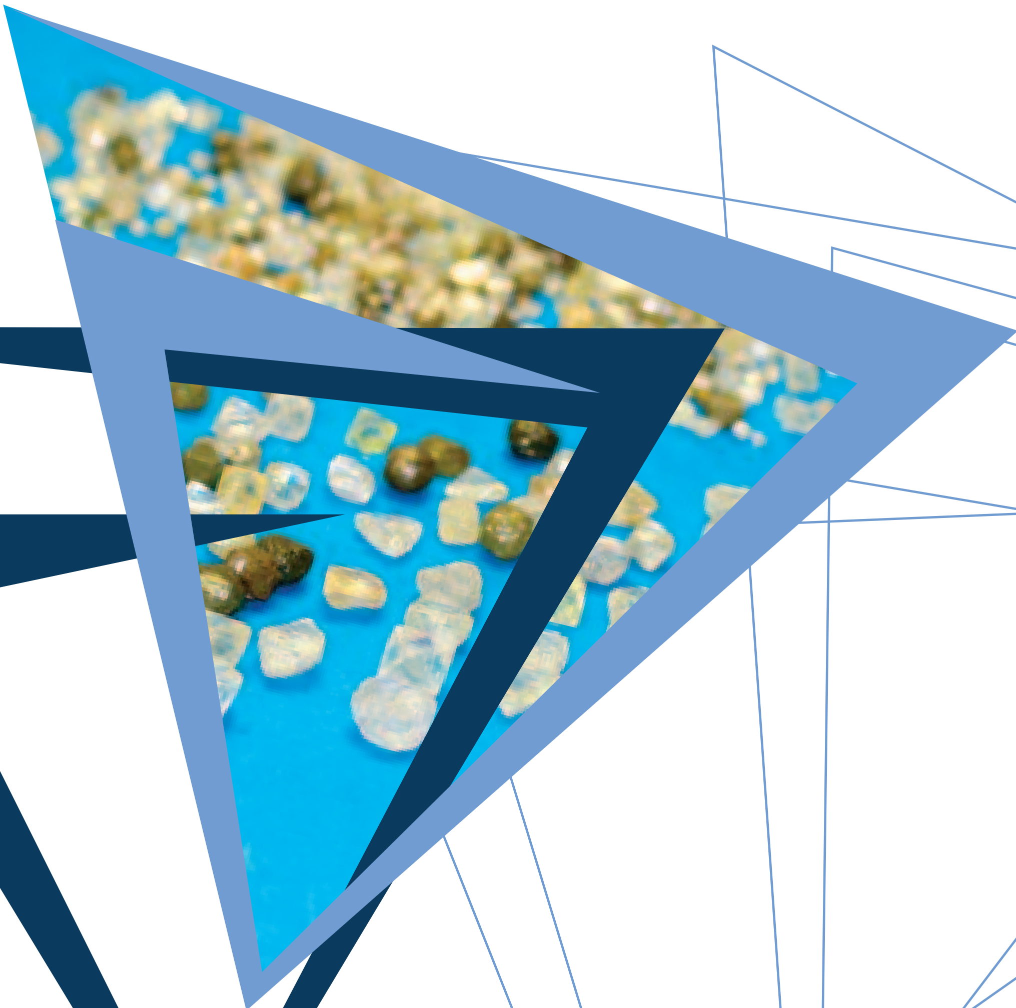
Target Resources



Target Resources Plc Annual Report and Financial Statements

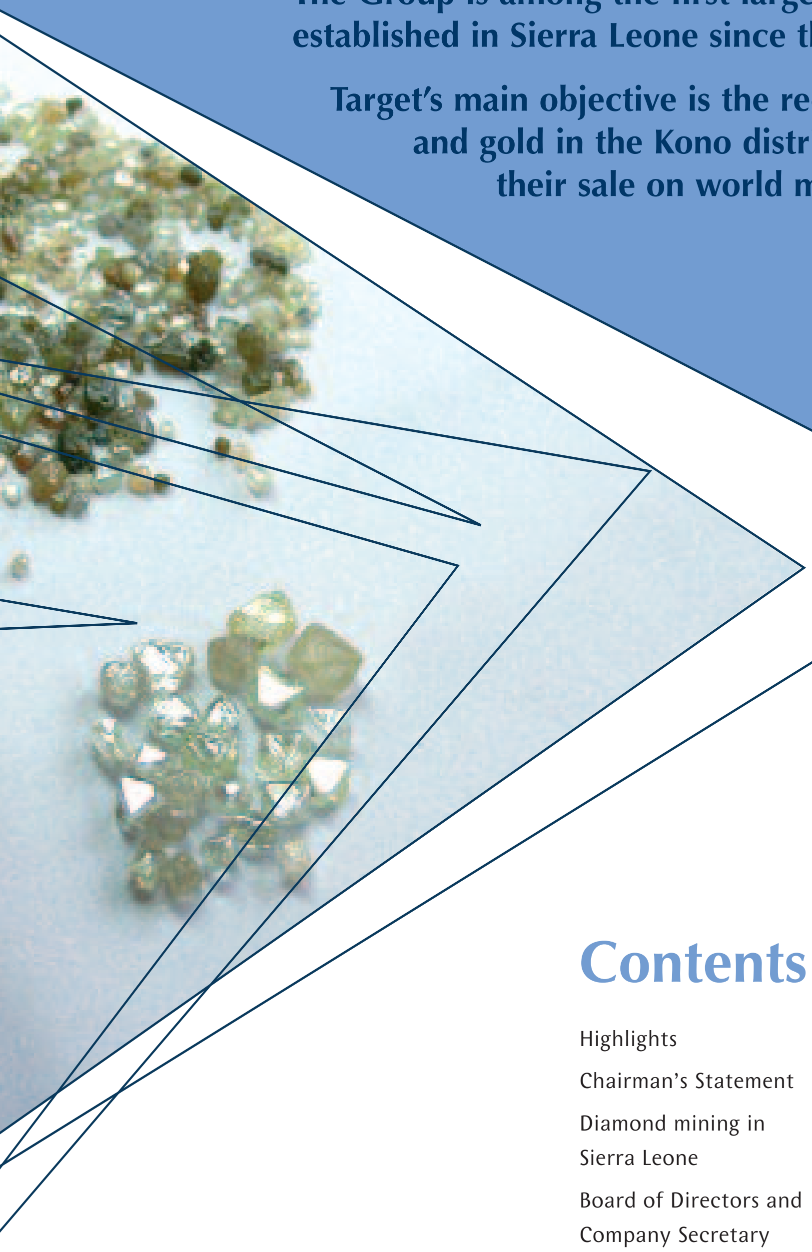
for the year ended 31 October 2006

Target Resources plc ("Target") is an alluvial diamond mining and exploration company developing diamond and gold mining assets and projects primarily in Sierra Leone.

Target operates through its subsidiary Milestone Trading Ltd ("Milestone") and its Sierra Leone subsidiaries (together the "Group"). The Group's licences are all located within the Kono district, which is recognised as the most prospective area for diamond mining in Sierra Leone.

Sierra Leone is a major producer of gem quality diamonds. It has been responsible for mining of some of world's most impressive diamonds. The Group is among the first large scale mining ventures to be established in Sierra Leone since the end of the civil war.

Target's main objective is the recovery of alluvial diamonds and gold in the Kono district of Sierra Leone, and their sale on world markets.



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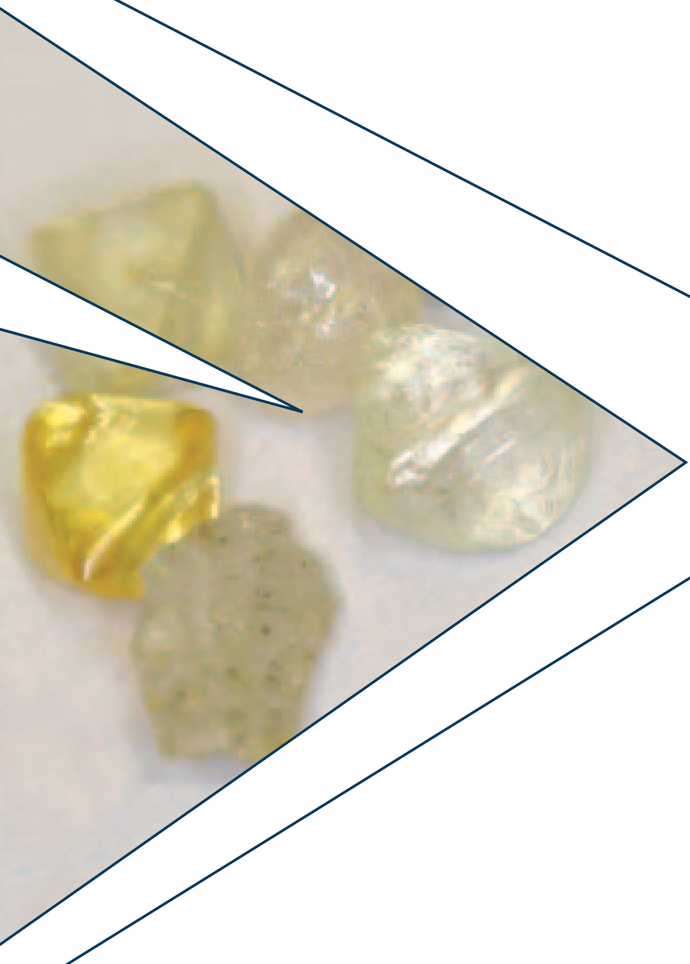
Highlights

- **Admitted to AIM in July 2006 raising funds to expand operations**
- **Milestone has successfully entered into joint venture agreements with the Chiefdoms in Sierra Leone specifically in the Chiefdoms of Sandoh, Nimikoro & Nimiyama**
- **The Group has 4,263 acres (17.25 km^2) under mining leases in the rich diamond and gold area of Kono, recognised as the most prospective area for diamond mining in Sierra Leone**
- **The Group's first corporate acquisition completed with the acquisition of Pride Diamonds, LLC ("Pride Diamonds")**

Chairman’s Statement

I am pleased to present a review of the Group’s operations, in this Target’s first annual report. The Company was successfully admitted to AIM in July 2006 raising net proceeds of £3.2 million which was used to fund exploration costs and repay debt.



The first year as a public company has been challenging for the Group with revenues from the mining of diamonds of just £266,456. The level of mining activity conducted within the year was below expectations due to (i) unprecedented levels of rainfall and (ii) the failure of its mining contractors to mine and process contracted tonnages of gravel in the ephemeral period when conditions would allow mining.

Whilst the first year as a public company has been challenging many notable achievements have been recorded and we look forward with optimism.

At the start of the year under review, the Group had mining leases covering 153 acres in Sandoh Chiefdom and the “No.5 Tailing” in Nimikoro. During the year, the Group was able to acquire extensive further leases for diamond and gold mining in the Kono district as follows:

1,634 acres in Sandoh
1,495 acres in Nimiyama
981 acres in Nimikoro

This gives a total leased area of 4,263 acres, or 17.25km^2.

These mining leases are each held by a local operating subsidiary of the Group. Joint Venture Agreements have been signed with the respective Chiefdoms under which (in the case of Nimiyama and Nimikoro) the Group has 70% of the shares and the profits of the subsidiary and the Chiefdom 30%. In the case of Sandoh, where we are currently mining, the Chiefdom has 11% of the official export value of diamonds, instead of a profit share.

Based on the Independent Technical Review of the Group's alluvial diamond assets carried out by SRK Exploration Services on 7 July 2006, we believe that over 40% of the above acreage is prospective for diamondiferous gravels, with an average gravel thickness in the order of 1.5metres.

Following its acquisition of Milestone Trading Ltd on 7 November 2005, Target raised £2,449,830 net of expenses through a private placing of its shares and its shares were admitted to trading on AIM on 12 July 2006, a further £3,160,000 net of expenses being raised by a placing of shares on AIM.

These funds have been utilised by the Group to finance further exploration on its lease areas, provide working capital, and repay a proportion of its debt.

For the year ended 31 October 2006, the Group generated turnover of £266,456 (15 months to 31 October 2005 – £1,081,804) which resulted in a loss before tax of £4,383,942 (period to 31 October 2005 – £5,863,716). The loss per share is 5.95p (period to 31 October 2005 – 9.84p). The Group had cash balances at the year end of £1,052,563.

The engagement of The Three Captains Diamond Mine (Pty) Ltd as the Group's mining contractor, on 4 April 2006, has proved to be unsatisfactory. The contractor has been unable to provide the growth in mining operations which it promised to deliver. The contractor is no longer operating for the Group and we are now conducting our own mining operations. An additional challenge was an unusually prolonged and intense wet season in Sierra Leone, which effectively stalled mining operations from June to late November 2006.

Chairman's Statement (continued)

While consideration is being given to the possibility of finding a suitable mining contractor to replace The Three Captains, the Group's current strategy is to prospect and develop its leased areas itself.

The directors are currently assessing the Group's options with regard to funding the purchase of additional equipment from a further placement of shares and/or through borrowing. The directors have confidence in their operational team which, after a period of prospecting and bulk sampling is now mining a highly prospective area at the confluence of the Bafi and Bagbe Rivers in Sandoh. The grade in the Bafi paleochannel where we recently started mining appears to be in the order of 10 carats per 100 tons of gravel with the possibility of considerably higher grades in specific locations.

The greatest need at the time of writing is for additional equipment, which will allow us to increase output and to open further mining sites elsewhere in our leased areas. Active prospecting using an innovative technique known as "Resonance Acoustic Penetration Profiling" is now underway.

We are encouraged by the size and quality of the diamonds produced in the Group's mining areas to date, an average sale price per carat of US$484 having been achieved. On the most recent sale, the average price per carat was US$760. Sales take place by tender in the Antwerp market, all our diamonds being fully certified under the Kimberley Process.

A further optimistic development in early 2007 has been the acquisition by Target of Pride Diamonds, LLC, a US incorporated company with river dredging capability. This is expected to provide an effective process in extracting diamonds, and will allow the Group to work throughout the wet season.

Gold production has recently started, a trial 1kg parcel of 96.5% pure gold having been exported to the U.S.


During the year under review, by way of diversifying the Group's mineral portfolio, applications were made for 4 substantial exclusive prospecting licences in various parts of Sierra Leone.

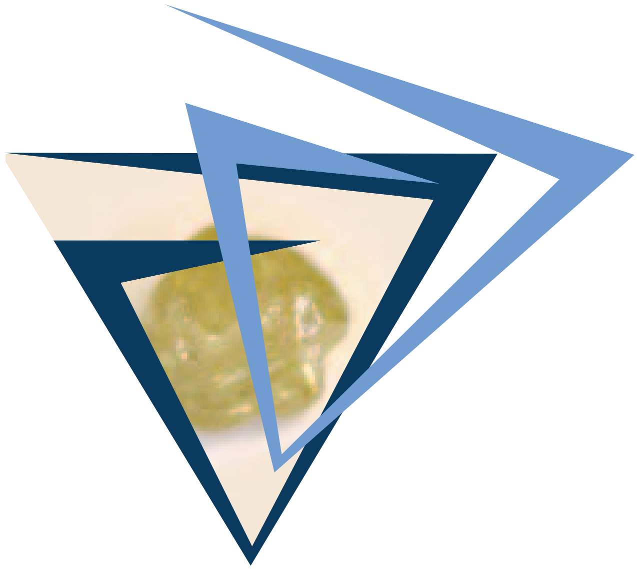
Final consideration of these applications has been delayed by a government freeze on new mineral licences, pending discussions with Chinese concerns interested in certain of Sierra Leone's mineral resources.

The Group continues to foster good relations with the people living on its leased areas by giving help to local communities. We recently built and handed over a school to the people of Bagbema, and have helped with the construction of roads in Sandoh Chiefdom. We employ on average some 200 local people, paying a fair wage and observing a policy of gender equality. Rehabilitation of previously mined areas has been largely completed.

The directors remain focused on the development and growth of the business, and on achieving profitable mining operations at an early date.

Freddy Hager
Chairman

26 April 2007



Diamond mining in Sierra Leone

Sierra Leone is a major producer of gem quality diamonds. It has been responsible for mining of some of world's most impressive diamonds, including the Star of Sierra Leone, a magnificent 969 carat diamond.

Target's licences are all located within the Kono district, which is recognised as the most prospective area for diamond mining in Sierra Leone.

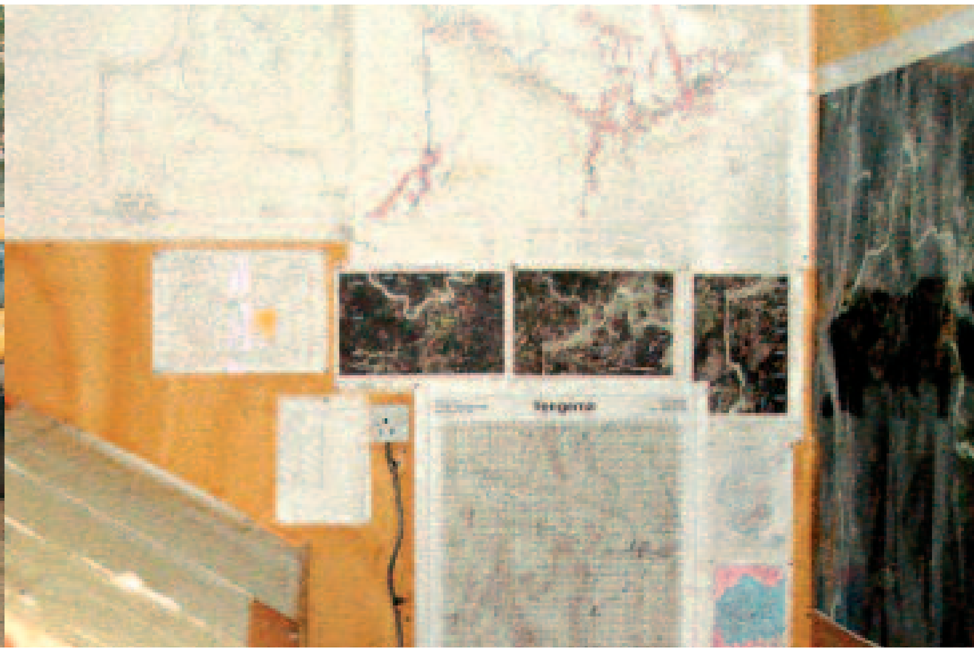
Sierra Leone

Sierra Leone was a founder member in the Kimberley Process Certification Scheme (KPCS) which was established to discourage the marketing of blood diamonds. The scheme, which is being scrutinised and improved by the government, ploughs back some of the revenues derived from diamond exports to the individuals and communities involved in the mining areas.

The KPCS scheme has continued to impact positively on the diamond mining sector in Sierra Leone. Exports have increased over the past three years with 378 certificates of origin issued in 2003, of which 90% of exports went to Belgium.

CHIEFDOMS

In Sierra Leone each district contains a number of Chiefdoms. The Chiefs are the traditional rulers of Sierra Leone. Whilst mining licences are issued by the Ministry of Mineral Resources, mineral rights may not be exercised without the express permission of the landowner, typically the Chiefdoms. **Target has forged strong alliances with the Chiefdoms upon which its Mining Leases lie, specifically the Sandoh, Nimikoro and Nimiyama Chiefdoms. The Chiefdoms are partners in Target's operating subsidiaries**.



The country is now peaceful and the democratically elected government under President Tejan Kabbah is anxious to encourage foreign investment to re-start the economy. The British Government has a long term commitment to the stability of the country. To this end the British Armed Forces continue to maintain a strong presence in the country training and working closely with the Sierra Leone Army.

Alluvial diamond mining

Current theory suggests that diamonds are formed under high pressure and high temperature conditions deep within the earth's crust. The diamonds are brought to the surface with other rock material in volcanic pipes which solidify to form kimberlite or lamproite pipes. Alluvial diamond deposits are formed from the erosion, over millions of years, of the relatively soft primary diamond bearing kimberlite and lamproite source rocks.

The eroded material is transported by river systems, with the diamonds being deposited in the gravel beds of the rivers or, ultimately, in the ocean. Due to their hardness, diamonds are relatively unaffected by the erosion process, and tend to accumulate and be naturally

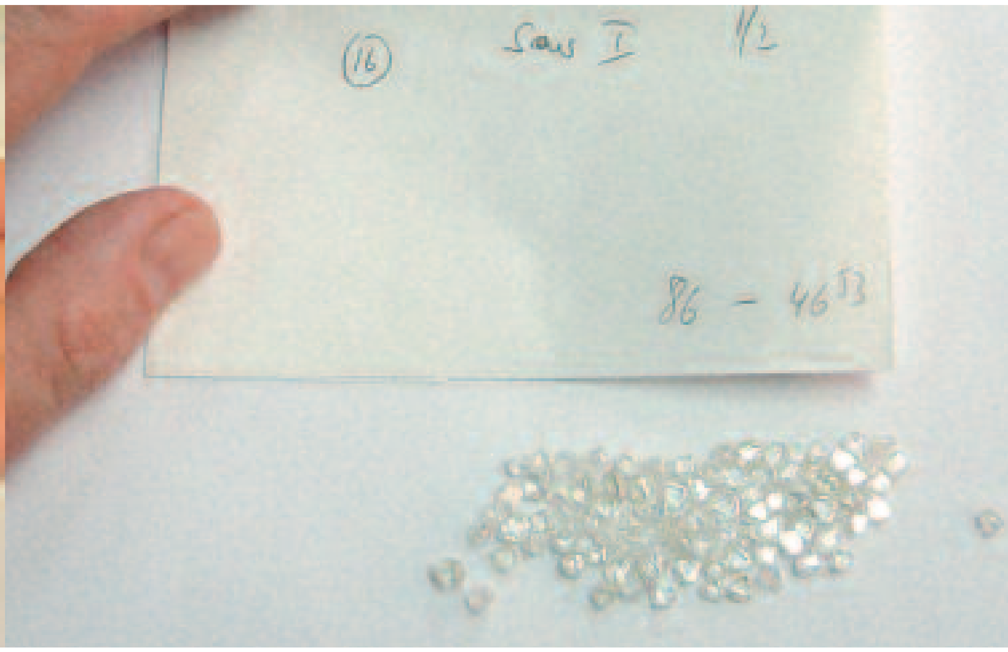
Diamond mining in Sierra Leone (continued)

concentrated in favourable areas for their deposition, while the typically softer and lighter surrounding rock material is washed out to sea.

Sierra Leone's predominantly alluvial sourced diamond production contrasts with other major diamond producing countries (e.g. South Africa, Botswana, Russia and Australia) whose production is predominantly from kimberlite and lamproite pipes. Other countries that have significant alluvial diamond production include Namibia, Brazil, South Africa and Congo.

The Directors believe that alluvial diamond projects have a number of important benefits, including:

- alluvial diamond exploration can be conducted rapidly and at relatively low cost compared with kimberlite and lamproite exploration;
- alluvial diamond deposits typically have a higher proportion of gem quality diamonds than kimberlites (as the erosion and transportation process tends to destroy lower quality diamonds);
- development of reserves requires relatively low level of capital investment; and
- positive cash flow can often be achieved quickly from the commencement of production.



Board of Directors and Company Secretary

Directors

MR. FREDDY HAGER (58),
Non-Executive Chairman
Mr. Hager graduated from UCL in 1972 with a degree in Economics. He spent time in Israel learning the diamond business, working with a large diamond company which he represented in London until 1979. In 1974 he started trading independently as a diamond merchant in Hatton Garden, being elected in 1980 to the committee of the London Diamond Bourse. For many years Mr. Hager represented William Goldberg Diamond Corp. of New York, which handles “high end” diamonds including many individual major and historic stones. In 1991 he became President of the London Diamond Bourse and some 2 years later, oversaw its amalgamation with the London Diamond Club. He is on the executive committee of the World Federation of Diamond Bourses and also a founder and charter member of the World Diamond Council, which was established in 2000 to tackle the issue of conflict diamonds.

Mr. Hager is an expert in fine diamonds, specialising in unusual fancy colours.

DR. NISSIM LEVY (59),
Managing Director
Dr. Levy obtained a PHD in Organic Chemistry in 1975 from the Israeli Institute of Technology (Technion). After a post-doctorate at Kansas University, he was a senior researcher in Life Sciences for N.A.S.A. in San Francisco until 1982. Thereafter he spent 22 years as a senior trader and (from 1985) managing director of various companies engaged in bulk commodity trading and industrial investment, with an emphasis on Central and Eastern Europe. He became Chief Executive Officer of Milestone in 2004.

MR. YAIR ZIV (50),
Finance Director
Mr. Ziv graduated from Tel Aviv University with a degree in Political Sciences in 1983, and after some further academic studies and a period in the Israeli Foreign Office became general manager of Meridian Commodities, a group trading in bulk grains and foodstuffs. As such he acquired expertise in international finance and banking, as well as company administration. In 1993, he became a director in a subsidiary of Topland Group plc, a major company in the UK commercial property market. Mr. Ziv has been Finance Director of Milestone since its incorporation.

MR. JOHN CARRICK SMITH (49),
Non-Executive Director
Mr. Carrick Smith was appointed as a non-executive Director of Milestone on 8 August 2005. He is a former professional geologist and spent 20 years working in the City before founding Burvale Management Consultants in 2001, an investor relations company serving companies pre and post public offering.

MR. PETER O’KANE (50),
Non-Executive Director
Mr O’Kane graduated from Queens’ College, Cambridge with an MA in law. He is an experienced investment banker who has held senior positions with Lehman Brothers, Enskilda Securities and the Asian investment banking group, Crosby. He has extensive experience in corporate finance for emerging markets companies. He is the founder partner of Partner Capital Ltd, a London based specialist Merchant Banking business.

ANDREW GREENBLATT (39),
Non-executive Director
Mr Greenblatt, a graduate of Harvard Law School, is co-founder and CEO of Pride Diamonds LLC, which was taken over by Target in February 07. Andrew has been dedicating himself to socially responsible businesses in the past decade.

Company Secretary

MR. DAVID BRESSLOFF (54),
Mr. Bressloff has an MA in law from Gonville & Caius College, Cambridge. He qualified as a solicitor in 1978 and until 1987 practised as a commercial lawyer in Westminster and the City. Thereafter he joined Dr. Levy’s team and has been working as an in-house legal adviser, specialising in contract drafting, trade finance and shipping matters.

Directors' Report

The directors present their annual report and audited financial statements of the Company and its subsidiaries (together "the Group") for the year ended 31 October 2006.

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. Full details of changes in the Company's share capital are set out in note 19 to the Financial Statements.

Principal activities

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

Target Resources Plc

Milestone Trading Limited	*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 2006 are shown on page 14. The directors do not recommend the payment of a dividend. (2005 – Nil)

The comparative period is a 15 month period from 1 August 2004 to 31 October 2005.

Review of the business development 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.

Principal developments during the year have been the entry by the Group into joint venture agreements with the Sandoh, Nimikoro and Nimiyama Chiefdoms in Sierra Leone; and the expansion of the Group's mining leases in these Chiefdoms to a total area of 4,263 acres.

Performance

The Group's revenue from the mining of diamonds during the year was affected significantly due to an unusually prolonged and intense wet season in Sierra Leone, which effectively stalled the mining operations from June to November 2006. As a result, the Group's revenue which was only £266,000 was very small in relation to its costs. It is therefore not very meaningful to consider a review of key performance indicators in respect of the year under review.

Post Balance Sheet events

Details of the post balance sheet events are set out in note 26 to the Financial Statements.

Directors

The following directors held office during the year under review:

F S Hager
Dr N Levy
Y Ziv
P O'Kane
J Carrick-Smith
A Greenblatt (appointed 2 March 2007)

Position in the marketplace

The Group is well placed to compete with the relatively small number of other alluvial miners in Sierra Leone, having already started productive mining activities (albeit on a limited scale as yet) and having the largest combined acreage of mining leases in Sierra Leone (4,263 acres).

The world market for rough diamonds remains buoyant, with demand outstripping supply, and there is at present no reason to believe that this will change in the near to medium term.

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 an inexact science.

In order to take full advantage of its extensive mining leases, unless a suitable mining contractor is identified, the Group will have to seek additional working capital.

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;
- Need to rely on third party contractors;
- 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;
- 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.

Political and charitable contributions

There were no political or charitable contributions made by the Group during the year. However, a school building was constructed and assistance given with the making of some new roads, for the benefit of the Bagbema community in Sandoh Chiefdom.

Information to shareholders (website)

The company has its own website (www.target-resources.co.uk) for the purpose of improving information flow to shareholders as well as potential investors.

Going concern

After making appropriate enquiries and examining those areas which could give rise to financial exposure the directors are satisfied that no material or significant exposures exist and that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing these Group financial statements.

Substantial shareholders

At 18 April 2007 the Company had been notified of the following holdings of more than 3% of the Company's issued shares at that date:

	Number of Ordinary Shares	% Holding
Dr Nissim Levy	13,493,233	15.14
Greensea Nominees Ltd	12,000,000	13.47
Mr Menasseh Moualem	10,119,925	11.36
JP Morgan Asset Management (UK) Ltd	8,675,000	9.74
Milestone Holdings Nominees Ltd	6,092,700	6.84
Mr Yair Ziv	6,000,000	6.73
Mr Moshe Levy	5,668,704	6.36
RAB Special Situations (Master) Fund Ltd	4,400,000	4.94
Mr Chaim Fried	4,392,000	4.93
Mr Israel Wilner	3,600,000	4.04

Statement of responsibilities of those charged with governance

Company law requires the directors to prepare financial statements for each financial period in accordance with applicable laws and accepted accounting standards in the United Kingdom 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.
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 1985. 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.

Corporate Governance

The directors acknowledge the importance of the Combined Code and intend, to apply its principles so far as is practicable and appropriate to a company of the size and nature of Target.

The Group also intends to comply with the principles of the Corporate Governance Guidelines for AIM Companies published by the Quoted Companies Alliance 2005.

The Company has appointed Mr. Hager as its non-executive Chairman and Mr. O'Kane and Mr. Carrick Smith as non-executive directors. The Board has established audit and remuneration committees. Mr. O'Kane chairs the audit committee and Mr. Hager chairs the remuneration committee.

The audit committee receives and reviews reports from management and the Group's external auditors, relating to the annual and interim accounts and the accounting and internal control systems of the Group. The audit committee has unrestricted access to the Group's external auditors.

The remuneration committee sets and reviews the scale and structure of the executive directors' and the senior management's remuneration and the terms of their service contracts with due regard to the interests of the Shareholders. The remuneration as well as the terms and conditions of appointment of the non-executive directors is set by the remuneration committee. The remuneration committee makes recommendations to the directors concerning the allocation of share options to employees. No director or member of the senior management is permitted to participate in discussions or decisions concerning his own remuneration.

Target has adopted a model code for dealing with Ordinary Shares and Warrants by directors and employees which is appropriate for an AIM quoted company.

Statement of disclosure to auditor

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) they have taken all steps that they ought to have as directors and 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

On 30 April 2007 the auditors, UHY Hacker Young, are transferring its business to a limited liability partnership, UHY Hacker Young LLP. In accordance with Section 385 of the Companies Act 1985, a resolution proposing that UHY Hacker Young LLP be appointed as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

D Bressloff
Secretary
26 April 2007

Target Resources

INDEPENDENT AUDITORS' REPORT

To the shareholders of Target Resources Plc

We have audited the Group and Parent Company financial statements of Target Resources plc for the year ended 31 October 2006 which comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared in accordance with the basis and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 an auditor's report 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

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union are set out in the Statement of responsibilities of those charged with governance.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group are not disclosed.

We read other information contained in the Annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of Group's and the Parent Company's affairs as at 31 October 2006 and of the Group's loss for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' report is consistent with the financial statements.

UHY Hacker Young
Chartered Accountants
Registered Auditors

St Alphage House
2 Fore Street
London
EC2Y 5DH

26 April 2007

CONSOLIDATED INCOME STATEMENT

for the year ended 31 October 2006

	Notes	Year ended 31 October 2006 £	Fifteen months ended 31 October 2005 £
Continuing operations			
Group turnover	6	**266,456**	1,081,804
Cost of goods sold		**(1,591,577)**	(3,930,140)
Gross loss		**(1,325,121)**	(2,848,336)
Administrative expenses before charge for share based payments		**(1,400,663)**	(2,246,783)
Share based payments	20	**(1,542,577)**	(188,155)
Total administrative expences		**(2,943,240)**	(2,434,938)
Group operating loss	6	**(4,268,361)**	(5,283,274)
Finance costs	8	**(115,581)**	(580,442)
Loss before tax		**(4,383,942)**	(5,863,716)
Tax	10	**(72,500)**	(42,000)
Loss for the period		**(4,456,442)**	(5,905,716)
Attributable to:			
Equity holders of the Company		**(4,435,693)**	(5,793,130)
Minority interests		**(20,749)**	(112,586)
		(4,456,442)	(5,905,716)
Loss per share (pence)	4		
Basic		**(5.95)**	(9.84)
Diluted		**(5.95)**	(9.84)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 October 2006

		Attributable to equity holders					
		Share capital	Share premium	Other reserves	Retained losses	Minority interest	Total equity
	Notes	£	£	£	£	£	£
At 1 November 2005 –							
Prior to business combination							
Target		2	–	116,418	(188,155)	–	(71,735)
Milestone and its subsidiary undertakings		100	–	74,471	(5,559,333)	(112,278)	(5,597,040)
Combined		102	–	190,889	(5,747,488)	(112,278)	(5,668,775)
Further issue of shares for business combination		599,998	–	14,400,000	–	–	14,999,998
Adjustments for business combinations:							
Consolidation adjustments		(100)	–	(14,999,900)	–	–	(15,000,000)
At 1 November 2005 –							
Following business combination (consolidated)		600,000	–	(409,011)	(5,747,488)	(112,278)	(5,668,777)
Issue of share capital	19	267,593	10,396,038	–	–	–	10,663,631
Issue costs		–	(1,141,867)	–	–	–	(1,141,867)
Translation differences on re-translation to sterling of the Group's net investment in foreign operations		–	–	(29,288)	–	–	(29,288)
Minority's interest in the share capital of a subsidiary undertaking		–	–	–	–	308	308
Share based payments	20	–	–	1,491,763	–	–	1,491,763
Loss for year		–	–	–	(4,435,693)	(20,749)	(4,456,442)
Balance at 31 October 2006		**867,593**	**9,254,171**	**1,053,464**	**(10,183,181)**	**(132,719)**	**859,328**

a) The other reserves include translation differences of £45,183 on the re translation into Sterling of the Group's net investment in foreign operations. These, under IFRS, are recognised as a separate component of equity and will be taken into account in calculating gain or loss on disposal of a foreign operation. The balance of the other reserves comprises the fair value of share based payments based on IFRS 2 of £1,608,181 and the adjustment arising from the business combination of Target and Milestone of £(599,900).

b) The adjustment of £(599,900) to reserves in respect of the business combination has been arrived as follows:

	£
60,000,000 Target shares were issued in exchange for the whole of the issued share capital of Milestone. This was accounted for at a value of 25p per share (being the same price at which further shares were issued for cash soon after the issue of shares for business combination)	(15,000,000)
Premium on issue of shares	14,400,000
Nominal value of the Milestone's shares acquired	100
	(599,900)

CONSOLIDATED BALANCE SHEET

As at 31 October 2006

	Notes	31 October 2006 £	31 October 2005 £
ASSETS			
Non-current assets			
Intangible assets	11	**787,520**	233,684
Property, plant and equipment	12	**1,214,520**	–
		2,002,040	233,684
Current assets			
Trade and other receivables	15	**22,956**	54,149
Cash and cash equivalents		**1,052,563**	48,126
Assets classified as held for sale	16	**–**	838,545
		1,075,519	940,820
Total assets		**3,077,559**	1,174,504
LIABILITIES			
Non-current liabilities			
Shareholders' and former Shareholders' loans		**–**	3,936,931
Provision for rehabilitation costs		**–**	108,349
Provision for liabilities and charges	20	**122,551**	71,737
Licence fees payable	11	**236,934**	–
		359,485	4,117,017
Current liabilities			
Trade and other payables	17	**916,232**	589,349
Borrowings	18	**942,514**	2,136,915
		1,858,746	2,726,264
Total liabilities		**2,218,231**	6,843,281
Net assets/(liabilities)		**859,328**	(5,668,777)
EQUITY			
Capital and Reserves attributable to Equity holders			
Share capital	19	**867,593**	600,000
Share premium account		**9,254,171**	–
Other reserves		**1,053,464**	(409,011)
Retained losses		**(10,183,181)**	(5,747,488)
		992,047	(5,556,499)
Minority interest		**(132,719)**	(112,278)
Total equity and reserves		**859,328**	(5,668,777)

The financial statements were approved by the board on 26 April 2007.

N Levy
Director

Y Ziv
Director

COMPANY BALANCE SHEET

As at 31 October 2006

	Notes	31 October 2006 £	31 October 2005 £
ASSETS			
Non-current assets			
Investments	13	**15,000,000**	15,000,000
Current assets			
Trade and other receivables	15	**8,648,840**	–
Cash and cash equivalents		**837,482**	–
		9,486,322	–
Total assets		**24,486,322**	15,000,000
LIABILITIES			
Non-current liabilities			
Provision for liabilities and charges		**122,551**	71,737
Total liabilities		**122,551**	71,737
Net assets		**24,363,771**	14,928,263
EQUITY			
Capital and Reserves attributable to Equity holders			
Share capital	19	**867,593**	600,000
Share premium account		**9,254,171**	–
Other reserves	21	**16,008,181**	14,516,418
Retained losses	21	**(1,766,174)**	(188,155)
Total equity and reserves		**24,363,771**	14,928,263

The financial statements were approved by the board on 26 April 2007.

N Levy
Director

Y Ziv
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 October 2006

	Notes	Year ended 31 October 2006 £	Fifteen months ended 31 October 2005 £
Cash outflow generated from operations	22	**(2,375,600)**	(3,088,326)
Interest paid		**(143,077)**	(580,442)
Net cash outflow from operating activities		**(2,518,677)**	(3,668,768)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(595,262)**	(545,250)
Purchase of intangible assets		**(270,264)**	(262,565)
Interest received		**27,496**	–
Net cash outflow from investing activities		**(838,030)**	(807,815)
Net cash outflow before financing activities		**(3,356,707)**	(4,476,583)
Cash flows from financing activities			
Proceeds from issue of share capital		**5,584,833**	–
Increase in shareholders' loans		**–**	2,295,042
(Decrease)/increase in borrowings		**(1,162,806)**	2,105,320
Net cash inflow from financing activities		**4,422,027**	4,400,362
Net increase/(decrease) in cash and cash equivalents		**1,065,320**	(76,221)
Cash and cash equivalents at beginning of the period		**16,531**	18,279
Exchange rate effects		**(29,288)**	74,473
Cash and cash equivalents at the end of the period		**1,052,563**	16,531
Cash and cash equivalents consist of:			
Cash and cash equivalents		**1,052,563**	48,126
Overdrafts		**–**	(31,595)
		1,052,563	16,531

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 October 2006

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 26 April 2007.

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 financial statements have been prepared using the historical cost convention. In addition, the financial statements have been prepared 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 1985. Although the Group is not yet required to prepare the financial statements under IFRS, the directors have decided to adopt IFRS.

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 approval of these financial statements, the following Standards and Interpretations which will be applicable to the Group but have not been applied in these financial statements were in issue but not yet effective:

International Financial Reporting Standards (IFRS/IAS)		Effective date
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009

The Group does not anticipate that the adoption of these standards will have a material effect on its financial statements on initial adoption. Upon adoption of IFRS 7, the Group will be required to disclose additional information about its financial instruments, their significance and the nature and extent of the risks to which they give rise, together with greater detail as to the fair value of its financial instruments and its risk exposure. There will be no effect on reported income or net assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

Going concern

During the year ended 31 October 2006 the Group made a loss of £4,456,442 (2005 - £5,905,716). At the balance sheet date it had net assets of £859,328 (2005 - net liabilities £5,668,777) and its current liabilities exceeded its current assets by £783,227 (2005 - £1,785,444).

The operation of the Group is currently being financed from the remaining funds which the Company raised from private and public placing of its shares, and funds generated from operations. Accordingly, 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 Milestone in exchange for its own shares; this, under IFRS3, 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 review, both annually and when there are indications that the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

2.4 DEFERRED EXPLORATION COSTS

Exploration and evaluation costs following acquisition of licences are capitalised as exploration and evaluation assets on a project by project basis pending determination of the technical feasibility and commercial viability of the project. The capitalised costs are presented as intangible assets. The mining equipment used in connection with exploration are presented as tangible assets. Pre-licencing costs are recognised in income statements as incurred. If a mining development project is successful, the related costs are amortised over the estimated life of the commercial ore reserves on a unit of production basis. 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.

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

Licences for the exploration of natural resources are amortised over the estimated life of the commercial diamond reserves on a unit of production basis.

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

2.6 REHABILITATION COSTS

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

The Group records the fair value of obligations associated with rehabilitation work planned for backfilling and surface profiling, at a future date, the land which is disturbed by mining. These costs are capitalised as intangible assets and the related provisions are included in non-current liabilities. The costs are amortised or written off on the same basis as deferred exploration costs referred to above.

2.7 INVENTORIES

Inventories, consisting of uncut diamonds, have been valued at estimated market values prevailing at the period end dates, with the amounts so determined 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.

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"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentational currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

2.8 FOREIGN CURRENCIES (CONTINUED)

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, joint ventures and associates together with those on relevant foreign currency loans 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
iii) all resulting exchange differences are recognised as a separate component of equity.

2.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, comprising plant and equipment and motor vehicles, 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.

2.10 IMPAIRMENT OF ASSETS

Assets that are subject to amortisation 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

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 stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2.14 TRADE PAYABLES

Trade payables are stated at their nominal value.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

3.1 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 have suffered any impairment in accordance with the accounting policies stated in note 2.10. 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.

4 LOSS PER ORDINARY SHARE

The basic loss per ordinary share has been calculated using the loss for the financial year of £4,456,442 (2005: £5,905,716) and the weighted average number of ordinary shares in issue of 74,876,210 (2005: 60,000,000).

The diluted loss per share has been calculated using a weighted average number of shares in issue and to be issued of 79,426,646 (2005: 61,975,773). The diluted loss per share has been kept the same as the basic loss per share as the conversion of share warrants and options decreases the basic loss per share, thus being anti-dilutive.

5 HOLDING COMPANY INCOME STATEMENT

In accordance with the provisions of Section 230 of the Companies Act 1985 the holding company has not presented an income statement. A loss for the year ended 31 October 2006 of £1,578,019 (2005: £188,155) has been included in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

6 SEGMENT INFORMATION

6.1 PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

During the year the Group was organised into its main 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 information on sales, total assets and capital expenditure for the respective periods are set out below:

	2006	2005
	£	£
Sales		
Europe excluding UK	**266,456**	1,081,804
	266,456	1,081,804

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

	2006	2005
	£	£
Total assets		
UK	**1,552,604**	66,943
Sierra Leone	**1,524,955**	1,107,561
	3,077,559	1,174,504

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

	2006	2005
	£	£
Capital expenditure		
UK	**–**	–
Sierra Leone	**1,173,512**	2,449,704
	1,173,512	2,449,704

Capital expenditure comprises additions to property, plant and equipment and intangible assets. Capital expenditure is allocated based on where the assets are located.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

7 EXPENSES BY NATURE

	Notes	2006	2005
		£	£
The Group's operating loss is stated after charging:			
Depreciation, amortisation and impairment charges	11 and 12	**243,701**	1,377,475
Employee benefit expenses excluding share based payments		**1,044,340**	1,370,481
Transportation and fuel charges		**354,048**	1,051,129
Rent and rates – London office		**380,034**	232,596
Audit		**35,000**	25,000
Share based payments	20	**1,542,577**	188,155
Other expenses		**935,117**	2,120,242
Total cost of goods sold and administrative expenses		**4,534,817**	6,365,078

8 FINANCE COSTS

	2006	2005
	£	£
Interest expense:		
- shareholders' loans	**–**	409,502
- other loans	**143,077**	161,271
- bank overdraft	**–**	9,669
	143,077	580,442
Less: Interest receivable	**(27,496)**	–
	115,581	580,442

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

9 EMPLOYEE BENEFIT EXPENSE

		2006	2005
		Number	Number
Number of employees			
The average monthly numbers of employees (including the directors) during the year were:			
Employed in UK	- Administration	**8**	6
	- Operation	**–**	–
Employed in Sierra Leone	- Administration	**1**	1
	- Operation	**214**	425
		223	432

	2006	2005
	£	£
Employment costs		
Wages and salaries	**755,543**	1,222,638
Social security costs	**218,547**	19,279
Staff welfare	**34,576**	59,385
Share based payments	**1,071,100**	46,682
Staff accommodation costs	**34,478**	67,914
Staff medical costs	**1,196**	1,265
	2,115,440	1,417,163

9.1 DIRECTORS' EMOLUMENTS

	2006	2005
	£	£
Remuneration and other emoluments	**1,196,029**	166,682

The remuneration of directors was as follows:

	Fee/salary	Share based payments	**2006 Total**	2005 Total
	£	£	**£**	£
F Hager	36,000	36,750	**72,750**	-
N Levy	118,333	21,706	**140,039**	48,750
Y Ziv	91,416	21,706	**113,123**	71,250
J Carrick Smith	25,000	410,059	**435,059**	23,341
P O'Kane	25,000	410,059	**435,059**	23,341
	295,749	900,280	**1,196,029**	166,682

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

10 TAXATION

	2006	2005
	£	£
Current year		
UK Corporation tax	**53,500**	–
Double tax relief	**(13,500)**	–
Overseas tax	**32,500**	42,000
Prior years		
UK Corporation Tax	**–**	–
	72,500	42,000

UK corporation tax is calculated at 30% of the estimated assessable profit for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge/(credit) for the periods can be reconciled to the income statements as follows:

	2006	2005
	£	£
Loss before tax:		
Continuing operations	**(4,383,942)**	(5,905,716)
Tax at the UK corporation tax rate of 30%	**(1,315,183)**	(1,771,715)
Tax effects of deferred tax assets not recognised and expenditure not deductible in determining taxable profit	**(1,368,683)**	1,729,715
Overseas withholding taxes not recoverable	**19,000**	42,000
	72,500	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 october 2006

11 INTANGIBLE ASSETS

Group	Deferred exploration	Mining licences	Rehabilitation costs	Total
	£	£	£	£
Cost				
At 1 November 2005	123,721	30,495	108,349	262,565
Additions	–	480,391	97,859	578,250
At 31 October 2006	**123,721**	**510,886**	**206,208**	**840,815**
Amortisation				
At 1 November 2005	13,609	3,354	11,918	28,881
Charge for the year	4,685	1,155	18,573	24,414
At 31 October 2006	**18,294**	**4,509**	**30,491**	**53,295**
Net book value				
At 31 October 2006	**105,427**	**506,377**	**175,717**	**787,520**
At 31 October 2005	110,112	27,141	96,431	233,684

The costs for mining licences includes a sum of £390,829 (US$750,000) for the acquisition of mining licences during the year, payable over a period of five years. Of this amount £82,843 had been paid by 31 October 2006, £71,052 is included in other payables, payable in the next financial year and £236,934 is payable after more than one year.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Mining equipment plant and machinery	Cabin and associated setup costs	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
At cost					
At 1 November 2005	–	–	–	–	–
Assets sold and subsequently repossessed (note 16)	1,012,916	55,407	47,313	38,289	1,153,925
Additions	243,424	9,320	18,440	8,698	279,882
At 31 October 2006	**1,256,340**	**64,727**	**65,753**	**46,987**	**1,433,807**
Amortisation					
At 1 November 2005	–	–	–	–	–
Charge for the year	203,506	6,423	5,380	3,978	219,287
At 31 October 2006	**203,506**	**6,423**	**5,380**	**3,978**	**219,287**
Net book value at 31 October 2006	**1,052,834**	**58,304**	**60,373**	**43,009**	**1,214,520**

The assets are held in Sierra Leone.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

13 INVESTMENTS

Company	Investment in Subsidiary undertakings
Cost	**£**
At 1 November 2005	15,000,000
At 31 October 2006	**15,000,000**
Impairment	
At 1 November 2005	–
Provision for impairment	–
At 31 October 2006	**–**
Net Book Value	
At 31 October 2006	**15,000,000**
At 31 October 2005	15,000,000

At 31 October 2006 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	Share of votes
Direct Subsidiary				
Milestone Trading limited	Sub-holding Company	England	100%	100%
Indirect Subsidiaries				
Haliburton Overseas Limited	Hire of plant and equipment	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%

On 1 June 2006, the Group entered into an agreement with The Three Captains Diamond Mine (Pty) Ltd ("Three Captains") whereby it sold 95% of its shares in the share capital of Haliburton Overseas Limited to Three Captains for a nominal consideration. This agreement was made in conjunction with the agreement to sell the plant and equipment owned by Haliburton to Three Captains as set out in note 16. For the reason set out in that note the directors believe that the contract to sell the shares of Haliburton is no longer valid and accordingly these shares are still carried in the financial statements as an investment of Milestone.

* On 18 February 2006, the agreement with the Sandoh Chiefdom was amended in respect of its interest in Sandoh. By way of this amendment it was agreed that from 18 February 2006 the Chiefdom would receive 11% of the official export value of all Sandoh diamonds after deduction of export tax. Also it was agreed that the Chiefdom of Sandoh would not have a 30% share in dividends payable by Sandoh and that it would not share in the loss of Sandoh from its date of incorporation to 17 February 2006 or the net liabilities of Sandoh as at that date. Accordingly, in substance Sandoh has been treated as a wholly owned subsidiary of the Company from inception for accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 october 2006

14 INVENTORIES

As at 31 October 2006, the Group did not hold any stock of diamonds.

15 TRADE AND OTHER RECEIVABLES

	Group 2006	**Company 2006**	Group 2005	Company 2005
	£	**£**	£	£
Receivables from subsidiaries	**–**	**8,647,183**	–	–
Prepayments	**18,436**	**–**	26,000	–
Other receivables	**4,520**	**1,657**	28,149	–
	22,956	**8,648,840**	54149	–

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

16 ASSETS HELD FOR RESALE – GROUP

	Mining equipment plant and machinery	Cabin and associated setup costs	Motor vehicles	Fixtures and fittings	Total
	£	**£**	**£**	**£**	**£**
Net book value					
at 1 November 2005	717,687	55,124	29,019	36,715	838,545
Additions at costs	295,229	283	18,294	1,574	315,380
Sold and subsequently					
repossessed (note below)	(1,012,916)	(55,407)	(47,313)	(38,289)	(1,153,925)
Net book value at 31 October 2006	**–**	**–**	**–**	**–**	**–**
Net book value at 31 October 2005	717,687	55,124	29,019	36,715	838,545

On 4 April 2006, based on an operating agreement entered into on that date, the Group sold the above non-current assets at their book values of £1,153,925 to The Three Captains Diamond Mine (Pty) Ltd, a mining operator, and the mining operation of the Group was subcontracted to that operator. Following the disposal, the Group received a sum of £610,751 in part payment for these disposals. The mining operator was, however, unable to provide the growth in the mining operations as required under that agreement. As a result, the operator left the operating field on 1 August 2006 and the Group took possession of all its property plant and equipment in the field and also took over its own mining operations. The directors believe that due to the failure of the contractor to meet the terms of the operating agreement it has no valid claim on the property, plant and equipment originally sold to them. Accordingly, these assets have been brought back into the financial statements of the Group at their net book values and the sum of £610,751 received on account for these disposals has been carried in trade and other payables.

The terms for the termination of the original contract are currently being negotiated and the directors believe that other than the sum of £610,751 no further significant payment will be made in this respect and the assets sold will remain with the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

17 TRADE AND OTHER PAYABLES

	Group 2006	Company 2006	Group 2005	Company 2005
	£	£	£	£
Social security and other taxes	64,014	–	52,355	–
Accruals and deferred income	28,418	–	366,729	–
Corporate tax payable	72,500	–	–	–
Other payables	751,300	–	170,363	–
	916,232	–	589,447	–

Other payables for 2006 include a sum of £610,751 payable to Three Captains (note 16) and a sum of £71,052 in respect of licence fees payable in the next financial year.

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

18 BORROWINGS

	Group 2006	Company 2006	Group 2005	Company 2005
	£	£	£	£
Non-current				
Shareholders' and former shareholders' Loans	–	–	3,936,931	3,936,931
	–	–	3,936,931	3,936,931
Current				
Bank overdrafts	–	–	31,595	–
Other loans	942,514	–	2,105,320	–
	942,514	–	2,136,915	–
Total borrowings	942,514	–	6,073,846	3,936,931

Shareholders' and former shareholders' loans

	2006	2005
	£	£
Balance at the period end:		
Capital	–	3,527,429
Accumulated interest	–	409,502
	–	3,936,931

Other loans are in US Dollars and subject to a fixed interest rate of 12.5%. These loans are repayable on demand and are unsecured.

All of the shareholders' and former shareholders' loans were in US Dollars and unsecured. No interest was payable on these loans from 1 November 2005. On 6 July 2006, Target issued 7,873,862 ordinary shares of 1p each at 50p per share and 7,873,862 warrants (exercise price – 62.5 pence) to capitalise these shareholders' loans which have been accepted by the shareholders in satisfaction of the amounts due to them.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 october 2006

19 SHARE CAPITAL, WARRANTS AND OPTIONS

The Company's share capital is summarised as follows:

	31 October 2006	31 October 2005
	£	£
Authorised		
1,000,000,000 ordinary shares of 1p each	**10,000,000**	10,000,000
Allotted, called up and fully paid		
86,759,262 (2005 – 200) ordinary shares of 1p each	**867,593**	2

On 7 November 2005 the Company issued 59,999,800 ordinary shares in exchange for, and acquired, the whole of the issued share capital of Milestone at that date. At the date of acquisition Milestone had 100 ordinary issued shares. The Company, for the purposes of the acquisition, therefore exchanged 600,000 of its own shares for each fully paid ordinary share in Milestone.

On 7 November 2005, following the acquisition of Milestone, the Company re-registered as a public company.
On 30 November 2005, 8,464,000 ordinary shares of 1p each were issued fully paid for cash at a price of 25p per share.
On 20 December 2005, 2,400,000 ordinary shares of 1p each were issued fully paid for cash at a price of 25p per share.
On 6 July 2006, 7,873,862 ordinary shares of 1p each were issued fully paid for cash at a price of 50p per share together with 7,873,862 warrants pursuant to the capitalisation of shareholders' loans of £3,936,931.
On 12 July 2006, 8,021,400 ordinary shares of 1p each were issued fully paid for cash at a price of 50p per share together with 8,021,400 Warrants.

The movements in the issued share capital of the Company from the date of incorporation to 31 October 2006 and the related share premium are as follows:

	Number of shares of 1p each	Share capital at nominal value	Share premium before issue costs
		£	£
Relating to shares issued on incorporation	200	2	–
Acquisition of Milestone	59,999,800	599,998	*
Issue of shares for cash – Stage 1 – Pre Initial Public Offering ("I.P.O.")	8,464,000	84,640	2,031,360
Issue of shares for cash – Stage 2 – Pre I.P.O.	2,400,000	24,000	576,000
Issue of shares for capitalisation of shareholders' loans	7,873,862	78,739	3,858,192
Issue of shares for cash – Public offering	8,021,400	80,214	3,930,486
	86,759,262	867,593	10,396,038

* The premium of £14,400,000 on issue of these shares has been taken to other reserves due to availability of merger relief.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

19 SHARE CAPITAL WARRANTS AND OPTIONS (CONTINUED)

The details of share warrants and share options outstanding at 31 October 2006 are as follows:

	Number of Warrants	Number of Options
At 1 November 2005	–	3,552,778
Issued during the year	15,895,262	9,340,274
Balance at 31 October 2006	15,895,262	12,893,052

Further details of the share options 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	2,602,778	1p
08 Aug 05	08 Aug 05	08 Aug 08	600,000	1p
20 Oct 05	12 Jul 06	11 Dec 07	350,000	50p
30 Nov 05	30 Nov 05	30 Nov 08	944,853	1p
15 Dec 05	15 Dec 05	15 Dec 08	200,000	1p
12 Jul 06	12 Jul 06	11 Jul 09	513,273	50p
12 Jul 06	12 Jul 06	11 Jan 09	650,694	50p
12 Jul 06	12 Jul 06	11 Jul 09	1,368,728	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
			12,893,052	

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 $365/carat over three years following the grant of options.

During the year, no options were exercised.

No further options were issued between 1 November 2006 and the date of this report.

The Company's share price ranged between 54.5p and 42p during the year. The closing share price as at 31 October 2006 was 42p per share.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

20 SHARE BASED PAYMENTS

	2006	2005
	£	£
The Group recognised the following charge in the income statement in respect of its share based payment plans:		
IFRS 2	**1,491,763**	116,418
Employer's national insurance (note below)	**50,814**	71,737
	1,542,577	188,155

The above charges are based on the requirements of IFRS 2 on share based payments. For this purpose, the weighted average estimated fair value for the share options granted was calculated using a Black-Scholes option pricing model in respect of options. The volatility measured at the standard deviation of expected share price return is based on statistical analysis of the share price over the 9 month period since the Company's admission to Alternative Investment Market ("AIM") and this has been calculated at 42%. The risk free rate has been taken at 4.75%. The estimated fair values and other details which have been processed into the model are as follows:

Number of options	Grant date	Option price	Fair value	Expected exercise date
350,000	20 Oct 05	50p	5.4p	11 Dec 07
2,602,778	23 Nov 04	1p	11.7p	22 Nov 09
600,000	08 Aug 05	1p	24.1p	08 Aug 08
944,853	30 Nov 05	1p	24.1p	30 Nov 08
1,368,728	12 Jul 06	1p	49.1p	11 Jul 09
200,000	15 Dec 05	1p	24.1p	15 Dec 08
513,273	12 Jul 06	50p	7.1p	11 Jul 09
650,694	12 Jul 06	50p	6.1p	11 Jan 09
* 5,132,726	06 Jul 06	50p	19p	06 Jul 16
500,000	21 Sep 06	50p	19p	21 Sep 16
30,000	06 Jul 06	50p	19p	06 Jul 16
12,893,052				

* Except for these options which have a vesting period of three years, no other options have any vesting period. The charge for national insurance on share based payments has been calculated by reference to the difference between the market value of the underlying shares at the balance sheet date and the excercise price of options. The accumulated reserves under IFRS 2 and the accumulated national insurance provision as at 31 October 2006 were £1,608,181 and £122,551 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

21 RESERVES – COMPANY

	Other reserves	Retained loss
	£	£
At 1 November 2005	14,516,418	(188,155)
Loss for the year	–	(1,578,019)
Share based payments	1,491,763	–
At 31 October 2006	**16,008,181**	**(1,766,174)**

Other reserves at 31 October 2006 comprise:-	£
Share based payments	1,608,181
Premium on issue of shares on acquisition of Milestone as business combination	14,400,000
	16,008,181

22 RECONCILIATION OF CASH GENERATED FROM OPERATIONS

	31 October 2006	31 October 2005
	£	£
Operating loss	**(4,268,361)**	(5,283,274)
Adjustments for:		
Depreciation, amortisation and impairment	**243,707**	1,377,475
Share based payment charge	**1,542,577**	188,155
Rehabilitation cost provision	**(108,349)**	108,349
	(2,590,432)	(3,609,295)
Changes in working capital		
Trade and other receivables	**31,501**	(55,847)
Trade and other payables	**183,331**	576,816
Net cash outflow generated from operations	**(2,375,600)**	(3,088,326)

23 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2006

23 FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Interest and maturity profile of the Group's financial liabilities are shown in note 18 to the financial statements.

The Group raises finance primarily through equity issues and loans. The main risk associated with the loans is foreign currency risks. This arises as the Group holds liabilities denominated in US$ whilst its primary functional currency is Sterling. At 31 October 2006 the Group held US$ amount payable with a Sterling equivalent of £610,751 translated at the rate existing at that date.

24 ULTIMATE CONTROLLING PARTY

The ultimate parent company is Target, a company incorporated in England and Wales. Target is not under the control of any one party.

25 RELATED PARTY TRANSACTIONS

During the year ended 31 October 2006 the following transactions were entered into with related parties:

Rent and expenses of London office paid to First Leader (UK) Ltd
(a company connected with a director) – £103,235 (2005 – £375,164)
Consulting services provided by Partner Capital Ltd
(a company connected with a director) – £161,605 (2005 – £27,100)

The Company issued 7,873,862 Ordinary shares of 1p each fully paid for cash at a price of 50p per share together with 7,873,862 warrants pursuant to the capitalisation of shareholders' loans of £3,936,931. Of those issues 4,499,350 ordinary shares and the same number of warrants were issued to a director.

26 EVENTS AFTER THE BALANCE SHEET DATE

On 2 March 2007, Target acquired Pride Diamonds, LLC ("Pride"), a Delaware incorporated company operating in Sierra Leone and owning specialised river dredging equipment. This equipment is being deployed near the confluence of the Bafi and Bagbe Rivers within the Sandoh mining lease.

The initial consideration for the acquisition of Pride was US$1,600,000, satisfied by the issue of 2,349,570 new ordinary shares of 1p each in Target at 34.8p per share. A deferred consideration is payable in cash to the vendors of Pride based on 3 per cent of the Group's future diamond sales, capped at US$ 1,900,000.

Target Resources

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Target Resources plc (the "Company") will be held at the offices of Hanson Westhouse Limited, One Angel Court, London, EC2R 7HJ on 11 June 2007 at 11am for the following purposes:

1. To receive the accounts and the reports of the directors and the auditors for the financial year ended 31 October 2006.

2. To re-appoint Dr. Nissim Levy as a director who is retiring in accordance with the Company's articles of association.

3. To re-appoint Mr. Freddy Hager as a director who is retiring in accordance with the Company's articles of association.

4. To re-appoint Mr. Yair Ziv as a director who is retiring in accordance with the Company's articles of association.

5. To re-appoint Mr. John Carrick Smith as a director who is retiring in accordance with the Company's articles of association.

6. To re-appoint Mr. Peter O'Kane as a director who is retiring in accordance with the Company's articles of association.

7. To re-appoint Mr. Andrew Greenblatt as a director who is retiring in accordance with the Company's articles of association.

8. To appoint UHY Hacker Young LLP as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the shareholders in accordance with the provisions of the Companies Act 1985 and to authorise the directors to fix the auditors' remuneration.

By Order of the Board

Secretary
26 April 2007

Registered office:
Target Resources Plc
16th Floor Marble Arch Tower
55 Bryanston Street
London W1H 7AA

NOTES

1. A member entitled to attend and vote at the Meeting is also entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the Meeting.
2. To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or a notarially certified copy of such authority) must be deposited via first class post at the registrars' office, Computershare Investor Services plc, PO Box 1075, Bristol, BS99 3FA not less than 48 hours before the time for holding the Meeting. A form of proxy is enclosed with this notice.
3. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 11 am on 9 June 2007 (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.

Target Resources

FORM OF PROXY

(for use by ordinary shareholders for the Annual General Meeting to be held on 11 June at 11:00am)

I/We (block capitals) ____of

____

being (a) holder(s) of ordinary shares in the Company, hereby appoint the Chairman of the meeting or (Note 1)

____

____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 11 June at 11:00am and at any adjournment thereof.

I/We direct my/our proxy to vote as indicated by an X in the appropriate column. (Note 2)

RESOLUTIONS	FOR	AGAINST
1. Ordinary Resolution. To receive the accounts and reports of the directors and auditors for the financial year ended 31 October 2006	☐	☐
2. Ordinary Resolution. To re appoint Dr. Nissim Levy as a director	☐	☐
3. Ordinary Resolution. To re appoint Mr. Freddy Hager as a director	☐	☐
4. Ordinary Resolution. To re appoint Mr. Yair Ziv as a director	☐	☐
5. Ordinary Resolution. To re appoint Mr. John Carrick Smith as a director	☐	☐
6. Ordinary Resolution. To re appoint Mr. Peter O'Kane as a director	☐	☐
7. Ordinary Resolution. To re appoint Mr. Andrew Greenblatt as a director	☐	☐
8. Ordinary Resolution. To appoint UHY Hacker Young LLP as auditors of the Company and to authorise the directors to fix the auditors remuneration.	☐	☐

Signature ________________________________ (Note 3)

Date _______ _________________ 2007

NOTES

1. If you wish to appoint a proxy other than the Chairman of the meeting, cross out the words "the Chairman of the meeting" and write the full name and address of your proxy on the dotted line. The change should be initialled. A proxy need not be a member of the Company.
2. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting as he/she thinks fit on any other matter (including amendments to resolutions) which may properly come before the meeting.
3. This form must be signed and dated by the shareholder or his/her attorney duly authorised in writing. In the case of a corporation this form must be given under its common seal or signed on its behalf by a duly authorised officer or an attorney. In the case of joint holders the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
4. To be effective at the meeting this form must be lodged at the address of the Company's Registrars via first class mail, Computershare Investor Services plc, PO Box 1075, Bristol, BS99 3FA not later than 48 hours before the time of the meeting together, if appropriate, with the power of attorney or other authority under which it is signed or a duly certified copy of that power or authority.

Second fold

Affix
postage
stamp
here

Computershare Investor Services Limited
PO Box 859
The Pavilions
Bridgwater Road
Bristol
BS99 1XZ

First fold

Third fold (tuck in)

DIRECTORS, SECRETARY AND ADVISERS

Directors	**Freddy Shalteel Hager**, Chairman **Nissim Levy**, Managing Director **Yair Ziv**, Finance Director **Peter Mark Patrick O'Kane**, Non-executive Director **John Alan Carrick Smith**, Non-executive Director **Andrew Greenblatt**, Non-executive Director (Appointed 2 March 2007)
Company Secretary	**David Ian Bressloff**
Registered Office	**Target Resources Plc** 16th Floor Marble Arch Tower 55 Bryanston Street London W1H 7AA
Company Number	5566717
Website	**www.target-resources.co.uk**
Nominated Adviser and Broker	**HansonWesthouse** 12th Floor One Angel Court London EC2R 7HJ
Auditors and Reporting Accountants	**UHY Hacker Young** St. Alphage House 2 Fore Street London EC2Y 5DH
Legal advisers to the Company as to English law	**Faegre & Benson LLP** 7 Pilgrim Street London EC4V 6LB
Legal advisers to the Company as to Sierra Leonean law	**Basma & Macaulay** 19 Siaka Stevens Street Freetown Sierra Leone
Registrars	**Computershare Investor Services Limited** PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ
Principal Bankers	**Bank Leumi** 20 Stratford Place London W1C 1BG **EFG Private Bank** 12 Hay Hill London W1J 6DW

Producing Quality Diamonds

Design and production Mustbethebest Ltd Printing Dexter Graphics

Target Resources

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