Sunrise Diamonds plc

Company No. 05363956

Annual Report for the year ended 30 September 2009

Sunrise Diamonds plc was formed to explore for diamonds in the Karelian Craton in Finland, a geological block that is host to a number of world class diamondiferous kimberlites in the Arkhangelsk region of neighbouring Russia.

In Finland the Company is evaluating a number of diamondiferous kimberlites and has the right to exploit BHP Billiton's valuable diamond exploration database for Finland

The Company's diamond search was extended in 2009 to include an area near Cue in the Yilgarn Craton of Western Australia, where diamondiferous kimberlites have already been found, and where additional diamond targets have been identified alongside targets for platinum group metals and gold

The Company is seeking to diversify its commodity interests and has recently acquired an exploration licence at Derryginagh in Ireland for the industrial mineral barite for use in high-value industrial filler markets

Our aim is to create wealth for our stakeholders through the cost-effective discovery and development of mineral resources

Contents

Board of Directors

Patrick Cheetham	**Francis Johnstone**	**Neil Herbert**	**Colin Fitch** LLM, FCIS
Executive Chairman	Non-Executive Director*	Non-Executive Director**	Company Secretary

* Chairman of the Remuneration Committee and member of the Audit Committee
** Chairman of the Audit Committee and member of the Remuneration Committee

The Directors and Officers of the Company are

Patrick Cheetham, aged 49 *Executive Chairman*
Mr Cheetham is the founder of the Company He is a mining geologist with 28 years experience in mineral exploration and 22 years in public company management Mr Cheetham started his career as an exploration geologist in Australia with Western Mining Corporation and prior to that worked for Imperial Metals Corporation in British Columbia, Canada From 1986 to 1993 he was joint managing director of Dragon Mining NL, during which time he was responsible for the formation of that company, the identification of and acquisition of its exploration projects, its listing on the Australian Stock Exchange and the subsequent development of its exploration projects Patrick co-founded Archaean Gold N L in 1993 — the subject of a successful $50 million takeover bid by Lachlan Resources NL He is currently also Chairman of Tertiary Minerals plc

Francis Johnstone, aged 44 *(Senior) Non-Executive Director*
Mr Johnstone is a founding director of the Company with over 20 years experience in the mining sector He was until recently Commercial Director of Ridge Mining plc, an AIM listed mining company focused on its platinum and associated metal projects in South Africa In July 2009, Aquarius Platinum Limited acquired Ridge Mining in a recommended takeover for £143 million He is currently a non-executive director of Brazilian Diamonds Limited a company which is actively exploring a number of diamondiferous kimberlites in Brazil and is listed on the Toronto Stock Exchange and AIM He is also a non-executive director of Hidefield Gold plc, an AIM listed company with gold exploration interests in North and South America

Neil Herbert, aged 43 *Non-Executive Director*
Mr Herbert is also a founding director of the Company He is Executive Deputy Chairman of Polo Resources Limited, and a non-executive director of Vatukoula Gold Plc and UrAmerica Plc He was Finance Director of UraMin Inc from July 2005 until December 2007 where he managed the company through a series of acquisitions and rapid growth, the raising of over US$400 million of funding and the eventual sale of the company to AREVA, the nuclear group, for US$ 2 5 billion Mr Herbert has 11 years experience in the mineral sector and was formerly Finance Director of Galahad Gold Plc, International Molybdenum Plc, Kalahari Diamond Resources Plc and HPD Exploration Plc He was also Chief Financial Officer of the AIM listed Argentinean gold explorer Brancote Holdings plc from September 2001, until the successful completion of its acquisition by Meridian Gold Inc in July 2002 and prior to this he was Group Financial Controller of Antofagasta plc from 1998 to 2001 Before joining the mineral sector he worked for accountancy firm PriceWaterhouseCoopers and he is a Fellow of the Association of Chartered Certified Accountants

Colin Fitch MA, LLM, FCIS, aged 77 *Company Secretary*
Colin Fitch is a Barrister-at-Law, and was previously Corporate Finance Director of Kleinwort Benson, Partner and Head of Corporate Finance at Rowe & Pitman (SG Warburg Securities) and Assistant Secretary at the London Stock Exchange He has also held a number of non-executive directorships of public and private companies, including Merrydown Plc He is currently Company Secretary for Tertiary Minerals plc

Chairman's Statement

I am pleased to present your Company's Annual Report and financial statements for the year ended 30 September 2009

In 2009 in response to the global financial crisis our diamond exploration programmes in Finland have been on care and maintenance and we have pared back administration costs to preserve cash resources In addition key project interests have been favourably restructured to remove a major financial commitment through the purchase of the Kaavi-Kuopio claims for shares, and a royalty interest, where formerly our equity earn-in required substantial expenditures

Our exploration budgets for 2010 allow for a resumption of diamond exploration in Finland but these plans will be kept under review and will depend on a renewed appetite for the funding of mineral exploration by the market

Diamond Market
Diamonds are luxury goods and in the last quarter of 2008, as the global financial crisis took hold, diamond prices went into free-fall as diamond traders, jewellery manufacturers and retailers were impacted by a loss of trade-finance facilities High levels of debt and inventory were compounded by an established process of producer inventory de-stocking as the diamond industry transitions from a "producer push" to a "consumer pull" model

The downward trend continued into 2009 with retail and rough diamond prices reportedly falling by 30% from their 2008 peak Diamond producers responded with mine closures and cancellations of rough diamond sales These measures, coupled with a strong stock market recovery, have had a noticeable effect on optimism in the industry and some mines were brought back into production by mid 2009 as major producers resumed diamond sales

Despite this more optimistic outlook industry commentators suggest that the value of rough diamond demand may continue to drop until early 2010 and that some remaining marginal mines will close or reduce output significantly by that time — helping to restore a market balance

We are now in the last calendar quarter when, importantly, roughly 50% of annual diamond jewellery sales normally take place Each of the last 25 shopping days before Christmas typically account for 1% of annual sales so it is encouraging that in this 2009 pre-Christmas period there have been good trading conditions in major trading centres with strong demand and firming prices in many diamond categories

The value of mineral discoveries made today will depend — not on today's commodity prices — but on those prevailing when a mine comes on stream years later However, investor sentiment for diamond companies reflects today's realities and so it is against this background that your Company has, whilst preserving and expanding the most promising diamond targets within its portfolio, widened its search to include non-diamond projects to better balance the Company s prospects in the future

New Projects
During the year we have looked at a large number of new project opportunities in a wide range of commodities Projects considered have included internally generated projects where the entry costs are minimal but where opportunities exist to add significant value for shareholders for minimal expenditure Examples include our new Cue project in Western Australia where we are targeting nickel-copper and platinum group metals as well as diamonds, and the Derryginagh barite project in Ireland More details of these newly acquired projects can be found in the Operating Review

We are also looking at more immediately "transformational' projects which would be of a larger scale or at a more advanced stage of development than those currently in our portfolio

In the search for, evaluation and acquisition of new projects, procedures are in place to avoid any conflict of interest with Tertiary Minerals plc which provides management services at cost to the Company

Annual General Meeting
At the next AGM shareholders will be asked to consider, amongst the usual business, a resolution adopting an entirely new set of Articles of Association which, despite the changes made last year, is necessitated by the final stage implementation of the new Companies Act Renewal of the share issue authorities, largely unused in 2009 is also sought and I hope you will once again support the Board in putting these in place

Financials
The Company's financial statements for 2009 have been prepared in full compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union

The Company reported a loss of £227,563 for the year (2008 £634,880)

In Conclusion
Although it has been a difficult year we believe that the efforts we have taken to preserve shareholders' cash and protect and maintain key project assets during the year will be rewarded and that our ongoing efforts to secure new projects will take the Company forward

I would like to thank all my fellow directors, and staff for their salary sacrifices during the year and also you, our shareholders, who have supported the Company in 2009

Patrick L Cheetham
Executive Chairman
7 December 2009

Operating Review

Finland — Diamond Exploration

In 2009 the Company's diamond exploration activity in Finland has been largely suspended as the Company sought to preserve cash reserves Significant planned exploration work on the Kuusamo or Kaavi-Kuopio kimberlites was postponed during the year, as was drill testing of various high priority kimberlite targets Mantle Diamonds, which had previously advised of its intention to drill test a number of kimberlite targets in which the Company holds a residual interest, also postponed its exploration programmes in Finland in 2009

Nevertheless, the Company's claims have been maintained and steps have been taken to re-structure joint venture assets to minimise future expenditure commitments An important step forward was taken in January 2009 when the Company announced that it had reached an agreement with Nordic Diamonds Ltd to acquire 100% ownership of Nordic's Kaavi-Kuopio claims in Finland (subject to a royalty in favour of Nordic)

The new agreement replaced and superseded the earn-in and joint venture agreement with Nordic in

History of diamond exploration in Finland

The first kimberlite was discovered in Finland in the early 1960's, close to the city of Kuopio in central Finland Follow up work in the 1980's and 1990's by Ashton Mining and Diamet resulted in the discovery of 25 kimberlites, most of which are now known to be diamond-bearing These kimberlites occur principally in two clusters, one at Kaavi and one at Kuopio

Following restructuring of the Nordic Joint Venture, the Company holds claims covering 14 of the known 25 kimberlites in the Kaavi-Kuopio area including Kimberlites 10, 14 and 17, where the Company has previously completed diamond sampling, and a number of other pipes containing diamond grades of economic interest

During the 1990's De Beers also carried out extensive exploration programmes throughout eastern and northern Finland One kimberlite was discovered by De Beers in the Kuusamo area, remote from previous discoveries, but no further work was carried out as this kimberlite was deemed too small This discovery, on Sunrise Diamonds' Kalettomanpuro project area, has formed the impetus for the Company's exploration programme in the Kuusamo area, which led to the definition of a fourth new kimberlite cluster in Finland where seven kimberlites have been discovered by Sunrise Diamonds to date

BHP Billiton, through its acquisition of Diamet, owns a large database for diamond exploration in Finland, and the Company through its agreement with BHP Billiton has use of this valuable database

Operating Review

continued

respect of the same claims The previous agreement allowed Sunrise to earn up to a 75% Joint Venture Interest by sole funding exploration expenditure totalling €1 000 000 by 11 August 2010 of which a minimum of €500,000 was to be spent by 11 August 2009, after which it would have earned an initial 51% Joint Venture Interest

Sunrise's expenditure on the claims is approximately €300,000 to date and so the new agreement effectively relieved the Company of a further €700,000 of earn-in expenditure and increases its equity interest in the claims to 100% from the 75% that could previously be acquired

The consideration for the acquisition was the issue of 100,000 new ordinary shares in the capital of the Company and the grant to Nordic of a 1% Gross Overriding Royalty on production of diamonds from the claims

The majority of the claims covered by the agreement were subject to extension applications with the Finnish Ministry of Employment and Economy which have now been granted for a further three year period

Kimberlites & Diamond Exploration

"Primary" diamond deposits form as volcanic eruptions and intrusions of "kimberlite" — a rare rock type originating from deep below those thicker and cooler parts of the earth's crust forming stable geological blocks called "cratons" Diamonds can be eroded out of primary deposits and concentrated in river systems as "alluvial" deposits

About 15% of kimberlites are diamondiferous and only 1% potentially commercial Natural diamond sizes range from less than 0 5mm ("microdiamonds") to spectacular stones of hundreds of carats (one carat equals 0 2g) Macrodiamonds (over 0 5mm) occur in much lower concentrations than microdiamonds Kimberlites also contain specific kimberlite indicator minerals or "KIMs", including G9/G10 pyrope garnets, high sodium-eclogitic garnets and certain chromites with distinctive mineral chemistries indicating high diamond potential

Discovery of a commercial kimberlite is challenging A kimberlite usually covers an area of only a few hectares (0 01 km^2) but the prospective cratons cover hundreds of thousands of square kilometres Fortunately, during erosion, kimberlites break-down and their component minerals, including KIMs, can be dispersed over wide areas in soils, stream sediments or glacial sediments and KIM dispersion trains can then sometimes be tracked back to their source Some kimberlites are magnetic or electrically conductive and can be found by geophysical surveys

Once a kimberlite is located, either by drilling or in outcrop, small samples (10–50kg) are processed to extract any microdiamonds (small samples rarely contain commercial sized diamonds due to their rarity and uneven distribution) If microdiamond counts are encouraging a larger (200kg minimum) sample is taken for microdiamond extraction and results can be used as a more statistically meaningful guide to commercial diamond content

Eventually further drilling and trial mining is carried out to define the size of the kimberlite and to collect bulk samples for evaluation of diamond grade and diamond value and for feasibility studies

Cue Project — Western Australia — Diamonds, gold and platinum group metals

In October 2009 the Company announced that it had applied for an exploration licence targeting diamonds, gold and platinum group metals (PGM's) in Western Australia

The exploration licence application (ELA20/727) covers an area of approximately 70 square km and is located 70km to the north-west of the town of Cue in the Murchison Mineral Field in the Yilgarn Craton of Western Australia

The Murchison Region was explored by De Beers in the period 1994–2001 during which time De Beers discovered a number of kimberlite dykes in two separate areas within the Company's application area

At the "Cue 1" locality a kimberlite dyke outcrops and is reported by De Beers to be 2–3m wide Several drill holes intersected the dyke and one vertical hole intersected kimberlite from surface to 60m depth At Soapy Well, 7km to the west, at least three closely spaced kimberlite dykes, up to 3m wide, were encountered in two drill traverses spaced 400m apart

According to De Beers, 13 diamonds were recovered for a total weight of 0 00379 carats from a 64kg sample of kimberlite taken from drill-core at Soapy Well Whilst not providing any information on sampling of the Cue No 1 kimberlite, the report states that "two diamondiferous dykes Cue 1 and Soapy Well 1, have been discovered so far"

De Beers, in its final report for the area, also reported positive results from follow-up exploration at two additional kimberlite targets within the Company s new licence application area This included further soil sampling and ground geophysics which identified multiple drill targets for kimberlite at Fennels Well, 2 5km along strike from the Cue No 1 kimberlite and in a separate area close to the Cue 1 kimberlite where a new area of kimberlite rock debris was found These targets were never tested by De Beers

Also of interest within the licence area is a sulphide-bearing gabbro dyke that was intersected in several drill holes by De Beers prior to the discovery of the Cue 1 kimberlite Although not of interest to De Beers for diamond exploration, this gabbro dyke is now targeted by Sunrise for PGMs and gold It is located in the same region as the Weld Range PGM deposit (reported Inferred Resource >0 5 million ounces platinum+palladium+gold) the discovery of which was initiated by Sunrise's Executive Chairman Patrick Cheetham, when Joint Managing Director of Dragon Mining NL

Derryginagh Project, Republic of Ireland — Barite

In November 2009 the Company was granted a Prospecting Licence for base metals, barite, silver, gold and platinum group elements near Bantry, County Cork, in the south-west of the Irish Republic

The Company is targeting the Derryginagh barite deposit for the production of high value white "paint-grade" barite for use as mineral filler in paints and plastics This is the highest-value use for barite having significant sales volumes Off-white barite is used as

Operating Review
continued

a lower value mineral filler and high volumes of low-grade barite are used as a weighting agent in drilling mud in the oil and gas industry

The Derrryginagh mine was worked in the period 1864–1922 supplying white barite to the local paint industry The mine workings extend over a strike length of 200m and to a maximum depth of 60m In the 1970s the mine workings were de-watered and mapped by a local company and in the 1980s four holes were drilled to intersect the barite vein at 100 metres below surface by Dresser Minerals International Inc , which was then a major supplier of drilling mud grade barite around the world

All four Dresser holes intersected white barite over an average width of 2 4m and over a total strike length of 200m, with the vein being open along strike and at depth

There is a significant demand for white paint-grade barite in Europe but no major mine supply outside of China and India Consequently there is a niche opportunity for a new European supplier as China's own internal demand limits traditional exports The price currently quoted for white paint-grade barite is £195–220/tonne delivered to the UK

The Company will collect samples of the barite mineralisation for metallurgical characterisation and quality testing before undertaking further drilling and economic evaluation

New Project Generation

The Company is targeting both diamonds and other commodities This process has resulted in acquisition of the Cue and Derryginagh projects described above, and is continuing

Acquisition of advanced-stage projects is competitive and good projects are difficult to find During the year the Company evaluated a large number of new project opportunities through a combination of desk studies, detailed due diligence and site visits The Company is rigorous in its assessment to ensure value for shareholders

Detailed due diligence has been carried out on a number of potential non-diamond project acquisitions and in some cases, offers have been made which have not been accepted A number of projects remain under active evaluation and negotiation

Financial & Risk Review

Financial Review

The results for the Company are set out in detail on page 15 The Company has made a loss of £227,563 during the year (2008 £634,880) This includes treasury interest of £8,572, foreign exchange gains of £8,759 and loss on disposal of subsidiary of £21,113 It also includes administration costs of £161,652 and expensed pre-licence and reconnaissance exploration costs of £53 025 and deferred exploration cost impairments of £9,104

The Company is expected to continue to make losses for the foreseeable future and this is normal for exploration companies in the period leading up to the development of commercial mining operations Losses may increase in future if certain exploration projects are abandoned or impaired and the associated deferred exploration costs are written-off

Intangible assets in the financial statements total £783,050 at year end

Administration costs include non-cash costs under IFRS 2 whereby a cost is assigned to the value of certain options and warrants in issue

Administration overhead costs have been shared with Tertiary Minerals plc, to the benefit of both companies This cost sharing is continuing

Equity Issues

The Company's exploration activities continue to be funded from working capital During the year 3,388,704 shares were issued to directors in lieu of directors' fees and 100 000 shares were issued to Nordic Diamonds Ltd pursuant to an agreement to acquire exploration rights in Finland

Non Current Assets

Details of intangible assets, property, plant & equipment and investments are set out in notes 8, 9, and 10 of the financial statements

Risks

The Board regularly reviews the risks to which the Company is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible

The principal risks and uncertainties facing the Company at this stage in its development are

Exploration Risk

The Company's business is mineral exploration and evaluation which are speculative activities and whilst the directors are satisfied that good progress is being made, there is no certainty that the Company will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value

Resource Risk

All mineral projects have risk associated with defined grade and continuity Mineral Reserves and Resources are calculated by the Company in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and metal price assumptions

Development Risk

Delays in permitting, financing and commissioning a project may result in delays to the Company meeting production targets Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity

Mining and Processing Technical Risk

Notwithstanding the completion of metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, ground water conditions and other geological conditions may still render a mining and processing operation economically or technically non viable

Environmental Risk

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project Once a project is in production unforeseen events can give rise to environmental liabilities

Financing & Liquidity Risk

The Company has an ongoing requirement to fund its activities through the equity markets and in future to obtain finance for project development There is no certainty such funds will be available when needed

Political Risk

All countries carry political risk that can lead to interruption of activity Politically stable countries can

Financial & Risk Review

continued

have enhanced environmental and social permitting risks, risks of strikes and changes to taxation whereas less developed countries can have in addition, risks associated with changes to the legal framework civil unrest and government expropriation of assets

Partner Risk

Whilst there has been no past evidence of this, the Company can be adversely affected if joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments Currently the Company has no joint venture partners on any of its projects

Financial Instruments

Details of risks associated with the Company's Financial Instruments are given in note 20 to the financial statements on pages 27 to 28

Key Performance Indicators

The Board considers that normal performance indicators are not appropriate measures of the progress of an exploration and development company and refer shareholders to both the Operating Review and the Financial & Risk Review for further information on the Company's progress during the year

Forward Looking Statements

This Annual Report contains certain forward looking statements that have been made by the directors in good faith based on the information available at the time of the approval of the Annual Report By their nature, such forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future Actual results may differ from those expressed in such statements

Directors' Report

The directors are pleased to submit their annual report and audited accounts for the year ended 30 September 2009

Principal Activities
The principal activity of the Company is the identification, acquisition, exploration and development of diamond and other mineral projects The principal area of activity during the year was Finland, but since the end of the reporting period the Company has expanded its exploration activities geographically to include Australia and the Republic of Ireland

Business Review and Future Developments
The Chairman's Statement together with the Operating Review and the Financial & Risk Review provide detailed information on the development of the Company's business during the year and indications of likely future developments

Dividend
The directors are unable to recommend the payment of any ordinary dividend

Going Concern
In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches, as and when required When any of the Company's projects move to the development stage, specific project financing will be required

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report These projections include the proceeds of future fundraising and planned discretionary project expenditures necessary to maintain the Company as a going concern Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future However, the directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future and therefore believe that the "going concern" basis is appropriate for the preparation of the financial statements

Results
The Company's loss for the period was £227,563 (2008 £634,880)

Financial Instruments & Other Risks
The business of mineral exploration and evaluation has inherent risks Details of the Company's Financial Instruments and risk management objectives and of the Company's exposure to risk associated with its Financial Instruments is given in note 20 to the financial statements

Details of risks and uncertainties that affect the Company's business are given in the Financial & Risk Review on pages 7 to 8

Directors
The directors holding office in the period were

Mr P L Cheetham
Mr F P H Johnstone
Mr N L Herbert

Directors' Report

continued

Shareholders

As at the date of this report the following interests of 3% or more in the issued share capital of the Company appeared in the register

	Number of shares	% of share capital
Pershing Keen Nominees Limited GWCLT Account	50,497,001	26 89
Tertiary Minerals plc	25,751,785	13 71
Starvest plc	14,183,333	7 55
Fitel Nominees Limited C054494 Acct	7,000,000	3 73

Suppliers and Contractors

Details of the Company's policy and payment of creditors is disclosed on page 13 This policy will continue unchanged in the next financial year

Accounting Policies

The financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and their interpretations adopted by the International Accounting Standards Board (IASB) They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS Further details of the Company's accounting policies can be found in note 1 of the financial statements on page 18

Charitable and Political Donations

During the year, the Company made no charitable or political donations

Annual Report

Copies of the Sunrise Diamonds plc financial statements are available from the Companys Registered Office and from Astaire Securities plc, 30 Old Broad Street, London, EC2N 1HT and also on the Company's website www sunrisediamonds com

Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

Disclosure of Audit Information

Each of the directors has confirmed that so far as he is aware there is no relevant audit information of which the Company's Auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

Auditors

A resolution to re-appoint PKF (UK) LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting

Annual General Meeting

Notice of the Companys Annual General Meeting convened for 29 January 2010 at 11 00 a m is set out on page 29 of this report Explanatory notes giving further information about the proposed resolutions are set out on pages 34 to 36

Approved by the Board of Directors on 7 December 2009 and signed on its behalf

Patrick Cheetham
Chairman

Corporate Governance

Companies whose shares trade on AIM are not required to make an annual statement to shareholders regarding compliance with the Combined Code However, the Board seeks to comply with the principles of the Combined Code in so far as they are appropriate to the Company at this current stage of development

Role of the Board

The Board s role is to agree the Company s long term direction and strategy and monitor achievement of its business objectives The Board meets four times a year for these purposes and holds additional meetings when necessary to transact other business The Board receives reports for consideration on all significant strategic and operational matters

The non-executive directors are considered by the Board to be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement Directors have the facility to take external independent advice in furtherance of their duties at the Company's expense and have access to the services of the Company Secretary

The Board delegates certain of its responsibilities to the Audit and Remuneration Committees of the Board These Committees operate within clearly defined terms of reference

Audit Committee

The Audit Committee, composed entirely of non-executive directors, assists the Board in meeting responsibilities in respect of external financial reporting and internal controls The Audit Committee also keeps under review the scope and results of the audit It also considers the cost effectiveness, independence and objectivity of the auditors taking account of any non-audit services provided by them

Remuneration Committee

The Remuneration Committee also comprises the non-executive directors The Company does not currently remunerate any of the directors other than in a non-executive capacity Whilst the Chairman, Patrick Cheetham, does have an executive role his services are provided under a general service agreement with Tertiary Minerals plc

The Company issues share warrants to directors and to the staff of Tertiary Minerals plc who are engaged in the management of the activities of the Company The Company's policy on the issue of such warrants is that outstanding warrants should not in aggregate exceed 10% of the issued capital of the Company from time to time Details of directors' warrants are disclosed in note 17

Conflicts of Interest

The Companies Act 2006 permits directors of public companies to authorise directors' conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect At the Annual General Meeting being called for 29 January 2010 the directors will propose new Articles of Association with similar appropriate provisions

Procedures are in place in order to avoid any conflict of interest between the Company and Tertiary Minerals plc which holds approximately 14% of the Company's issued share capital Tertiary Minerals provides management services to Sunrise Diamonds, in the search, evaluation and acquisition of new projects

Internal Controls & Risk Management

The directors are responsible for the Company's system of internal financial control Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Company's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately

In carrying out their responsibilities the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control

The Board subject to delegated authority, reviews capital investment property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements

Corporate Social Responsibility

The Board takes regular account of the significance of social, environmental and ethical matters affecting the business of the Company At this stage in the Company's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders Rather the Board seeks to protect the interests of the Company's stakeholders through individual policies and through ethical and transparent actions

Shareholders

As set out above, the Board seeks to protect shareholders interests by following, where appropriate, the guidelines in the Combined Code and the directors are always prepared where practicable, to enter into a dialogue with shareholders to promote a mutual understanding of objectives The AGM provides the Board with an opportunity to informally meet and communicate directly with investors

Environment

The Board recognises that its principal activity, mineral exploration, has potential to impact on the local environment and consequently has adopted an Environmental Policy to ensure that the Company's activities have minimal environmental impact Where appropriate the Company's contracts with suppliers and contractors legally bind those suppliers and contractors to do the same

The Company's activities carried out in accordance with Environmental Policy have had only minimal environmental impact and this policy is regularly reviewed Where appropriate, all work is carried out after advance consultation with affected parties

Employees

The Company engages its employees to understand all aspects of the Company's business and seeks to remunerate its employees fairly, being flexible where practicable The Company gives full and fair consideration to applications for employment received regardless of age, gender, colour ethnicity, disability, nationality, religious beliefs transgender status or sexual orientation The Board takes account of employees' interests when making decisions and suggestions from employees aimed at improving the Company's performance are welcomed

Suppliers and Contractors

The Company recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings The Company has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers The amount shown in the balance sheet in respect of trade payables at the end of the financial year represents 17 days of average daily purchases (2008 19 days)

Independent Auditors' Report to the Members of Sunrise Diamonds plc

for the year ended 30 September 2009

We have audited the financial statements of Sunrise Diamonds plc for the year ended 30 September 2009 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members as a body, in accordance with sections 495 and 496 of the Companies Act 2006 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 auditors' 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter — going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern As explained in note 1 to the financial statements, the company will need to raise further funds within the next 12 months in order to cover the company's overheads and carry out the company's planned discretionary project expenditure As there is no assurance that adequate funds will be obtained there is a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

PKF (UK) LLP

Donald Bancroft
(Senior statutory auditor)
for and on behalf of PKF (UK) LLP Statutory auditors
Manchester, UK
7 December 2009

Income Statement
for the year ended 30 September 2009

	Notes	2009 £	2008 £
Pre-licence exploration costs		**53,025**	13,034
Impairment of deferred exploration cost	9	**9,104**	447,165
Loss on disposal of subsidiary	8	**21,113**	—
Administrative expenses		**161,652**	195,134
Operating loss		**(244,894)**	(655,333)
Interest receivable		**8,572**	20,453
Foreign exchange gains		**8,759**	—
Loss on ordinary activities before taxation	3	**(227,563)**	(634,880)
Tax on loss on ordinary activities	7	**—**	—
Loss on ordinary activities after tax		**(227,563)**	(634,880)
Loss for the year attributable to equity holders	16	**(227,563)**	(634 880)
Loss per share — basic and diluted (pence)	6	**(0 12)**	(0 45)

All amounts relate to continuing activities

Statement of Recognised Income and Expense
for the year ended 30 September 2009

	Company 2009 £	Company 2008 £
Loss for the year	**(227,563)**	(634,880)
Total recognised expense since last accounts	**(227,563)**	(634 880)

Company Registration Number 05363956

Balance Sheet

at 30 September 2009

	Notes	**Company 2009 £**	Company 2008 £
Non-current assets			
Intangible assets	9	**783,050**	740,607
Investment in subsidiary	8	**—**	18,161
		783,050	758,768
Current assets			
Receivables	11	**22,197**	29,017
Cash and cash equivalents	12	**287,277**	510,839
		309,474	539,856
Current liabilities			
Trade and other payables	13	**(66,425)**	(74,599)
Net current assets		**243,049**	465,257
Net assets		**1,026,099**	1,224,025
Equity			
Called up share capital	14	**187,783**	184,395
Share premium account	16	**2,203,812**	2,189,337
Share option reserves	16	**51,571**	39,797
Accumulated losses	16	**(1,417,067)**	(1,189,504)
Shareholders' funds		**1,026,099**	1 224 025

These financial statements were approved and authorised for issue by the Board of Directors on 7 December 2009 and were signed on its behalf

P L Cheetham
Executive Chairman

N L Herbert
Director

Cash Flow Statement

for the year ended 30 September 2009

	Company 2009 £	Company 2008 £
Operating activities		
Operating loss	**(244,894)**	(655,333)
Share based payment charge	**11,774**	7,884
Shares issued in lieu of net wages	**17,439**	11,939
Share issued in lieu of payment for intangible assets	**425**	—
Shares issued in lieu of payment to trade creditor	**—**	24,953
Impairment charge	**27,261**	447,627
Decrease in accounts receivable	**6,820**	30 025
(Decrease) in accounts payable	**(8,171)**	(116,257)
Net cash outflow from operating activity	**(189,346)**	(249,162)
Investing activities		
Interest received	**8,572**	20,453
Purchase of intangible fixed assets	**(51,547)**	(201,879)
Foreign exchange gains	**8,759**	—
Purchase of investments	**—**	(2,753)
Net cash outflow from investing activity	**(34,216)**	(184,179)
Financing activities		
Issue of share capital (net of expenses)	**—**	488,250
Net cash inflow from financing activity	**—**	488,250
Net (decrease)/increase in cash and cash equivalents	**(223,562)**	54,909
Cash and cash equivalents at start of year	**510,839**	455 930
Cash and cash equivalents at 30 September	**287,277**	510 839

Notes to the Financial Statements

for the year ended 30 September 2009

1 Accounting policies

Sunrise Diamonds plc is a public company incorporated and domiciled in England It is traded on the AIM market of the London Stock Exchange and its shares also trade on Plus Markets — code SDS

The Company's financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Company

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Statement of compliance

The financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union, and their interpretations adopted by the International Accounting Standards Board (IASB) They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The Company has not adopted any standards or interpretations in advance of the required implementation dates It is not expected that those standards or interpretations which have been issued by the International Accounting Standards Board, but which have not been adopted, will have a material impact on the financial statements of the Company in the period of initial application

The Company has taken advantage of the exemption conferred by IFRS 1 in relation to share options and warrants issued prior to 7 November 2002

(b) Basis of preparation

The financial statements present information about the Company as an individual undertaking During the period the Company disposed of its only subsidiary (Note 8) and as a result the Company is no longer required to prepare consolidated financial statements All comparative information relates to the Company as an individual undertaking and not as a Group

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches Further funding is raised as and when required When any of the Company's projects move to the development stage, specific project financing will be required

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report These projections include the proceeds of future fundraising and planned discretionary project expenditures necessary to maintain the Company as a going concern Although the Company has been successful in raising finance in the past there is no assurance that it will obtain adequate finance in the future However, the directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future and therefore believe that the "going concern" basis is appropriate for the preparation of the financial statements

(c) Intangible assets

Exploration and evaluation

Accumulated exploration and evaluation costs incurred in relation to separate areas of interest (which may comprise more than one exploration licence or exploration licence applications) are capitalised and carried forward where

(1) such costs are expected to be recouped through successful exploration and development of the area, or alternatively by its sale, or

1 **Accounting policies** — continued

(2) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing

A bi-annual review is carried out by the directors to consider whether any exploration and development costs have suffered impairment in value and, if necessary, provisions are made according to this criteria

Accumulated costs where the Company does not yet have an exclusive exploration licence and in respect of areas of interest which have been abandoned, are written off to the income statement in the year in which the pre-licence expense was incurred or in which the area was abandoned

Development

Exploration, evaluation and development costs are carried at the lower of cost and expected net recoverable amount On reaching a mining development decision exploration and evaluation costs are reclassified as development costs and all development costs on a specific area of interest will be amortised over the useful economic life of the projects, once they become income generating, and the costs can be recouped

(d) Trade and other receivables and payables

Trade and other receivables and payables are measured at initial recognition at fair value and subsequently measured at amortised cost

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and short term bank deposits with a maturity of three months or less

(f) Deferred taxation

Deferred taxation, if applicable, is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes

Deferred tax assets are recognised to the extent that they are regarded as recoverable

No deferred tax asset is recognised in the financial statements

(g) Foreign currencies

The Company's functional and presentational currency is Pounds Sterling (£) and this is the currency of the primary economic environment in which the Company operates Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All differences are taken to the income statement

(h) Share based payments

The Company issues warrants and options to employees (including directors) and suppliers For all options and warrants issued after 7 November 2002 the fair value of the services received is recognised as a charge on the date of grant and determined in accordance with IFRS 2, adopting the Black-Scholes-Merton model The fair value is charged to administrative expenses on a straight line basis over the vesting period, together with a corresponding increase in equity, based on the management's estimate of shares, that will eventually vest The expected life of the options and warrants is adjusted based on management s best estimates, for the effects of non-transferability exercise restrictions and behavioural considerations The details of the calculation are shown in Note 15

Notes to the Financial Statements

continued

1 Accounting policies — continued

The Company also issues shares in order to settle certain liabilities, including payment of fees to directors The fair value of shares issued is based on the closing mid-market price of the shares on the AIM Market on the day prior to the date of settlement and it is expensed on the date of settlement with a corresponding increase in equity

(i) Judgements and estimations in applying accounting policies

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements

Intangible fixed assets — exploration and evaluation

Capitalisation of exploration and evaluation costs requires that costs be assessed against the likelihood that such costs will be recoverable against future exploitation or sale or alternatively, where activities have not reached a stage which permits a reasonable estimate of the existence of mineral reserves, a judgement that future exploration or evaluation should continue This requires management to make estimates and judgements and to make certain assumptions often of a geological nature, and most particularly in relation to whether or not an economically viable mining operation can be established in future Such estimates, judgements and assumptions are likely to change as new information becomes available When it becomes apparent that recovery of expenditure is unlikely the relevant capitalised amount is written off to the income statement

Impairment

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit Assessment of the impairment of assets is a judgement based on analysis of the future likely cash flows from the relevant project The Company will look to evidence produced by its exploration activities to indicate whether the carrying value is impaired

Going concern

The preparation of financial statements requires an assessment of the validity of the going concern assumption The validity of the going concern assumption is dependant on finance being available for the continuing working capital requirements of the Company Based on the assumption that such finance will become available, the directors believe that the going concern basis is appropriate for these accounts

Share based payments

The estimates of share based payments costs requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees

2 Segmental analysis

The Company's primary segment is the exploration, evaluation and development of mineral resources The primary segment during the year consisted of one geographical reporting area, which is Finland

	Capital expenditure 2009 £	**Total segment assets 2009 £**	Capital expenditure 2008 £	Total segment assets 2008 £
Finland	**51,547**	**783,050**	199,007	740,606
	51,547	**783,050**	199,007	740,606

Administrative expenses are not allocated to geographical segments

3 Loss on ordinary activities before taxation

The operating loss is stated after charging	**2009**	2008
	£	£
Fees payable to the Company's auditors for		
the audit of the Company's annual accounts	**5,660**	5,907
other services	**1,071**	1,563

4 Directors emoluments

Remuneration in respect of directors was as follows	**2009**	2008
	£	£
P L Cheetham (salary)	**10,000**	9,500
F P H Johnstone (salary)	**10,000**	9,500
N L Herbert (salary)	**10,000**	9,500
	30,000	28,500

The above remuneration amounts do not include share based payments charged in these financial statements in respect of warrants issued to the directors amounting to £7,412 (2008 £7,514)

5 Staff costs

The Company does not employ any staff directly apart from the directors as shown in Note 4 The services of technical and administrative staff are provided by Tertiary Minerals plc as part of the management services agreement between the two companies The Company issues warrants to Tertiary Minerals plc staff from time to time and these share based payments resulted in a charge within the financial statements of £3,434 (2008 receipt of £382)

6 Loss per share

Loss per share has been calculated on the loss and the weighted average number of shares in issue during the year

	2009	2008
Loss (£)	**(227,563)**	(634,880)
Weighted average shares in issue (No)	**185,959,962**	142,169,110
Basic and diluted loss per share (pence)	**(0 12)**	(0 45)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share This is because the exercise of share warrants would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33

Notes to the Financial Statements

continued

7 Taxation on ordinary activities

No liability to corporation tax arises for the year due to the Company recording a taxable loss (2008 £nil)

The tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK — 28% (2008 28%) The differences are explained below

	2009 £	2008 £
Tax reconciliation		
Loss on ordinary activities before tax	**(227,563)**	(634,880)
Tax at 28% (2008 28%)	**(63,718)**	(177 766)
Effects (at 28%) (2008 28%) of·		
Tax losses carried forward	**(63,718)**	(177,766)
Tax on loss from ordinary activities	**—**	—

Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £376,665 (2008 £312,947) This amount would be recoverable if sufficient taxable profits were made in the future

8 Investments

On 31 March 2009, the Company disposed of its 90% shareholding in Solane Diamond Mining Company (Pty) Ltd , by transfer of the shares to VP3 GeoServices (Pty) Ltd Prior to the disposal an investment totalling £21,113, in the form of deferred exploration expenditure, had been undertaken on behalf of Solane Diamond Mining Company (Pty) Ltd by the Company and held as a Non-Current Asset on the Balance Sheet This investment has been impaired in full through the Income Statement for the year to 30 September 2009

The shareholding in Solane Diamond Mining Company (Pty) Ltd represented the only subsidiary interest of the Company at 30 September 2008 Following the disposal of this investment there is no requirement to prepare consolidated financial statements for the year to 30 September 2009

9 Intangible assets

	Deferred exploration expenditure 2009 £	Deferred exploration expenditure 2008 £
Cost		
At start of year	**1,188,234**	986,355
Additions	**51,547**	201,879
At 30 September	**1,239,781**	1,188,234
Impairment losses		
At start of year	**(447,627)**	—
Change during year	**(9,104)**	(447,627)
At 30 September	**(456,731)**	(447,627)
Carrying amounts		
At 30 September	**783,050**	740,607
At start of year	**740,607**	986,355

10 Property, plant & equipment

The Company has the use of tangible assets held by Tertiary Minerals plc as part of the management services agreement between the two companies

11 Receivables

	Company 2009 £	Company 2008 £
Other receivables	**7,054**	11,207
Prepayments and accrued income	**15,143**	17,810
	22,197	29,017

12 Cash and cash equivalents

	Company 2009 £	Company 2008 £
Cash at bank and in hand	**227,277**	35,839
Short-term bank deposits	**60,000**	475,000
	287,277	510,839

13 Trade and other payables

	Company 2009 £	Company 2008 £
Amounts owed to Tertiary Minerals plc	**37,183**	19,607
Trade creditors	**5,846**	25,183
Other taxes and social security costs	**—**	4 860
Accruals and deferred income	**23,396**	24,949
	66,425	74,599

14 Share capital

	2009 Number	2009 £	2008 Number	2008 £
Authorised				
Ordinary shares of 0 1p each	**2,000,000,000**	**2,000,000**	2,000 000,000	2,000,000
Redeemable preference shares of £1 each	**30,000**	**30,000**	30 000	30,000
	2,000,030,000	**2,030,000**	2,000,030 000	2,030,000
Allotted, called up and fully paid				
Ordinary shares of 0 1p each	**187,783,377**	**187,783**	184,394 673	184,395
	187,783,377	**187,783**	184,394 673	184,395

Notes to the Financial Statements

continued

14 Share capital — continued

During the year to 30 September 2009 the following share issues took place

An issue of 1,835,114 0 1p ordinary shares at 0 475p per share to the three directors for a total consideration of £8,717 (29 January 2009), in satisfaction of directors' fees

An issue of 100,000 0 1p ordinary shares at 0 425p per share to Nordic Diamonds Ltd for a total consideration of £425 (23 April 2009), in satisfaction of an agreed fee for the acquisition of exploration claims in Finland

An issue of 1,453,590 0 1p ordinary shares at 0 6p per share to the three directors for a total consideration of £8,722 (22 July 2009), in satisfaction of directors' fees

15 Warrants and options granted

Unexercised warrants

Issue date	Exercise price	Number	Exercisable	Expiry dates
06/06/05	2 00p	4,500,000	Any time before expiry	06/06/10
17/12/05	3 00p	200,000	Any time before expiry	17/12/10
08/12/06	2 75p	1,200,000	Any time before expiry	08/12/11
31/10/07	2 00p	1,250 000	Any time before expiry	31/10/13
08/12/08	0 575p	6 000,000	Any time from 08/12/09	08/12/14

Unexercised options

Issue date	Exercise price	Number	Exercisable	Expiry dates
13/12/05	5 00p	5,000,000	Any time before expiry	13/12/10

Warrants and Options are issued for nil consideration and are exercisable as disclosed above They are exchangeable on a one for one basis for each ordinary share of 0 1p at the exercise price on the date of conversion

Share based payments

The Company issues warrants and options on varying terms and conditions

Details of the share warrants and options outstanding during the year are as follows

	2009		2008	
	Number of warrants and share options	**Weighted average exercise price (Pence)**	Number of warrants and share options	Weighted average exercise price (Pence)
Outstanding at start of year	**12,150,000**	**3 33**	28,877,778	3 49
Granted during the year	**6,000,000**	**0 58**	1,300,000	2 00
Forfeited during the year	—	—	(300,000)	2 58
Exercised during the year	—	—	—	—
Expired during the year	—	—	(17 727,778)	3 50
Outstanding at end of year	**18,150,000**	**2 42**	12 150,000	3 33
Exercisable at end of year	**10,900,000**	**3 48**	10,900,000	3 48

15 Warrants and options granted — continued

There were no warrants or options exercised in 2009 or 2008

The warrants and options outstanding at 30 September 2009 had a weighted average exercise price of 2 42p and a weighted average remaining contractual life of 1 4 years

In the year ended 30 September 2009, warrants were granted on 9 December 2008 The aggregate of the estimated fair values of the warrants granted on this date is £13,319 In the year ended 30 September 2008, warrants and options were granted on 31 October 2007 The aggregate of the estimated fair values of the options granted on that date is £10,414

The inputs into the Black-Scholes-Merton Option Pricing Model are as follows

	2009	2008
Weighted average share price	**0 46p**	1 60p
Weighted average exercise price	**0 58p**	2 00p
Expected volatility	**77 5%**	77 5%
Expected life	**4 years**	4 years
Risk-free rate	**3 32%**	4 96%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years The expected life used in the model has been adjusted, based on managements best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

The Company recognised total expenses of £11,774 and £7,884 related to equity-settled share-based payment transactions in 2009 and 2008 respectively and a total receipt of nil in 2009 (2008 £2,001), the 2008 receipt being a reversal of previous charges arising from the forfeiture of warrants

16 Movement in reserves

Company	Share premium account £	Share option reserve £	Accumulated losses £
At 1 October 2007	1,959,723	82,636	(605,347)
Loss for the year	—	—	(634,880)
Premium on allotment	241,364	—	—
Expenses of equity share issues	(11,750)	—	—
Share based payments	—	(42,839)	50 723
At 30 September 2008	2,189,337	39 797	(1,189,504)
Loss for the year	—	—	(227,563)
Premium on allotment	14,475	—	—
Share based payments	—	11 774	—
At 30 September 2009	**2,203,812**	**51,571**	**(1,417,067)**

Notes to the Financial Statements

continued

17 Related party transactions

Directors and directors' interests

The directors holding office in the period and their beneficial interests in the share capital of the Company are

	At 30 September 2009				At 30 September 2008	
	Shares	**Warrants**			Shares	Warrants
	Number	**Number**	**Exercise price**	**Expiry date**	Number	Number
P L Cheetham*	**9,826,062**	**500,000**	**2 000p**	**06/06/10**	8,700,000	1,500,000
		500,000	**2 750p**	**06/12/11**		
		500,000	**2 000p**	**31/10/13**		
		2,000,000	**0 575p**	**08/12/14**		
F P H Johnstone	**2,558,448**	**500,000**	**2 000p**	**06/06/10**	1,435,245	1,000,000
		250,000	**2 750p**	**06/12/11**		
		250,000	**2 000p**	**31/10/13**		
		1,000,000	**0 575p**	**08/12/14**		
N L Herbert	**2,450,128**	**500,000**	**2 000p**	**06/06/10**	1,410,689	1 000,000
		250,000	**2 750p**	**06/12/11**		
		250,000	**2 000p**	**31/10/13**		
		1,000,000	**0 575p**	**08/12/14**		

* Includes 5,500,000 shares held by K E Cheetham, wife of P L Cheetham

Tertiary Minerals plc

Sunrise Diamonds plc is treated as an investment in the consolidated accounts of Tertiary Minerals plc, which held 13 71% of the issued share capital on 30 September 2009 (2008 13 97%)

Tertiary Minerals plc provides management services to Sunrise Diamonds plc and consequently during the year the Company incurred costs of £103,645 recharged from Tertiary Minerals plc being shared overheads of £13,886, costs paid on behalf of the Company of £3 055, staff salary costs of £43,691 and directors' salary costs of £43,013

At the balance sheet date an amount of £37,183 was due to Tertiary Minerals plc, which was repaid in October 2009

Patrick Cheetham, the Chairman of the Company is also a director of Tertiary Minerals plc Donald McAlister, a director of Tertiary Minerals plc, holds 550 000 shares in the Company and David Whitehead, also a director of Tertiary Minerals plc, holds 500,000 shares in the Company at 30 September 2009 and at the date of this report

18 Post balance sheet event

There were no material post balance sheet events up to the date of this report

19 Capital management

The Company's capital requirements are dictated by its project and overhead funding requirements from time to time Capital requirements are reviewed by the Board on a regular basis

19 Capital management — continued

The Company manages its capital to ensure that the Company will be able to continue as a going concern, to increase the value of the assets of the business and to provide an adequate return to shareholders in the future when exploration assets are taken into production

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets In order to maintain or adjust the capital structure the possibilities open to the Company in future include issuing new shares, consolidating shares, returning capital to shareholders, taking on debt, selling assets and adjusting the amount of dividends paid to the shareholders

20 Financial instruments

At 30 September 2009, the Company's financial assets consisted of receivables due within one year and cash at bank At the same date, the Company had no financial liabilities other than trade and other payables due within one year and had no agreed borrowing facilities as at this date There is no material difference between the carrying and fair values of the Company's financial assets and liabilities

The carrying amounts for each category of financial instrument held at 30 September 2009, as defined in IAS 39, are as follows

	Company 2009 £	Company 2008 £
Loans & receivables	**294,331**	523,541
Financial liabilities	**66,425**	69,739

Risk management

The principal risks faced by the Company resulting from financial instruments are liquidity risk, foreign currency risk and, to a lesser extent, interest rate risk and credit risk The directors review and agree policies for managing each of these risks as summarised below The policies have remained unchanged from previous periods as the risks are assessed not to have changed

Liquidity risk

The Company currently holds cash balances in Sterling to provide funding for exploration and evaluation activity The Company is dependant on equity fundraising through private placing which the directors regard as the most cost effective method of fundraising The directors monitor cash flow in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs

Currency risk

The Company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks The Company is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so Fluctuations in the exchange rate are not expected to have a material affect on reported loss or equity

Bank balances were held in the following denominations

	Company 2009 £	Company 2008 £
United Kingdom Sterling	**287,277**	510,839

Notes to the Financial Statements

continued

20 Financial instruments — continued

Surplus funds are placed with NatWest bank on a number of short-term treasury deposits at varying fixed rates of interest

At 30 September 2009, the Company held the following treasury deposits

	£	Maturity date	Gross rate
United Kingdom Sterling	60,000	19 October 2009	0 12%

Interest rate risk

The Company finances operations through equity fundraising and therefore does not carry borrowings

Fluctuating interest rates have the potential to affect the loss and equity of the Company in-so-far as they affect the interest paid on financial instruments held for the benefit of the Company The directors do not consider the effects to be material to the reported loss or equity of the Company presented in the financial statements

Credit risk

The Company has exposure to credit risk through receivables such as VAT refunds, invoices issued to related parties and its joint arrangements for management charges The amounts outstanding from time to time are not material other than for VAT refunds which are considered by the directors to be low risk

The Company has exposure to credit risk in respect of its cash deposits with NatWest bank and this exposure is considered by the directors to be low risk

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of **Sunrise Diamonds plc** will be held in the Fourth Floor Council Room at Arundel House, 13–15 Arundel Street, Temple Place, London, WC2R 3DX on Friday 29 January 2010, at 11 00 a m for the following purposes

Ordinary Business

1 To receive the Accounts and Reports of the Directors and of the Auditors for the year ended 30 September 2009

2 To re-elect Mr P L Cheetham who is retiring by rotation under the Articles of Association as a director of the Company

3 To re-appoint PKF (UK) LLP as Auditors of the Company and to authorise the directors to fix their remuneration

Special Business

Ordinary Resolution

4 That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £200,000 (consisting of 200,000,000 ordinary shares of 0 1p each) provided that this authority shall unless renewed, varied or revoked by the Company expire at the end of the next Annual General Meeting of the Company to be held after the date on which this resolution is passed, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act

Special Resolutions

5 That, subject to the passing of resolution 4, the Directors be given the general power to allot equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by resolution 4 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to

a) the allotment of equity securities in connection with an offer by way of a rights issue to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, and

b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £100,000 (consisting of 100,000,000 ordinary shares of 0 1p each)

The power granted by this resolution will expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

Notice of Annual General Meeting

continued

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities

6 That the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association, and

That the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association

By order of the Board

Registered Office
Sunrise House
Hulley Road
Macclesfield
Cheshire
SK10 2LP

C D T Fitch
Secretary
7 December 2009

Sunrise Diamonds plc

Form of Proxy

I/We (Block capitals please)

being a member/members of **Sunrise Diamonds plc** hereby appoint the Chairman of the Meeting (see note 3) or the proxy named below as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday 29 January 2010 in the Fourth Floor Council Room at Arundel House, 13–15 Arundel Street, Temple Place, London, WC2R 3DX at 11 00 a m and at any adjournment thereof

I/we wish this proxy to be used in connection with those of the Resolutions to be proposed at the Annual General Meeting which are listed below, in the manner set out below, and in connection with any other ordinary business transacted at the meeting

Name of proxy	**Number of shares appointed over**	**I wish to appoint Multiple proxies (see note 4) Please tick**

Signed or sealed (see notes)

Dated

Please indicate with an "X in the spaces below how you wish the proxy to vote Unless otherwise instructed the proxy will at his discretion vote as he thinks fit or abstain from voting in relation to all business of the meeting

Ordinary Business	**For**	**Against**	**Vote Withheld**
1 Ordinary Resolution to receive the Accounts and Reports of the Directors and of the Auditors for the year ended 30 September 2009			
2 Ordinary Resolution to re-elect Mr P L Cheetham who is retiring by rotation under the Articles of Association as a director of the Company			
3 Ordinary Resolution to re-appoint PKF (UK) LLP as Auditors of the Company and authorise the directors to fix their remuneration			
Special Business			
4 Ordinary Resolution to authorise the directors to allot shares			
5 Special Resolution to empower the directors to disapply the pre-emption rights for certain allotments of shares			
6 Special Resolution to approve and adopt the new Articles of Association of the Company			

Second fold

Affix
stamp
here

PXS
Proxy Department
34 Beckenham Road
Beckenham
BR3 4TU

First fold

Third fold
and tuck in flap opposite

Proxy Form Notes & Instructions

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company You can only appoint a proxy using the procedures set out in these notes

2 Appointment of a proxy does not preclude you from attending the meeting and voting in person If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated

3 A proxy does not need to be a member of the Company but must attend the meeting to represent you To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the relevant box on the Proxy Form If you sign and return the Proxy Form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy Where you appoint as the proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares You may not appoint more than one proxy to exercise rights attached to any one share To appoint more than one proxy you may photocopy the Proxy Form Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy, which in aggregate should not exceed the number of shares held by you Please also tick the box to indicate that there are multiple proxies All forms must be signed and should be returned as set out in note 6

5 To direct your proxy how to vote on the resolutions mark the appropriate box on the Proxy Form with an 'X' To abstain from voting on a resolution, select the relevant "Vote Withheld" box A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting

6 To appoint a proxy the Proxy Form must be
- completed and signed,
- sent or delivered to Capita Registrars Limited, 34 Beckenham Road, Beckenham BR3 4TU, and received by Capita Registrars no later than 11 00 a m on Wednesday 27 January 2010

7 In the case of a member which is a company, the Proxy Form or any notice of revocation of a proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company

8 Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form

9 In the case of joint holders, where more than one of the joint holders purports to appoint or revoke a proxy, only the appointment submitted by the most senior holder will be accepted Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior)

10 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence

11 If you wish to change your proxy instructions simply submit a new proxy appointment according to these instructions If you need another hard-copy proxy form please contact the Company The last date for receipt of a new proxy instruction is set out in note 6 above

12 To revoke a proxy instruction you will need to send notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, 34 Beckenham Road, Beckenham BR3 4TU

13 Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6 00 p m on Wednesday 27 January 2010 Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting

Explanatory Notes to the Notice of Annual General Meeting

The Annual General Meeting of Sunrise Diamonds plc will be held on Friday 29 January 2010 in the Fourth Floor Council Room at Arundel House, 13–15 Arundel Street, Temple Place, London, WC2R 3DX, at 11 00 a m The business of the meeting is as follows

Ordinary Business

Resolution 1

The Board is required to present to the meeting for approval the accounts and the Report of Directors and the Auditors for the year ended 30 September 2009 which can be found on pages 9 to 28 of this document

Resolution 2

The Company's Articles of Association require that at least one-third of directors retire annually and offer themselves for re-election if they and the Board so wish Biographical details of the directors can be found on page 1 of this document

This year Mr Patrick Cheetham is retiring by rotation and the Board proposes that he be re-elected

Resolution 3

The Company's auditor PKF (UK) LLP is offering itself for re-appointment and if elected will hold office until the conclusion of the next annual general meeting at which accounts are laid before shareholders This resolution will also allow the directors to fix the remuneration of the auditor

Special Business

Resolution 4

This resolution is to give the directors authority to issue shares The last such authority was put in place by a meeting of shareholders held on 4 March 2005 but it will expire at the coming Annual General Meeting

Section 551 of the Companies Act 2006 requires that directors be authorised by shareholders before any of the unissued share capital can be issued

At this stage in its development the Company relies on raising funds through the issue of shares from the equity markets from time to time and unless this resolution is put in place the Company will not be in a position to continue to raise funds to continue its activities

If given, this authority will expire at the conclusion of the Annual General Meeting in 2011

Resolution 5

This resolution will be proposed as a Special Resolution in the event that Resolution 4 is passed by shareholders Resolution 5 is proposed to give the directors authority to issue shares other than by way of rights issues which are, for regulatory reasons, complex, expensive, time consuming and impractical for a company the size of Sunrise Diamonds plc

A similar authority granted at last year's Annual General Meeting is due to expire at the coming Annual General Meeting

The resolution will, if passed, authorise directors to allot shares or grant rights over shares of the Company where they propose to do so for cash and otherwise than to existing shareholders pro-rata to their holdings — for example through a placement of shares and/or in connection with issue of warrants to employees

If given, this authority will expire at the conclusion of the Annual General Meeting in 2011

Resolution 6

It is proposed in Resolution 6 to adopt new Articles of Association (the "New Articles") in order to update and replace the existing Articles of Association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006, the final part of which came into force on 1 October 2009

The principal changes introduced in the New Articles are summarised in these Explanatory Notes Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in these Explanatory Notes

A copy of the Company's proposed New Articles of Association will be available free of charge by written request to the Company's registered office up until the date of the AGM They will also be available for inspection on the Company's website at the following URL http //www sunrisediamonds com/aimrule html

6(a) The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association The Company's memorandum contains, among other things the objects clause which sets out the scope of the activities the Company is authorised to undertake This is drafted to give a wide scope

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum of association The Companies Act 2006 provides that a memorandum will record only the names of the original subscribers and the number of shares each subscriber has agreed to take in the company Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum for existing companies at 1 October 2009, will be deemed to be contained in a companys articles of association unless the company passes a special resolution to the contrary

Further, the Companies Act 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted This abolishes the need for companies to have objects clauses The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association as of 1 October 2009 to allow it to have the widest possible scope for its activities Resolution 6 confirms the removal of these provisions for the Company As the effect of this resolution will be to remove the statement currently in the Companys memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders

6(b) Change of name

Currently, a company can only change its name by special resolution Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name

6(c) Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital The New Articles do not provide for an authorised share capital and so a consequence of resolution 6 would be the removal of this limitation from the Company's constitution Directors will still be limited as to the number of shares they can at any time allot because an allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes Resolutions 4 and 5 set out the limits that the members are being asked to approve in respect of allotment and issue of new shares at this years annual general meeting

Explanatory Notes to the Notice of Annual General Meeting

continued

6(d) Redeemable shares

Under the old law, if a company wished to issue redeemable shares, it needed to include in its articles the terms and manner of redemption The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles The New Articles contain such an authorisation The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way

6(e) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Until 1 October 2009 a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action The Current Articles include these enabling provisions Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions Accordingly the relevant enabling provisions have not been included in the New Articles

6(f) Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting The New Articles provide that the directors may exercise this power

6(g) Use of seals

Under the old law a company required authority in its articles to have an official seal for use abroad Such authority is no longer required Accordingly, the relevant authorisation has not been included in the New Articles

For consistency with the Companies Act 2006 regarding changes to the execution of documents by companies, the New Articles provide an alternative option for affixing a seal Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve

6(h) Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers Under the Companies Act 2006 share transfers must be registered as soon as practicable The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement Accordingly, this power has not been included in the New Articles

6(i) Borrowing powers

The Current Articles contain restrictions on the directors borrowing powers, and the New Articles remove these restrictions in order that the Company and the Directors have greater flexibility

6(j) General

Generally, the opportunity has been taken to update some of the language and drafting in the New Articles with the intention of making the drafting of some of the existing provisions more clear

Company Information

Sunrise Diamonds plc (AIM/Plus Markets — code SDS)

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