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Tel: 020 7929 3399
Fax: 020 7929 3377

www.hardmanandco.com
email: research@hardmanandco.com

4 -5 Castle Court
London EC3V 9DL

Sunrise Diamonds Ltd

Progress Polishing Prospects

2.05p

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Sunrise Diamonds Ltd (AIM:SDS) has made some good progress in its hunt for an economic diamond resource on the Karelian Craton in Finland, despite falling victim to the current global shortage of drilling service providers.

Drill rig availability in Finland has been tight this Summer with the number of companies exploring in Scandinavia blossoming. As of 16th April 2007, 42 active exploration projects are listed by one of Sunrise's drilling services providers, the Geological Survey of Finland (The GTK). These are only the projects that The GTK are actively involved with, but does show how busy the backwoods of Finland is getting in the current boom. Commodities being sought by other explorers are gold, nickel, platinum group metals, uranium, industrial minerals and, of course, diamonds. In common with other exploration companies Sunrise has had to take rig slots when it can and has been concentrating on gathering and analysing more geophysical data rather than the full summer drilling program that it had hoped for.

Sunrise has made good progress on the ground, with gravity and/or magnetic surveys having been carried out on some of the multiple kimberlite targets in their extensive database. A database which is based upon BHP Billiton's Finnish diamond exploration data and to which Sunrise has exclusive access.

Some of this geophysical data has been sent to a Canadian consultant to aid in the interpretation and hopefully generate even more drilling targets.

At present Sunrise has a surplus of targets and the revised drill schedule will help evaluate them. Till sampling for Kimberlite Indicator Minerals (KIMs) has already eliminated 14 geophysical targets in the Kuusamo area this year. Some of these may well have been kimberlites, but without the right indicator minerals to show that they are prospective for diamonds they are not worth pursuing any further.

The rig shortage has undoubtedly slowed progress in the already painstaking search for diamondiferous kimberlites, however progress is being made and should accelerate now that Sunrise has the drill rig slots booked.

Share Price: 2.05p

12m High: 3.42p

12m Low: 1.5p

Market Cap: £2.6m

Shares in Issue: 125m undiluted
160m fully diluted

Gearing: nil

Cash at the Bank: £0.6m

EPIC Code: SDS

SEDOL No: B075Z68

Sector: Mining

Market: AIM

Broker and Nomad:

Ruegg & Co Ltd

PR: City of London PR Group plc

Website:

www.sunrisediamonds.com

Analyst: Ian Falconer

Detail of Progress

In the Kuusamo region one of Sunrise's first kimberlite discoveries has been re-surveyed as planned. The *Kalettomanpuro kimberlite dyke*, discovered in 2005 and successfully drilled during that campaign, has been the subject of both magnetic and gravity surveys. Previous kimberlite sampling, totalling 22kg, did not return any micro-diamonds but the indicator minerals found in the area could not be ignored. The presence of diamond prospective indicator minerals in and around this dyke suggests that the previous sample may not have been large enough to fully evaluate the elongated body. The data from these surveys has been sent to Sunrise's Canadian geophysical consultants with the aim of defining the best drilling strategy going forward.

Target 32 has been drilled unsuccessfully on the first attempt, but additional magnetic data was collected in order to refine the interpretation of this target. A decision on whether to re-drill will be made on the basis of this re-interpretation once the data has been integrated into Sunrise's evolving database.

A Kimberlite Indicator Mineral sampling program will be starting imminently to evaluate the prospectivity of nine more targets generated by using that database.

In the Kaavi-Kuopio cluster, the area covered by the JV with Nordic Diamonds, kimberlite *Pipe 17* has been added to the 200kg drill sampling program to be carried out starting in September. Previous drilling on this kimberlite had poor core recovery but analysis of the samples did return micro-diamonds. Sunrise will be using triple-tube core barrels and an engineered drilling fluid (mud) where previously water had been used. This should significantly improve core recovery from this target and allow for a better evaluation of its diamond grade potential. Already on the September program are kimberlite *Pipe 10*, *Pipe 14* and *Pipe 22*. *Pipe 22* and 8 other unnamed targets are scheduled to be drill tested once the lakes under which they lie have frozen.

The *Target 295* area has been mapped by a ground based gravity survey which identified several anomalies, three of which have already been drilled without intersecting a kimberlite. Several remain to be tested. The data from this

survey has been sent to the same Canadian consultant with the aim of prioritising the remaining drill targets.

Additional sampling to find and evaluate KIMs in glacial till has been carried out in the wider area around *Target 298*. The quantity and type of indicator minerals in the new samples is encouraging Sunrise to believe that *Target 298* is particularly interesting. They are being found in larger numbers than were expected on the basis of previous sampling and over a greater area than previously seen. This has called for a re-evaluation of the distance that they may have travelled from source, the prospectivity of that source and the possible size (exposed area) of that source.

Diamond Market News

In other diamond related news De Beers recently announced a drop in profits after lower than predicted sales in Japan and supply tightness from the Russian company, Alrosa. De Beers trading arm, the DTC, reports that demand for diamonds outside Japan remains very strong.

Diamond sales in China more than doubled in the first half of 2007 to \$443m, according to the Shanghai Diamond Exchange, with April's monthly trade reaching a new all-time monthly high of \$92.7m.

The process of initiating a futures market in diamonds is on-going with the various concerned parties expressing conflicting views over its technical viability. The main problems being cited to be preventing the initiation of such a market are the consistency and transparency of diamond valuation and the ability to actually deliver real polished diamonds on a paper promise. One suspects that there is also a certain amount of inertia to be overcome from the established diamond traders. Without the few companies that set world rough diamond prices buying into it the concept may never reach fruition.

The London listing of the first ever diamond fund, Diamond Circle, was recently put on indefinite hold with volatile world market conditions being cited.

After 6 years Liberia has lifted its self-imposed moratorium on the diamond trade. This follows the lifting of UN-sanctions and its entrance into the Kimberley Process in May.

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