to the price negotiated with the buyer by means of an independent evaluation carried out by an expert contracted by the seller and the buyer.
- (vii) Depreciation – the Company follows the industry practice of depreciating its fixed assets according to fiscal criteria and the related rates of depreciation properly reflect the estimated useful life of each asset. During the start-up stage, depreciation is charged to intangible assets and is recoverable in future years.
- (viii) Income tax – this is calculated at 40% of the profit before tax adjusted for any losses in the past five years in accordance with Decree 4/B/96 from 31st May and modified by law 5/99 dated 6th August.

Sociedade Mineira de Catoca, Lda.

4. Tangible fixed assets

4.1 Breakdown

	Gross value	Accumulated Depreciation	Net book value
Land	3,850		3,850
Buildings and premises	96,276	63,497	32,779
Machinery and equipment (a)	414,924	336,026	78,898
Transportation equipment	14,418	2,194	12,225
Administrative equipment	17,720	11,194	6,525
Other fixed assets	13,654	10,158	3,496
Fixed assets in progress (b)	17,300		17,300
TOTAL	578,142	423,069	155,073

4.2 Breakdown by valuation criteria

	Net book value		
	Historical cost	Revaluation	Total
Land	3,850		3,850
Buildings and premises	32,779		32,779
Machinery and equipment (a)	78,898		78,898
Transportation equipment	12,225		12,225
Administrative equipment	6,525		6,525
Other fixed assets	3,496		3,496
Fixed assets in progress (b)	17,300		17,300
TOTAL	155,073		155,073

4.3 Gross value - Movements in the period

	31 st Dec 10	Additions	Disposals (c)	Transfers (d)	31 st Dec 11
Land	3,850				3,850
Buildings and premises	84,094			12,182	92,276
Machinery and equipment (a)	385,040	16,966	(3,232)	16,150	414,925
Transportation equipment	4,206	10,744	(533)		14,418
Administrative equipment	15,542	1,638	(376)	916	17,720
Other fixed assets	13,163	733	(241)	1	13,655
Fixed assets in progress (b)	21,451	25,097	0	(29,248)	17,299
Total	527,346	55,178	(4,382)	0	578,142

(a) The main acquisitions relate to articulated trucks, bulldozers and backhoes (amounting to some USD 11.878 thousand).

Sociedade Mineira de Catoca, Lda.

(b) Increase in "Fixed assets in progress" mainly relates to the following projects: pulp pumping station (USD 4,466 thousand), paving the machine workshop access path (USD 4,398 thousand), improvements to the feeding hopper for central processing plant II (USD 3,151 thousand), deep horizons wells drilling (USD 1,787 thousand), construction of a kitchen and dining hall (USD 2,830 thousand), construction of an explosive assembling plant (USD 1,686 million), construction of a new dormitory B11 (USD 1,232 thousand). During 2010 most of these investments were transferred to tangible assets at the time of completion (see note (d) below). Thus, the major projects work in progress at December 31st, 2010 were: improvements on the feeding hopper for central processing plant II (USD 3,151 thousand), enlargement of the machine workshop facility (USD 2,200 thousand), construction of the kitchen and dining hall (USD 3,952 thousand), fuel plant (USD 1,501 thousand), deep horizons wells drilling (USD 1,787 thousand), construction of a new hall of residence - B11 dormitory (USD 1,232 thousand).

(c) The most significant disposals (in thousands of U.S. dollars) in 2011 were trucks, obsolete machinery and equipment with no further use.

(d) The main transfers of assets from work in progress to tangible assets for the year 2011 were as follows: Pulp pumping station (USD 15,972 thousand), paving work of the main accessing road to Catoca (USD 4,684 thousand), airport runway lightning system (USD 583 thousands), construction of an explosive processing plant (USD 1,686 thousand), paving of roads in mine and village (USD 908 thousand), enlargement of the machine workshop facility (USD 2,198 thousand).

4.4 Accumulated depreciation - movements in the period

Accumulated depreciation	31 st Dec 10	Charge	Disposals	31 st Dec 11
Buildings and premises	52,670	10,827		63,497
Machinery and equipment	300,616	38,375	(2,965)	336,026
Transportation equipment	1,233	1,169	(208)	2,194
Administrative equipment	9,586	1,963	(355)	11,194
Other fixed assets	9,827	1,106	(235)	10,158
Total	373,392	53,440	(3,763)	423,069

5. Intangible fixed assets
5.1 Breakdown

Accounts	Gross value	Accumulated Depreciation	Net book value
Development expenditure	721	721	-
Total	721	721	-

Sociedade Mineira de Catoca, Lda.

5.2 Gross value - Movements in the period

Fixed Assets	31 st Dec 10	Additions	Disposals (c)	Transfers (d)	31 st Dec 11
Development expenditure	721				721
Total	721	0	0	0	721

5.3 Accumulated depreciation - movements in the period

Accumulated depreciation	31 st Dec 10	Charge	Disposals	31 st Dec 11
Development expenditure	721			721
Total	721			721

6. Investments in subsidiaries and affiliates

6.1 Breakdown

	Gross value	Provisions	Net book value
Affiliates			
Share capital	64		64
Total	64		64

8. Inventories

8.1 Breakdown

Description	Gross Value	Provisions	31 st Dec 11 Net Value
Raw and subsidiary materials, and consumables	42,447	1,681	40,767
Products and work in progress	174	174	
Finished and intermediate products (a)	20,339		20,339
Merchandise			
Raw materials, merchandise/materials in transit	4,207		4,207
Total	67,168	1,855	65,313

(a) Finished products comprise 582,492 carats of diamond valued at cost of production (2010 – 560,813 carats), valued at the cost of production as at December 2011.

Sociedade Mineira de Catoca, Lda.
8.2 Provisions - Movements in the period

Provisions	31 Dec 10	Charge	Disposals	31 Dec 11
Raw and subsidiary materials, and consumables	1,914		(233)	1,681
Products and works in progress	165	9		174
Total	2,079	9	(233)	1,855

9. Accounts receivable

Description	Current	Non-current		
		Maturing In up to 5 years	Maturing in more than 5 years	Total
Gross Value				
Clients	56,878			
Suppliers – (Prepayments)	23,401			
Related companies (a)		17,160		17,160
Personnel	2,338			
Other debtors (b)	14,157	1,894		1,894
TOTAL	96,774	19,054		19,054
Provision for impairment of investments (a)		(17,158)		(17,158)
Total	96,774	1,896		1,896

(a) Joint Venture Associations Lapi and Luemba

In September 2006, the Department of Geology and Mines, by Executive Decree 125/06 published in the Official Gazette Series I – 113 on 19 September, approved the constitution of the Lapi Joint Venture Association. The Association's members comprise Endiama E.P (41%), Jasiminas Mining Exploitation Lda (14%), Mombo Agro Pecuaria e Comercio Geral Lda (13%) and Sociedade Mineira do Catoca (32%). The Association was formed to prospect for and prove secondary diamond deposits in an area of 240 km² denominated Lapi.

In September 2006, the Department of Geology and Mines, by Executive Decree 126/06 published in the Official Gazette Series I – 114 on 20 September, also approved the Luemba Joint Venture Association. Its members comprise Endiama E.P (41%), Ouse Investments Limited (Angola branch) (17%), Nawa Nawa (5%) and Sociedade Mineira do Catoca (32%). The Association was formed to prospect for and prove secondary diamond deposits in an area of 85.7km² denominated Luemba.

In November 2006 both Joint Ventures were granted concessions to prospect for and prove primary diamond deposits (Decree 93/06 for the area denominated Lapi and Decree 92/06 for the area denominated Luemba, made public in Series I Republic Gazette – n° 138 on the 15th of November).

During the exploration and evaluation phase the Company is the sole responsible for all the risks associated with the investments. The pre-feasibility study, raised some uncertainty on the recoverability of these investments, leading management to the decision of reinforcing the 2008 provision, so as to amount the total value capitalized until 31st December 2010 as a precautionary measure as prescribed in the number II, point c) of the note 2.1.

Sociedade Mineira de Catoca, Lda.

During 2011, exploration and evaluation costs, amounting to USD 17,158 thousand (2010 - USD 15,673 thousand) were capitalized, USD 10,467 thousand (2010 - USD 9,855 thousand) in respect of Luemba and USD 6,691 thousand (2010 - USD 5,818 thousand) in respect of Lapi.

(b) Other debtors

Description	2011	2010
Deposits	188	188
Outsourcing companies (a)	6,113	9,831
Advances to third parties	1,846	881
Trading tax on behalf of Endiama E.P		5
Advances to customs broker	1,661	1,554
Other	4,349	6,002
Total	14,157	18,461

(a) This amount relates to transfer of assets.

10. Cash and bank

Description	2011	2010
Bank accounts	57,295	53,560
Cash	230	179
Total	57,525	53,739

Cash and bank includes USD 55,986 thousand (2010 - USD 50,085 thousand), and USD 1,539 thousand (2010 - USD 3,654 thousand) in Kwanzas, Rands and other currencies.

11. Other current assets

Description	2011	2010
Expenses to be spread over future accounting periods:		
- Insurance of vehicles and equipment	1	1
- Rent of property	191	212
- Insurance of health	84	65
- Insurance of transport	68	80
- Others	69	16
Total	413	374

Sociedade Mineira de Catoca, Lda.

12. Quotaholders' equity

12.1 Breakdown and movements in the period

Description	Opening balance	Increases	Decreases	Closing balance
Share Capital	29,268			29,268
Total	29,268			29,268

12.2 Share capital

Description	Opening balance	Increases	Decreases	Closing balance
Quotaholders with interest over 20 %:				
Endiama – Empresa Nacional de Diamantes de Angola	9,600			9,600
Almazi Rossii Sakha S/A	9,600			9,600
Other quotaholders:				
LL International Holding B.V.	5,268			5,268
Odebrecht Mining Service Inc	4,800			4,800
Total	29,268			29,268

13. Reserves

13.1 Breakdown

Description	Opening balance	Increases	Decreases	Closing balance
Legal reserves (a)	16,828			16,828
Reserves for special purpose (b)	12,693			12,693
Total	29,521			29,521

(a) The legal reserve was created to comply with Article 191 of the Commercial Code and may only be used to increase the share capital or cover losses after all other reserves have been used.

(b) Reserve for severance pay totaling USD 6,693 thousand, with the objective of safeguarding workers' rights as provided for in the General Labor Law and Investment Reserve for a total of USD 6,000 thousand.

Sociedade Mineira de Catoca, Lda.
14. Retained earnings
14.1 Breakdown

Description	Opening balance	Increases	Decreases	Closing balance
Opening balance				
Movements in the period:				
Transfer of earnings from previous periods		111,752		111,752
Allocation of earnings (a)			(111,752)	(111,752)
Total		111,752	(111,752)	

(a) Allocation of earnings

Description	2011	2010
Reserves with special purpose		
Distribution of dividends/profit	111,752	70,044
Total	111,752	70,044

15. Loans
15.1 Breakdown

Description	Current	Non-current		Total
		Maturing in up to 5 years	Maturing in more than 5 years	
Bank Loans	15,162	7,545		7,545
Other loans		3,175		3,175
Total	15,162	10,720		10,720

15.2 Movements during the period

Description	Opening balance	Increases	Decreases	Closing balance
Bank Loans	37,478		(14,771)	22,707
Other Loans (a)	3,116	59		3,175
Total	40,594	59	(14,771)	25,882

(a) Increase relates to interest.

Sociedade Mineira de Catoca, Lda.
15.3 Terms of loans

Description	Interest Rate	Foreign Currency	Amount in local currency
Bank loans in USD thousand	Libor+1% up to 7,5% per annum	22,707	2,158,196
Bank loans in USD thousand	Libor + 1% per annum	3,175	301,726
		25,882	2,459,921

Loans represent: (i) interest capitalized on the premium subsequently converted to a loan amounting to USD 3,175 thousand paid by LL International Holding BV (formerly Daumonty Financing Company B.V.) a quotaholder, (ii) the medium and long term portions of loans amounting to USD 7,545 thousand obtained from Banco Caixa Geral Totta de Angola, Banco de Negócios Internacional and Banco Africano de Investimentos (iii) and the short term parts for these loans, amounting to USD 15,162 thousand with interest rates varying from 5,6% to 7,5% per annum.

18. Provisions for other risks
18.1 Movements in these provisions during the period:

Description	Opening balance	Increases	Decreases	Closing balance
Provisions for other risks and charges (a)	2,000	569		2,569
Total	2,000	569		2,569

(a) Provision for employees' retirement compensation (Art. 262 Labors Act).

19. Accounts payable
19.1 Breakdown

Description	Current	Non-current		
		Maturing in up to 5 years	Maturing in more than 5 years	Total
Suppliers – current account	35,514	1,510		1,510
State (a)	77,122			
Related companies	7,459			
Personnel	6,566			
Other creditors	14,225			
Total	140,888	1,510		1,510

Sociedade Mineira de Catoca, Lda.

(a) This item breaks down as follows:

Description	2011	2010
Tax on profits:		
Advances	(21,396)	(18,457)
Withholdings		
Charge for the year	94,767	75,168
	73,371	56,711
Production and consumption tax	2,302	1,903
Personal income tax	483	422
Turnover tax	2	3
Other taxes	964	912
Total	77,122	59,951

20. Short term loans
20.1 Breakdown and movements during the period:

Description	Opening balance	Increases	Decreases	Closing balance
Bank overdraft				
Bank loans in USD	3,289		(1,596)	1,693
Total	3,289		(1,596)	1,693

21. Others current liabilities
21.1 Breakdown

Description	2011	2010
Income to be spread over future periods		
- Holidays, holidays subsidies and compensation	4,144	3,741
Total	4,144	3,741

NOTES TO THE PROFIT AND LOSS ACCOUNT (INCOME STATEMENT)**22. Sales****22.1 Breakdown of sales by market**

Description	2011	2010
Internal market Sales	611,306	527,334
Total	611,306	527,334

22.2 Breakdown of sales by activities

Description	2011	2010
Extraction, processing and sales of diamonds	611,306	527,334
Total	611,306	527,334

24. Other operational income**24.1 Breakdown**

Description	2011	2010
Other operational income	10,710	9,728
Total	10,710	9,728

25. Change in finished products and intermediate products

Description	Opening balance	Gifts and losses or gains	Closing balance	Exchange variation	Movement in the year
Finished and intermediate products	28,463		20,339		(2,124)
Total	28,463		20,339		(8,124)

26. Production for own consumption

Description	2011	2010
Works for inventories	121	65
Total	121	65

Sociedade Mineira de Catoca, Lda.
27. Costs of subsidiary materials consumed

Description	Opening inventories	Purchases	Gifts and losses or gains	Closing inventories (8.1)	Cost in the year
Raw materials, subsidiary and consumption materials	47,853	90,013		42,448	95,418
Total	47,853	90,013		47,448	95,418

28. Payroll

Description	2011	2010
Directors' remuneration	1,205	1,224
Other remunerations	108,013	99,118
Total	109,218	100,342
Number of employees in the company's service (a)	2,050	2,134

(a) Reduction due to outsourcing (Logistics).

29. Depreciation

Description	2011	2010
Tangible assets (Note 4)	53,440	64,368
Intangible assets (Note 5)		
Total	53,440	64,368

30. Other operational costs

Description	2011	2010
Sub-contract	37,860	25,725
Third party supplies and services:		
Third party fees/commission	15,778	13,768
Electricity (a)	11,546	11,467
Maintenance and repair	72	201
Other third party supplies and services	17,090	13,388
Taxes	30,910	26,475
Total	113,256	91,024

31. Financial income/(losses)

Description	2011	2010
Financial income and gains:		
Interest	3,114	147
Foreign exchange differences		
Realized	4,247	4,560
Unrealized	83	492
Discounts obtained from immediate cash payment	209	338
	7,652	5,537
Financial costs and losses:		
Interest (a)	1,647	2,313
Foreign exchange differences		
Realized	3,923	5,014
Unrealized	527	28
Discounts granted from immediate cash payment		
Others	956	662
	7,054	8,017
Total	598	(2,480)

(a) Includes amount of USD 59 thousand related to the interest on the loan from LL International Holding B.V. for the year 2011 (see note 15.2); and bank interest of USD 1,588 thousand.

33. Non-operational income:

Description	2011	2010
Non-operational income and gains:		
Provisions repositions		
Inventories (Note 8)	233	470
Gains on fixed asset	140	2.595
Contractual penalties earned	86	22
Prior period adjustment	504	2.419
Other non-operational income and gains		
	963	5.506
Non-operational costs and losses:		
Provisions		
Inventories (Note 8)		
Impairment of investments (Note 9)	1.485	1.188
Other risks and charges	569	1.000
Losses on fixed assets	108	345
Losses on inventories		693
Contractual fines and penalties	5	108
Prior period adjustment	2.196	1.519
Other non-operational costs and losses	3.532	3.781
	7.894	8.634
Total	(6.931)	(3.128)

Sociedade Mineira de Catoca, Lda.
35. Income tax:

Description	2011	2010
Accounting income	236,348	186,920
Deductions not allowed for tax purposes (a)	569	1,000
Taxable profits (fiscal loss)	236,917	187,920
Nominal taxation rate	40%	40%
Tax on ordinary Income (a)	94,767	75,168
Actual taxation rate	40%	40%

(a) Provision for employees' retirement compensation (Art. 262° Angolan Labor Act)

(b) These taxes breakdown as follows:

Description	2011	2010
Tax on ordinary Income	94,767	75,168
Total	94,767	75,168

36. Responsibilities accepted and not reflected in the balance sheet:

Description	2011	2010
Guarantees (a)	23,729	38,915
Letters of Credit (b)	22,400	7,283
	46,129	46,198

(a) The guarantees are given a title in the following banks:

	Original currency	USD thousand	Kz thousand
Banco Totta de Angola – Usd (i)	10,101	10,101	960,006
Banco de Negócios Internacional – Usd (ii)	4,856	4,856	461,514
Banco Africano de Investimentos – Usd (ii)	8,772	8,772	833,721
	23,729	23,729	2,255,241

(i) Bank Guarantees on equipment, acquired through bank loans in the amount of USD 9,079 thousand and for employees housing plan in the amount of USD 1,022 thousand.

(ii) Guarantees on equipment acquired, through bank loans.

(b) Letter of Credit

The “Banco Caixa Geral Totta de Angola, SA” issued a Letter of Credit for imports on behalf of Catoca worth approximately USD 8,740 thousand, for a period of 3 years and 6 months on a commercial credit transaction for the purchase of trucks. The approximate value of the current debt is 4,649 thousand USD. During 2011, more letters of credit were issued by the same entity for the purchase of transportation equipment, worth USD 17,751 thousand, to equal a total of USD 22,400 thousand.

Sociedade Mineira de Catoca, Lda.
40. Related parties transactions:

The main entities related to the Company are:

Quotaholders:

- Endiama E.P. (ENDIAMA)
- Almaz Rossii Sakha SA (AIRS)
- Odebrecht Mining Services Inc. (OMSI)
- LL International Holding BV (LLI)

Companies from OMSI's group:

- Constructora Norberto Odebrecht SA (CNO)
- Odebrecht Angola Projects and Services Ltd (OAPs)

The Sodiam Diamond Trading Society (SODIAM) group Endiama and the participating Associations Lapi Luemba (LAPI / Luemba)

The balances resulting from transactions with these entities are:

Accounts	ENDIAMA	CNO	AIRS	LLI	OMSI	OAPS	SODIAM	LAPI/ LUEMBA	Total	
Accounts Receivable (note 9)	0	0	0	0	0	0	56.872	17.158	74.030	
Provision for impairment (note 9)	0	0	0	0	0	0	0	-17.158	-17.158	
Other debtors (note 9)	0	220	0	0	0	0	0	0	220	
Total in Assets	0	220	0	0	0	0	56.872	0	57.092	
Suppliers – current account (note 19)	0	196	0	0	0	0	2.096	0	2.292	
Loans (note 15.1)	1.041	0	1.041	572	521	0	0	0	3.175	
Total in Liabilities	1.041	196	1.041	572	521	0	2.096	0	5.467	
Other operational costs and losses (note 30)	0	2.505	0	0	0	746	15.282	0	18.534	
Interest (note 31)	19		19	11	10	0	0	0	59	
Total in Profit and Loss account	19	2.505	19	11	10	746	15.282	0	0	18.593

42. Other information
(i) Investment reserve

During 2011, the company established contracts with the Angolan government for the exploration, survey and recognition of seven new mining projects, aiming to increase its diamond reserves. At the 46th General Assembly, the Feasibility Study for Tchiuzo Project – a Luemba project related to Kimberlite – was also approved. In order to insure the financial equilibrium of the company's cash flow and maintain the current policy of investments as well as the payment of dividends, the establishment of a reserve for investments amounting to USD 26,000 thousand will be proposed. It should be noted that this reserve will be adjusted or distributed to shareholders in line with the development of operational activities.

(ii) Dividends proposals

Management will propose the net profit for the period (USD 141,581 thousand) be distributed to the quota holders as dividends, adjusted by the value set for the establishment of the investment reserve (USD 26,000 thousand) The net amount of dividends proposed for distribution will there for be USD 115,581 thousand.

(iii) Plans for investment in environmental restoration

In 2010, the Company obtained an Environmental Impact study from a specialized company to assess the impacts to the environment from its mining operations and determine what measures would be required to mitigate them. Management believes that measures already taken by the Company (USD 556 thousand were spent in programs and actions related to environmental restoration during 2011) together with other measures already planned for future implementation, such the development of the Environment department and changes to the production process, will be sufficient to meet all requirements in terms of site restoration and that the present value of such future actions are not material and has therefore not made any provisions for site restoration nor recorded the corresponding asset

NOTES TO THE STATEMENT OF CASH FLOWS
43. Policies and procedures

The Company opted for the direct method for presentation of its cash flow statement, disclosing the main components of inflows and outflows of cash and cash equivalents. The cash flows generated in currencies other than the USD, are translated into USD using the exchange rate prevailing at the date of the transaction.

The cash flows resulting from extraordinary activities and/or non operational ones, are presented based on the nature of the activities that generated them.

47. Cash and equivalents of cash

Accounts	2011	2010
Cash and equivalents:		
Cash	230	179
Bank accounts	57,295	53,560
Total as per balance sheet	57,525	53,739