

THABEX

Exploration Limited

annual report 2006



young lions exploring africa



PROFILE

Thabex has a diversified portfolio of mineral exploration projects in South Africa, Southern and East Africa, focusing its exploration and mining activities on:

- *alluvial and kimberlite deposits*
- *diamonds of exceptional quality and size*
- *near surface diamondiferous deposits amenable to low cost mining.*

Thabex also explores for coal, gold, platinum and base minerals.

MISSION

Explore, search and turn to account mineral projects in South Africa and Southern Africa in an environmentally friendly manner, using professional teams, to benefit shareholders, employees and the people of the region.

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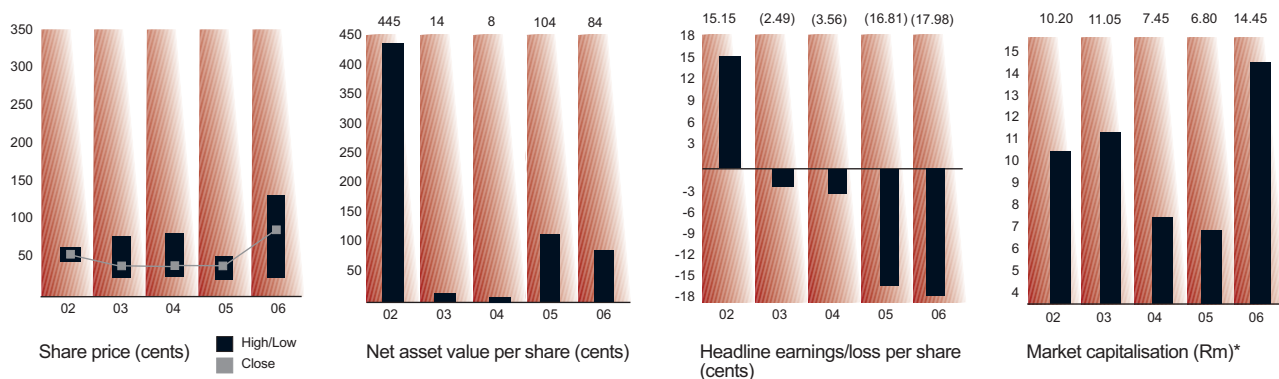
Cover:

1. Drill rig at Salt River Base Mineral project
2. Rough diamonds - related party Southern Mineral Brokers (Pty) Ltd
3. Core from diamond drillhole TBX5 at Salt River
4. Kimberlite at the kimberlite pipe



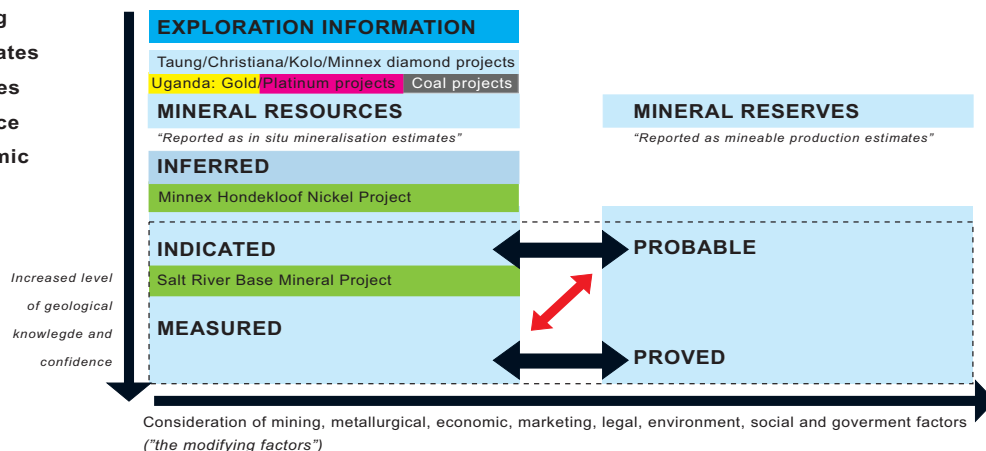
SALIENT FEATURES

	Company		Group	
	2006	2005	2006	2005
Number of shares at year-end	17 006 887	17 006 887	17 006 887	17 006 887
Net asset value per share (cents)	84.10	104.10	82.35	104.10
Net tangible asset value per share (cents)	84.10	104.10	82.35	104.10
Basic loss per share (cents)	(20.01)	96.24	(20.34)	96.24
Diluted loss per share (cents)	(20.01)	96.24	(20.34)	96.24
Headline loss per share (cents)	(11.28)	(16.79)	(17.98)	(16.81)
Dividends per share (cents)	-	-	-	-



* Figures for the respective year-ends as published in the JSE Ltd's Monthly Bulletin

Framework for classifying tonnage and grade estimates reflecting different degrees of geoscientific confidence and technical and economic evaluation as defined by the SAMREC Code





SUMMARY OF MINERAL RESERVES AND MINERAL RESOURCES

Holding Company	Attributable to				Mineral type	Permit no	Area Ha	Boreholes		Mineral resources ⁽¹⁾						
										Inferred		Indicated		Measured		Valuation
	Thabex	Minnex	Taung	Area of Interest				Percussion	Diamond	Millions Tonnes	Grade	Million Tonnes	Grade	Million Tonnes	Grade	
Angel Diamonds (Pty) Ltd	80%			Lesotho	Kimberlite diamonds	02/2006	5 300									-
Taung Diamond Mines Ltd	50%			Vaal River	Alluvial diamonds	New Order Permit										0.50
Cinprop 0002 (Pty) Ltd			10%	Harts River	Alluvial diamonds	New Order Permit	1 700									-
Diamex JV (Pty) Ltd	100%			Vaal & Harts Rivers	Mining company	-										-
Minnex Exploration Ltd		36%		Namibia	Kimberlite diamonds	EPL's 3082 & 3083	160 000									-
Middelwater portion 1		84%		Prieska	Alluvial diamonds	New Order Permit Application		18								-
Middelwater Remainin Extent		84%		Prieska	Alluvial diamonds	New Order Permit Application										-
Diamond Concession 4a		5%		West coast	See diamonds	Royaty agreement										-
Hondekloof		7%		Van Rynsdorp	Nickel, cobalt	02/2005			28	2			0,71% Ni			-
Matjesfontein		7%		Van Rynsdorp	Nickel, cobalt	Application Accepted										-
Oup Annex		7%		Kenhardt	Nickel, cobalt	Application Accepted										-
Oup		3,5%		Kenhardt	Nickel, cobalt	Application Accepted			17							-
Soutputs		3,5%		Kenhardt	Zinc, copper, lead	Application Accepted	4 800	5	2							-
Karlsruhe		3,5%		Kenhardt	Zinc, copper, lead	Application Accepted	3 600									-
Pilanesberg Gold Holdings (Pty) Ltd	100%			Uganda	Alluvial Gold Joint Venture	EPL's										-
Protero (Pty) Ltd	30%			Kenhardt	Copper, silver, gold	Application Accepted	1 276		33							-
Thaba Egoli Mining & Exploration Ltd Salt River Base Mineral Project ⁽²⁾	100%			Kenhardt	Zinc, copper, lead, silver, gold	PP17/2003 New Order Permit Application	3 041	18	54		42	1,47% Zn 0,65% Cu 0,28% Pb 12,27 g/t Ag 0,18 g/t Au			2 210	
Graafwater 98 & Soutputs North	100%			Kenhardt	Zinc, copper, lead, silver, gold	Application Accepted	3 828 & 1 518	5	5							-
Abarawaki Investments (Pty) Ltd	40%			Middelburg	Coal	Application Accepted	276									-
Total																2 210.50

(1) Thabex's mineral reserves and mineral resources are carried at valuation less impairment (See Note 2 on page 28 of this report).

(2) The Indicated Mineral Resources of the Salt River Base Mineral Project have been determined by a CPR dated 14 July 2006. The CPR is available for inspection at the Company's registered office until the annual general meeting (see page 45).



CHAIRMAN'S REVIEW

DEAR SHAREHOLDER

Your company had an excellent year as the results from the Salt River Base Mineral Project have been significant in terms of the exploration success. Following the advice of Consulting Geologists to Thabex, Messrs NG Norman and DM le Roux, the company has been able to re-interpret the geology and structural setting of the Salt River poly-metallic base mineral deposit, held by Thaba Egoli Mining & Exploration Ltd ("Thaba Egoli"). Thaba Egoli has drilled 21 diamond core boreholes (2 248m) to verify and increase the geological certainty of the Mineral Resource of the deposit.

Thabex acquired a 60% interest in Angel Diamonds (Pty) Ltd, ("Angel") and with the assistance of the vendors, Messrs JC Engelbrecht (10%) and P Mosebo (10%) successfully applied for a Prospecting Licence over the Kolo cluster of kimberlite pipes and fissures in Lesotho. The company also acquired a further 20% in Angel to hold in the event a Mining Licence is applied for and the Lesotho Government elects to participate in the mining operation.

Diamex JV (Pty) Ltd ("Diamex") also successfully negotiated the acquisition of a 100% direct interest in Minnex Exploration Ltd ("Minnex"), an exploration company with several exploration projects in South Africa and Namibia. The rationale for this acquisition was firstly, the expertise available in Minnex and secondly, the potential of the Minnex projects together with the synergies of these projects for Thabex.

In this regard the agreement between Namdeb Corporation (Pty) Ltd in Namibia and Minnex Exploration (Pty) Ltd in Namibia, gives Thabex an indirect interest in the "blue-sky" potential of two Exclusive Prospecting Licence areas in Northern Namibia.

After Cinprop 0002 (Pty) Ltd, 10% held by Thabex's Black Economic Empowerment ("BEE") partner Taung Diamond Mines Ltd ("Taung Diamonds"), was granted a New Prospecting Right, Taung Diamonds commenced exploration activities in the Taung district on the Harts River.

Diamex was not successful in raising R10 million for a new diamond listing on the JSE. Thabex will continue to fund the Minnex projects as per the agreement, dated 23 October 2005. Following the market reaction to the proposed new listing of Diamex, it is clear that the South African market is not conducive for exploration listings. Specifically if such a listing is for a small Junior Mining company with a market capitalisation of less than R500 million.

Thabex firmly believes that new mining legislation created a number of opportunities for Junior Mining companies. However, the country has missed the greatest mining boom of all time as "big" remains "beautiful" and risk is only to be taken on large market capitalisation mining companies. The resulting effect is a market with no "depth" of new exploration projects and a continuous

conglomeration to be bigger. Bigger for efficiency, but not for creating new employment opportunities.

There is certainly no rush of new exploration companies to list on the JSE, or for that matter the ALTx. One of the main reasons for the apparent disinterested market is that, even though the JSE has listed on its own bourse, the JSE has no mining department. The total market capitalisation of companies listed in the JSE is about R4.5 trillion with about 50% attributed to mainly off-shore mining listed companies, it opted to regulate its new mining listings and on going obligations for mining and exploration companies solely by the mining industry, through the SAMREC Readers, many of whom are related to these mining companies and other mining consulting firms. The resulting process is therefore very time consuming and apparently not an independent review of new mining and exploration projects.

Your board believes that South Africa has several large "elephant"-mining deposits "lingering around" to be discovered and Thabex will continue to investigate opportunities within its means, both inside the country and in Africa.

For this reason your board has appointed Lower Quartile Solutions (Pty) Ltd, a mining engineering consultancy, to conduct a pre-feasibility on the Salt River Base Mineral Project in order to produce a Competent Persons Report ("CPR") for the company, which CPR will be utilised to access the diverse capital markets of the Alternative Investment Market ("AIM") in London. The AIM has proved to be very successful for Junior Mining companies seeking investment to develop mining projects. Subject to all regulatory requirements being complied with, Thabex plans to apply for a secondary listing on the AIM to raise sufficient funds to complete a bankable feasibility on the Salt River Base Mineral Project.

Your company's management maintains an open door policy and any shareholder or potential shareholders are welcome to visit our new offices (see inside back cover- IBC - and www.thabex.com) to discuss present and future developments.

JR Rapoo
Chairman
25 August 2006



THABEX EXPLORATION LIMITED ANNUAL REPORT FOR THE YEAR ENDED 28 February 2006

Abridged CV's of Thabex directors



Jeffrey Rapoo (9 years on the board of Thabex)(Non-executive Chairman) (BCom (Accounting), Hons B Compt) is at present the Executive - Finance at North West Transport Investments (Pty) Ltd and formerly acting managing director at the Mpumalanga Development Corporation of the Mpumalanga Province and is also a director of Saminco Ltd. Mr Rapoo has considerable experience in the field of project development and financial administration. During July 2003 he was appointed to the board of Royal Bafokeng Resources Ltd as a non-executive director.



Marius Welthagen (13 years on the board of Thabex)(Chief Executive) has 25 years of mining experience. Mr Welthagen is a qualified mining engineer and specialised in mineral economics (MEng (Mining), MPhil Mineral Economics, BCom Hons (Economics)). He was employed at Kloof Gold Mine, Greenside Coal Mine in the Gold Fields Group as Mining Engineer, at the Minerals Bureau of South Africa as mineral economist and as a gold and platinum analyst for a leading stockbroker on the JSE. He is also chairman of Saminco Limited, a mining investment company. He was a founder member of SA Chrome and Alloys Ltd (formerly SouthWits Ltd) and Samroc Ltd (Formerly MangaChem Ltd).



Leopold Bosch (6 years on the board of Thabex)(Non-executive Director) studied at the Potchefstroom University where he obtained his MSc Geology (cum laude) during 1963 with a thesis on kimberlite occurrences in the Barkly West district of the Northern Cape province. After spending some years as field geologist and mineralogist, he was appointed as geologist with the Industrial Development Corporation of South Africa Limited in 1968, and was involved in numerous geological investigations and projects. He was also responsible for the establishment of IDC's computer facilities and information systems, and retired in 1995 as deputy General Manager. He has consulted to Thabex since October 1997 and joined the Board in March 1999. On 1 October 2003 he was appointed Executive Manager of the Geological Society of South Africa.



David Reid (7 years on the board of Thabex)(Non-executive Director) has been with the University of Cape Town since 1972 and is currently an Associate Professor in the department of geological sciences. He has been a member of the Geological Society of South Africa since 1973 and has twice been awarded their Jubilee Medal in recognition for published research in South African geology and geochemistry. David Reid has published, lectured and consulted widely on topics related to economic geology and geochemistry, with particular emphasis on mineralisation in Namaqualand, Bushmanland, Namibia and the Bushveld Complex.



Anton Roux (9 years on board of Thabex)(Non-executive Director) is a deciduous fruit producer on the family farm, La Colline, in the Franschhoek Valley in the Western Cape Province and is a director of Saminco. He has been associated with the group since 1981 as director of SA Mineral Investments (Pty) Ltd. He is a graduate of the University of Stellenbosch holding a B Agric degree.



GROUP STRUCTURE

	Angel Diamonds (Pty) Ltd	80%
	Diamex JV (Pty) Ltd	100%
	Pilanesberg Gold Holdings (Pty) Ltd	100%
	Taung Diamond Mines Ltd	50%
	Thaba Egoli Mining and Exploration Ltd	100%
	Abarawaki Investments (Pty) Ltd	40%
	Tradeport 121 (Pty) Ltd	100%

EXPLORATION PORTFOLIO

DIAMONDS	Angel Diamonds - Diamond Projects (Lesotho)
	Taung Diamonds - Diamond Projects
GOLD	Pilanesberg - Gold Projects
PLATINUM	Uganda - Platinum Projects
BASE MINERALS	Salt River Base Mineral Project - Zinc-Copper-Lead-Silver-Gold
	Uganda - Gold-Copper-Lead-Zinc
COAL	Abarawaki - Coal Projects



LOCATION OF EXPLORATION PROJECTS IN SOUTHERN AFRICA



- Sea diamond deposits
- Alluvial diamond deposits
- Kimberlite pipe
- Kimberlite fissure
- Thabex exploration projects
- Minnex exploration projects
- Protero exploration projects



REVIEW OF EXPLORATION PROJECTS

The following projects are being explored, investigated and evaluated

1. Angel Diamonds (Pty) Ltd ("Angel")

On 15 June 2006 the Minister of Mineral Affairs in Lesotho issued Angel with a Prospecting Licence No 002 for two years, extendable for another year, over an area of 5,53 km² in the district of Mafeteng. A cluster of diamondiferous kimberlite pipes and fissures occur in the area, including the Kolo kimberlite pipe.

The Kolo kimberlite pipe is situated some 38km south-west of Maseru in the Mafeteng district. The pipe is a positive topographic feature at the foot of the Kolo Mountain. After conducting aeromagnetic, ground magnetic and resistivity surveys commencing during 1975, the United Nations Development Programme: Exploration for Diamonds project mapped the 1.1ha Kolo pipe and made 32 pits inside the circular boundary of the pipe. Two distinct types or kimberlites were identified in the pipe. The "A" type kimberlite on average contained the better average quality diamonds than the "B" type kimberlite. A total of 623 tonnes of kimberlite from the pits was treated, producing 50.77 carats at an indicated grade of 14.1c/tp for the "A" type kimberlite and 3.42c/tp for the "B" type kimberlite.

Angel has commenced a two phased prospecting programme on the area:

Phase I: Geology of the whole area, petrology and geochemistry of the kimberlite and diamond core drilling of the main Kolo pipe.

Phase II: In terms of Angel's EMP, a sampling programme of about 32 000 tonnes, of already available blasted kimberlite from the main Kolo pipe, will be processed.

The main aim of the sampling programme is to recover a minimum parcel of about 5 000 ct of diamonds in order to assess the economic viability of the Kolo kimberlite pipe and whether Angel should apply for a mining lease over the area. To achieve this aim Thabex has placed an order for a 20tph DMS plant for the Kolo Kimberlite diamond project. Phase2 is expected to commence early during January 2007.

2. Diamex JV (Pty) Ltd ("Diamex")

On 23 October 2005 Diamex entered into an agreement to acquire the entire issued share capital of Minnex for R380 000 and an undertaking to fund Minnex's exploration projects to the amount of R2m by way of a loan account from Thabex. Thabex also undertook to assist Diamex to obtain a listing of the company on the JSE. However, Thabex and Diamex have been unsuccessful in attracting the necessary interest to raise R10m for Diamex in the local market.

3. Minnex Exploration Ltd ("Minnex")

Minnex diamond mineral assets include the following:

- 3.1 A 36% interest in the Nidoyona Kimberlite project in Namibia. Minnex Exploration Namibia (Pty) Ltd, 80% held by Minnex, entered into an agreement with the Namdeb Corporation (Pty) Ltd to conduct a prospecting programme over the EPL's in northern Namibia.
- 3.2 An 84% interest in Middelwater portion R/E near Prieska.
- 3.3 An 84% interest in Middelwater portion I near Prieska.
- 3.4 A 5% royalty on operation conducted by Geogem on Alexkor 4A concession.

Minnex base metal mineral assets in the Northern Cape Province include the following:

- 3.5 A 7% interest in the Hondelokloof nickel project.
- 3.6 A 7% interest in Matjeskloof nickel project.
- 3.7 A 7% interest in Oup Annex nickel project
- 3.8 A 3.5% interest in Oup nickel project.
- 3.9 A 3.5% interest in Soutputs copper project.
- 3.10 A 3.5% interest in Karlsruhe zinc project.

The directors of Minnex have commissioned Camden Geoserve cc to compile a CPR for all of its projects: Nidoyona, Middelwater, Alexkor 4'a' and Base Metal projects. The standard CPR is in line with reporting requirements of the internationally accepted SAMREC Code and Section 12 of the JSE listing requirements.

4. Pilanesberg Gold Holdings (Pty) Ltd ("Pilanesberg")

Pilanesberg has been assisting Ugandan based Devex Exploration Ltd ("Devex") to plan and execute exploration over several alluvial gold areas held by Devex under EPL's in that country. Devex is also engaged in diamond and platinum exploration in Uganda.

5. Protero (Pty) Ltd ("Protero")

Thabex entered into an agreement on 30 March 2006 to acquire up to 30% of Protero for R375 000, this agreement is subject to a shareholders agreement being signed. Protero's applications over five potential areas for base mineral exploration were accepted by the DME. Protero has, inter alia, applied for a prospecting right over the Putsberg copper deposit.

6. Taung Diamond Mines Ltd ("Taung Diamonds")

Cinprop 0002 (Pty) Ltd, 10% held by Taung Diamonds, was successful in being granted a Prospecting Right over an area of approximately 1700ha in the Taung district of the Northwest Province. Exploration drilling to determine the thickness and tonnage of gravels have commence during August 2006.

7. Thaba Egoli Mining & Exploration Ltd ("Thaba Egoli")

7.1 Exploration programme

Exploration mainly comprised geological interpretations and diamond core drilling.

7.1.1 Mapping, test pitting and geophysics

Geological mapping from previous operators was updated. Pitting from the previous field work were located but yielded no new information. Previous geophysics was re-interpreted.

7.1.2 Confirmation and resource drilling

Field work

Diamond core drilling techniques were used at the Salt River Base Mineral Project, drilling commenced during August 2005 and the third phase of drilling is due to be completed by the end of September 2006. The drilling was outsourced and a secure facility for core handling was established on site. An additional secure facility for the mineralised core sections was Pofadder.



REVIEW OF EXPLORATION PROJECTS (continued)

METALLOGENY OF NAMAQUALAND AND BUSHMANLAND



During the period 1976 to 1993, 13 074m core drillholes were drilled by Phelps Dodge, Union Corporation, Gencor and Gold Fields. Thaba Egoli drilled a total of 2 998m of core drilling.

Each diamond core drillhole was collared with a TNW (60.81mm internal diameter) casing to a depth of 35m, BQ (36.4mm internal diameter) rod size up the mineralised zone. A TBW (44 mm internal diameter) rod size was used for drilling the mineralised zone(s) ensuring almost 100% core recovery.

Due to the competence of the host rock and the experience of the drilling company minimal core loss occurred and no mineralised intersection had to be redrilled. To ensure the integrity of the drilling results, Thaba Egoli has twinned borehole A9 and drilled TBX5, 100m west of A 17. These two closely drilled bore holes yielded almost identical results as previously determined by Phelps Dodge and Gencor during the period 1976 to 1988.

Logging of the core was outsourced to Consulting Geologist, DM le Roux (SACNSP No 400036/95), who is experienced in this type of mineralisation. He was the field geologist with Phelps Dodge when the initial exploration programme commenced during 1976. During drilling a wooden marker was inserted each 1m drilling run, recording the depth and core loss or gain calculated. Marks were also made on the core of progressive depth metres and core gain or loss recorded.

Zero grade material was inserted in each batch of samples to the laboratory at a frequency of 1 insertion in 20 samples. Reference material of a known grade was inserted at same frequency as appropriate quality control to ensure that the samples were representative. No deflections were drilled as the twinned borehole indicated the same values as previous intersections. As a control a duplicate sample, randomly chosen, from the laboratory was inserted in each batch.

The quality and accuracy of the surveys used to locate drillholes were considered acceptable for Mineral Resource estimation by the appointed Competent Person. The hand written geological, structural and sampling logs were audited and comparisons made against the original core. The computerised database was considered acceptable.

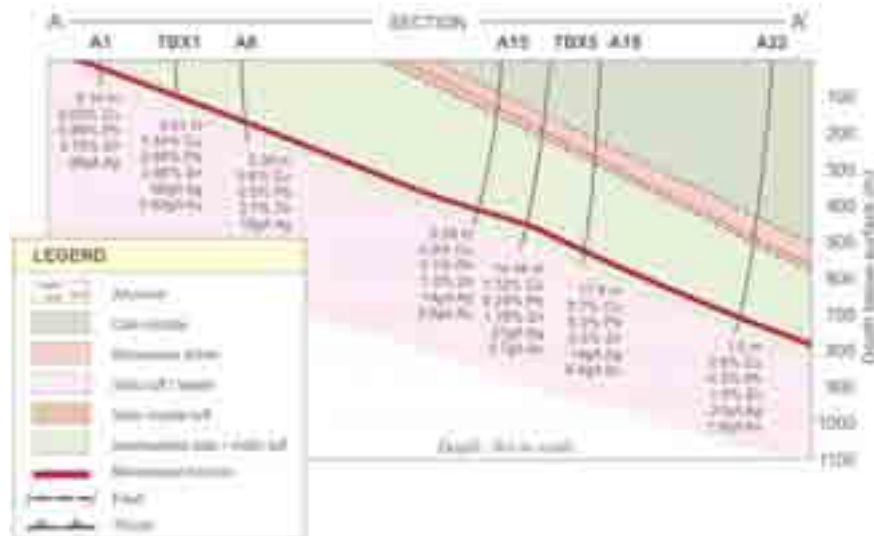
Assay database and quality control

Core samples were submitted to Setpoint Holdings Ltd for geochemical analysis and analysed for Zn, Pb, Cu, Ag and Au. Some batches were also sampled for Cd. All assays were done by X-ray fluorescence. Where sampling results indicated values of Zn, Pb, and Cu over 1 000ppm a fusion analysis was performed on each sample. The specific gravity of each sample was determined by a volumetric method before submitting the samples for analysis. A random selection of pressed pellets from the Setpoint laboratory have been sent for check assay analysis to the SGS laboratory.



REVIEW OF EXPLORATION PROJECTS (continued)

GEOLOGY OF THE CENTRAL PART OF THE SALT RIVER PROJECT (SCHEMATIC)



The assay data appears to be well within industry and project norms. Considering the quality control of the sampling data the geochemical values used are conservative. The specific gravity measurements were within 1% precision limit.

Drilling locations

Thaba Egoli drilled a total of 23 successful cored boreholes with another 3 drillholes to be completed. The main aim of the drilling program was to establish a measured resource about 3Mt of Measured Mineral Resource.

Structural interpretation

The recent drilling, coupled with ongoing advances in the modelling of similar base metal deposits elsewhere, has enabled project geologists to substantially improve the understanding of the sulphide mineralisation at Salt River. It appears that there are three distinct "stacked" layered zones dipping approximately 25 degrees to the northeast and carrying base metal sulphides that vary in concentration from massive to disseminated. The zones were named Upper, Middle and Lower zones. The sulphides resulted from the release of base- and precious metal-enriched brines onto the sea floor, probably from more than one fumarolic vent, and occurring at the same time as sedimentation that was mostly related to nearby volcanic activity. The whole package has been metamorphosed and tectonised, though compared to deposits farther west (Aggeneys and Gamsberg) the tectonism appears considerably less complex. This aspect of the Salt River geology constitutes a significant advantage in mine planning and management.

Geological Modelling

A geological model was built by importing the drillhole file into Datamine/Guide™ and the assays and lithological tagging, if available, were switched on. The zone definition, as defined by the project geologist, was also switched on. Strings were then clicked at the tops and bottoms of each drillhole depicting the top and bottom of each mineralized zone. These zones were dipping at 25 degrees northeast and striking at approximately 120 degrees. The higher elevation portion of the zones were truncated by topography.



REVIEW OF EXPLORATION PROJECTS (continued)

Mineral Resources

As a result of the increased certainty about the Mineral Resources obtained through the additional drilling, Thabex announced on 26 July 2006 that the Inferred (3,95Mt) and Indicated Mineral Resources (24.16Mt) for the Salt River Base Mineral Project has been revised to an Indicated Mineral Resource of 42,5Mt.

The CPR submitted by Lower Quartile Solutions on 14 July 2006 and compiled by DS Ferreira, uses a Zn cut-off grade of 0,0%, and gives an in situ grade of 1,47% Zn, 0,65% Cu, and 0,28% Pb, 12,27g/t Ag and 0,18g/t Au. Using 4 April 2006 metal prices (copper US\$5 260/t; lead US\$1 229/t; zinc US\$2 541/t; gold US\$585/oz and silver US\$10.92/oz) the in situ value of the indicated resource is US\$92.50/t or US\$3 931 million (R23 588 million at R6.00/US\$ on 4 April 2006).

Following the same methodology (NPV of the estimated future cash flows at a 15% discount rate) used in an evaluation published earlier this year at the JSE for a similar base metal resource in South Africa the total value attributable to the Salt River project is US\$359 million (R2 154 million at R6.00/US\$ on 4 April 2006).

Mr Ferreira, a senior geostatistician with over 15 years experience in mineral project evaluation and valuation throughout South America and Africa, is a member of the SACNASP (No 400048/03) and qualifies as an "Expert", "Competent Person" and "Qualified Person" as defined in National Instrument 43-101, the SAMREC Code and the JORC Code.

Together with the recently acquired results of 18 percussion boreholes drilled between 1976 and 1988, the most recent drilling is expected to further enhance the total mineral resources of the Salt River Base Mineral Project.

7.2 Mineralogical work

Following the recommendations of a mineralogical study, microscope studies on core samples by Dr Johan Kruger of Moruo Mineralogical Services have shown that the ore sulphides have been recrystallised during metamorphism to a coarse grain size, with conspicuous separation of the barren pyrite from the ore sulphides, namely chalcopyrite, sphalerite and galena. The much greater hardness of pyrite compared with the ore sulphides, combined with this separation, will in all probability enable significant pre-concentration of the Cu, Zn and Pb sulphides to be made during ore-processing. This would significantly lower metallurgical costs, impacting positively on the viability of the resource.

7.3 Metallurgical work

An initial metallurgical bench scale flotation test conducted by independent metallurgical laboratory, General Metallurgical Research and Services (Pty) Ltd, indicated that the base minerals are easily concentrated by conventional flotation.

7.4 Pre-feasibility

LQS has been contracted to perform a pre-feasibility on the Salt River project and to determine the additional funding requirement for compiling a bankable feasibility study.

8. Abarawaki Investments (Pty) Ltd ("Abarawaki")

This company applied for five prospecting rights in the Middelburg district of the Mpumalanga Province.

9. Tradepost 121 (Pty) Ltd ("Tradepost")

After the SA Diamond Board of SA declined to issue Tradepost with a rough diamond dealers licence, Thabex acquired 100% of Tradepost. Previously Tradepost was 50% held by BEE associate, Taung Diamonds, and 50% by Mr AB Takang a director of Tradepost. Although dormant at present, Thabex plans to utilise this company to drive its diamonds and mineral sales from the ABSA International Trade Bureau opposite the Internatinal Arrivals and Departures at the newly renamed OR Tambo International Airport.

Salt River Base Mineral project mineralised zones (intersection widths)

Borehole Number	Mineralised Zone	Depth m	Width m	Cu %	Pb %	Zn %	Ag g/t	Au g/t
TBX01	Lower	86.33	3.41	1.34	0.65	2.66	50	0.42
TBX02	Lower	10.50	3.50	Oxidised zone				
TBX03	Upper	64.71	1.02	0.06	0.21	0.66	11	0.08
	Lower	80.23	1.45	0.81	0.18	1.13	20	0.19
TBX04	Upper	192.42	1.41	0.28	0.00	0.02	6	0.20
	Lower	203.85	0.58	0.14	0.12	1.11	15	0.11
TBX05	Upper	529.15	3.22	1.11	0.55	3.35	34	0.43
	Lower	203.85	4.01	4.05	0.28	2.72	37	1.65
TBX06	Upper	108.02	2.12	0.51	0.06	0.39	<5	0.19
	Middle	114.58	2.82	0.37	0.35	1.99	19	0.17
	Lower	124.81	0.35	0.51	0.65	1.50	<5	0.11
TBX07	Upper	71.74	2.39	0.75	0.26	4.41	<5	0.23
	Lower	87.88	0.39	1.44	0.05	1.89	25	0.16
	Lower	89.87	0.81	0.56	0.82	2.17	38	0.23
TBX08	Lower	116.83	0.90	0.97	1.68	8.68	54	0.21
TBX09	Lower	22.90	5.31	0.79	0.37	0.27	29	0.30
TBX10	Upper	44.97	0.90	0.12	0.64	2.91	24	0.17
	Middle	48.90	0.55	0.41	0.06	1.50	5	0.08
	Lower	70.79	0.48	0.35	1.41	5.74	28	0.08
TBX11	Upper	88.34	2.79	0.35	0.83	2.94	46	0.15
	Middle	99.17	1.18	0.14	0.14	0.71	35	0.10
	Lower	102.24	2.73	0.45	0.30	0.82	47	0.15
TBX12	Upper	34.83	3.10	0.48	0.37	1.27	36	0.52
	Middle	45.73	1.22	0.20	0.26	0.88	45	0.13
	Lower	53.30	2.86	0.40	0.39	1.58	39	0.31
TBX13	Lower	75.39	2.34	Oxidised zone				
TBX14	Upper	75.39	0.80	0.16	0.97	4.27	30	0.27
	Lower	82.83	0.38	0.20	0.03	1.67	5	0.03
TBX15	Upper	159.05	1.10	0.85	0.59	1.82	19	0.90
	Middle	163.69	4.19	1.07	0.09	0.69	20	1.65
	Middle	163.69	4.62	0.24	0.05	0.25	5	0.29
	Lower	178.29	1.69	0.15	0.34	1.51	10	0.12
TBX16	Upper	25.01	0.53	0.23	0.38	0.43	13	0.10
	Middle	38.95	0.22	0.07	0.57	2.40	5	0.09
	Lower	42.59	0.24	0.04	0.56	2.73	5	0.09
TBX17	Lower	40.39	1.28	0.68	0.44	2.50	18	0.23



GLOSSARY

Definitions and terms

“Assay” - To determine the mineral content;

“ct” - carat;

“cpht” - carat per hundred tonne;

“Competent Person” - A person who, is registered with any one of SACNASP, ECSA, PLATO, or any other statutory South African or international body that is recognised by SAMREC and, has a minimum of five years experience to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking, as defined under the SAMREC Code for reporting of mineral resources and reserves;

“Cut-off grade” - The grade at which the ore body is mined with no profit or loss, ie breakeven grade;

“deposits” - A continuous mass of material of sufficient mineral content to warrant investigation;

“depletion” - The decrease in the quantity of ore in a deposit or property resulting from extraction or production;

“dilution” - Waste which is mixed with ore in the mining process;

“dip” - The angle that a structural surface makes with the horizontal, measured perpendicular to the strike of the structure;

“discount rate” - A rate of return used to convert a future monetary sum into present value;

“DME” - Department of Mineral and Energy;

“DMS” - Dense medium separation recovery equipment;

“EPL” - Exclusive Prospecting Licence;

“estimation” - Quantitative judgement of value (eg. grade, costs, revenue);

“exploration” - Exploration encompassing prospecting, mapping, geological surveys, percussion drilling and other work employed in the search for diamond mineralisation;

“faulting” - The process of fracturing that produces a displacement of rock;

“footwall” - The underlying side of a fault or orebody;

“Feasibility study” - A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing;

“in situ” - Within the unbroken rock or in place;

“Indicated Mineral Resource” - That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed;

“Inferred Mineral Resource” - That part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or

grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.;

“Measured Mineral Resource” - A Measured Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

“metallurgical plant” - The comminution of ore, although the term has come to also cover the broad range of machinery inside the treatment plant where the mineral is separated from the ore;

“mineable” - The portion of the mineralised deposit for which extraction is technically and economically feasible;

“Minerals Act” - The Minerals Act No 50 of 1991, as amended;

“Mineral Reserve” - The economically mineable material derived from a Measured and/or Indicated Mineral Resource. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified;

“Mineral Resource” - The concentration [or occurrence] of material of economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral Resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated and Measured categories;

“Measured Resource” - That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;

“mineralisation” - The presence of a target mineral in a mass of host rock;

“New Minerals Act” - The Minerals and Petroleum Resources Development Act (No 28 of 2002);

“open cast mine” - A mining operation that is operating on surface and does not make use of shafts to mine the ore;

“ore” - A mixture of mineralised material from which at least one of the contained minerals can be mined and processed at an economic profit;

“outcrop” - The truncation of a stratigraphic unit or ore body on surface;

“pay limit” - The breakeven grade at which the ore body can be mined without a profit or loss, calculated using forecast commodity prices, working costs and recovery factors;

“present value” -The value, as of a specified date, of future economic benefits and or proceeds from sale, calculated using an appropriate discount rate;



GLOSSARY (continued)

"Probable Mineral Reserve" - The economically mineable material derived from a Measured and/or Indicated Mineral Resource. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified;

"production" - The day-to-day activities (including extraction and processing prior to sale) directed to obtaining saleable product from the mineral resource on a commercial scale;

"prospecting permit" - An authorisation issued by the department of Minerals and Energy in terms of section 6 of the Minerals Act 50 of 1991 to the holder of a mineral right or to a person who has obtained a consent from the mineral rights holder to prospect, allowing such person to prospect on the land to which the permit relates;

"Proved Mineral Reserve" - The economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified;

"recovery grade" - The actual grade of ore realised after the mining and treatment process;

"reef" - A mineralised horizon containing economic levels of metal;

"refining" - The final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes;

"rehabilitation" - The process of restoring mined land to a condition approximating its original state;

"stripping ratio" - The amount of overburden to ore mined;

"strike" - The direction in which a horizontal line can be drawn on a plane;

"sub outcrop" - The unconformable truncation of one stratigraphic unit against another below the ground;

Units

g - a gram;

g/t - gram per tonne;

ha - a hectare;

kg - a kilogram;

km - a kilometre;

m - a metre;

"ounce" or "oz" one troy ounce (1 troy ounce equals 31,1035 grams);

% - Percentage;

lb - a pound;

R - South African Rand;

"tonne" or "t" - one tonne is equal to 1 000 kilograms (a metric ton);

US\$ - United States dollar;

Abbreviations

"Capex" - Capital expenditure;

"CPI" - Consumer Price Index for South Africa;

"CP" - Competent Person;

"CPR" - Competent Persons' Report

"DCF" - Discounted Cash Flow;

"EMPR" - Environmental Management Programme, a document setting out Thaba Egoli Mining & Explorations Ltd's plans to rehabilitate the surface of land disturbed during prospecting operations, as required by the New Minerals Act;

"LOM" - Life of mine, the estimated period of production;

"LQS" - Lower Quartile Solutions (Pty) Ltd, (Registration number 1999/03229/07) Unit 120, 1st Floor, Phase 4, Momentum Business Park, 563, Main Road, Midrand, 1685;

"IRR" - Internal Rate of Return. A discount rate at which the present value of the future cash flows of the investment equals the cost of investment;

"Mt" - million tonnes;

"Mintek" - Council for Mineral Technology, 200 Hans Strijdom Drive, Randburg, 2125;

"NPV" - Net present value;

"SACNASP" - The South African Council for Natural Scientific Professions;

"SAMREC" - The South African Mineral Resource Committee;

"SAMREC Code" - The South African Code for Reporting Mineral Resources and Mineral Reserves;

"SG" - specific gravity;

"tpa" - tonnes per annum; and

"tpm" - tonnes per month.

Chemical symbols

Au - Gold;

Ag - Silver;

Cd - Cadmium;

Co - Cobalt;

Cu - Copper;

Ni - Nickel;

Pb - Lead; and

Zn - Zinc.



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DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

The directors are responsible for monitoring the preparation and the integrity of the financial statements and related information included in this Annual Report.

The operations of the Group do not warrant the establishment of full administrative and accounting departments. These functions are mainly performed by the executive director in consultation with the board of directors and independent consultants. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year under review.

The directors are also aware of the need to be compliant with the SAMREC Code, as defined in the Listing Requirements of the JSE.

The financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa and incorporate responsible disclosure in line with the accounting philosophy of the Group. The financial statements are based on appropriate accounting policies consistently applied and supporting reasonable and prudent judgements and estimates.

The directors believe that the Group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the annual financial statements. The annual financial statements for the year ended 28 February 2006 set out on pages 18 to 43 were approved by the directors on 25 August 2006 and are signed on their behalf by:

Marius Welthagen
Chief Executive
25 August 2006

CORPORATE GOVERNANCE STATEMENT

The board of directors continues to remain fully committed to the principles of corporate governance as advocated by the King Committee reports and endorses the code of conducting the business of the Group with the highest degree of integrity and in accordance with generally accepted corporate practice.

BOARD OF DIRECTORS

The board presently consists of one executive and four non-executive directors who ensure full and effective control over the Group. Directors are carefully selected to ensure a wide variety of expertise, skills and experience which allow independent judgement and opinions. The board of directors and management follow the unitary structure, meet on a quarterly basis to review the operational performance of the Group, strategic issues and stakeholder reporting. The board is responsible for the management of the company and its subsidiaries. The Company's chairman is JR Rapoo and as non-executive ensures division of responsibility, in compliance with JSE Listing Requirements, between the Chairman and the Executive responsible for the running of the Group's business (the Chief Executive Officer).

The following principles are adhered to with regard to the board of directors:

- All decisions and conclusions in discharging the duties and responsibilities of directors are clearly recorded in the minutes of the meetings.
- The directors are entitled to take independent professional advice if necessary, at the Company's expense.
- All directors have access to the advice and services of the Company Secretary.
- Directors are timeously supplied with information and have unrestricted access to all company information, records, documents and property.



CORPORATE GOVERNANCE STATEMENT (continued)

- The board has delegated certain of its duties, as further set out below.
- Directors were briefed on the requirements of the Code of Corporate Practice and Conduct during the year under review.

INTERNAL CONTROLS

All financial and related matters vest in a cash flow budget committee whose primary responsibility is to maintain adequate control and to authorise all capital, operating and non-operating expenditure. The adequacy and effectiveness of the accounting systems and controls are undertaken by management.

INSIDER TRADING

All directors have been informed about the new JSE Listing Requirements regarding closed periods for trading in Thabex shares, prior to the publication of the Annual Financial Statements and the Interim Results, respectively.

RISK MANAGEMENT AND INSURANCE

The objective of the company's risk management policy established by the board is to minimise its business risk by safeguarding company assets and income earning capacity. The procedures adopted in compliance with this policy are augmented by the procurement of insurance for those events that are beyond the control of management.

CODE OF ETHICS

All employees, officers and directors of Thabex and its subsidiaries are required to maintain the highest ethical standards ensuring business practices are conducted in a manner beyond reproach.

GENERAL

The board of directors as a group form the technical and audit committees and the non-executive directors form the human resources committee.

Details of attendance at Board meetings during the financial year ended 28 February 2006.

Name of director	2005			2006						
	5 April	25 May	15 June	27 July	11 August	10 October	26 October	6 February	6 February	8 February
JR Rapoo	P	P	P	A	P	P	A	A	A	A
JL Bocsh	A	A	A	P	A	A	P	A	P	P
Dr DL Reid	A	A	A	A	A	A	A	A	P	P
AP Roux	A	A	A	A	A	A	A	P	A	A
M Welthagen	P	P	P	P	P	P	P	P	P	P

A - Absent with apologies; P - Present



SECRETARIES' STATEMENT

In terms of the Companies Act, 1973, we hereby certify that the company has lodged, with the Registrar of Companies, all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.

SA Mineral Investments (Pty) Ltd
Secretaries
25 August 2006

CONVERSION TO STRATE

STRATE - Share Transactions Totally Electronic is an electronic settlement environment for transactions to be settled and transfer of ownership to be recorded electronically, which will be managed by STRATE Limited (registration number 1998/022242/06). As at 28 February 2006, 91.57% (2005: 88.24%) of Thabex's ordinary shares were dematerialised.

SAMREC CODE

Whilst the annual report has been prepared for the benefit of the shareholders, sufficient information is disclosed for any interested party to make an informed judgement about the merits of the Group's exploration projects.

The requirements of the new JSE Listing Requirements have also been met, which incorporate the South African Code for Reporting of Mineral Resources and Mineral Reserves ("SAMREC Code" as defined by the South African Institute of Mining and Metallurgy "SAIMM"). The financial statements itemise detailed exploration information such as individual borehole results, assays and modelling criteria. On page 4 a comprehensive analysis of the Group's exploration prospects is tabled.

EMPLOYMENT EQUITY

Thabex recognises the importance of employment equity and has accelerated its effort to appoint Black, Coloured or Asian managers and employees, through recruitment and training. Although no new employees have been appointed during the year a concerted effort will be made to appoint suitably qualified women in the Company.

BLACK ECONOMIC EMPOWERMENT

Thabex is 31.76% directly owned by Black Economic Empowered persons and company's (see page 18).

ENVIRONMENTAL COMPLIANCE

The Company's Environmental Rehabilitation Programs in the Northern Cape for the Salt River Base Mineral Project and for the Taung Diamond Mines Ltd, Hartswater projects have been approved by the Department of Mineral and Energy on 3 January 2004 and 12 December 2006, respectively.

SUSTAINABLE DEVELOPMENT

The Company's future growth will be from the development of Thabex's own exploration projects and acquisitions, such as Minnex Exploration Ltd, into mining projects. The acquisition of Minnex, incorporating both new projects and skilled mining professionals, will ensure the long-term growth of Thabex into a fully fledged Junior Mining company.



REPORT OF THE INDEPENDENT AUDITORS

To the members of Thabex Exploration Limited

We have audited the annual financial statements and group annual financial statements of Thabex Exploration Limited set out on pages 18 to 43 for the year ended 28 February 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and group as of 28 February 2006, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

KPMG Inc.
Registered Auditors

Per Shaun van den Boogaard
Chartered Accountant (SA)
Registered Auditor
Director
25 August 2006

KPMG Forum
1226 Schoeman Street
Hatfield
Pretoria
0028



DIRECTORS' REPORT

DIRECTORS HAVE THE PLEASURE IN PRESENTING THEIR REPORT FOR THE YEAR ENDED 28 February 2006

NATURE OF BUSINESS

Thabex Exploration Ltd ("Thabex") (Registration number 1988/000763/06) is a mining and exploration company listed on the JSE Securities Exchange South Africa ("JSE") in the "Basic Resources; Mining - Diamonds and Gemstones" sector of the list under the abbreviated name "Thabex" (ISIN code: ZAE000013686 JSE code: TBX).

Thabex and its subsidiaries explore for diamonds, coal, gold, platinum and base minerals and Thabex also trades in polished diamonds. The Group's main exploration projects are located in Southern Africa. The projects range from grass-roots exploration and green fields projects to drill-defined deposits. The focus of Thabex's future mining and exploration activities is on diamonds through Angel Diamonds (Pty) Ltd, Diamex JV (Pty) Ltd, Taung Diamonds Limited and BEE associate Abarawaki Investments (Pty) Ltd.

SUBSTANTIAL SHAREHOLDERS

According to the register of members of the company at 28 February 2006, the following shareholders were the only members holding 5% or more of the ordinary issued share capital of the company:

	Number of shares held	% of issued capital
EV Ahmed	3 348 257	19.69
Saminco Ltd	3 221 456	18.94
SA Mineral Investments (Pty) Ltd	1 779 375	10.46
Kas Depository Trust Company	1 647 089	9.68
Enterprises Systems Implementaion (Pty) Ltd	989 006	5.82
Total	10 985 183	64.59

SHARE CAPITAL

The authorised share capital of the company is 100 000 000 ordinary shares of 10 cents each (2005: 100 000 000).

As at 28 February 2006 the issued share capital of the company comprised 17 006 887 (2005: 17 006 887) ordinary shares of 10 cents each.

DIVIDENDS

No dividends are proposed in respect of the 2006 financial year (2005: nil).

MANAGEMENT

The company has not entered into any management agreement with its directors or any other company.

SECRETARIAL SERVICE

SA Mineral Investments (Pty) Limited, a company indirectly controlled by Marius Welthagen, acts as company secretary to Thabex. This company is also a share dealing company and during the year purchased 1 531 123 Thabex ordinary shares at an average price of 50 cents per share (2005: nil). Any trading in Thabex shares is subject to the Rules and Regulations of the JSE and all such trading activities are reported on the SENS system as required by the JSE.



DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

The directors' interests in the ordinary share capital of Thabex were:

<i>As at 28 February 2006</i>	Directly		Indirectly		%
	Beneficial	Non Beneficial	Beneficial	Non Beneficial	
M Welthagen	1 000	-	3 535 346	46 530	21.07
JL Bosch	16 000	-	-	-	0.09
JR Rapoo	20 000	-	-	-	0.12
Prof DL Reid	16 600	-	-	-	0.10
AP Roux	16 000	-	-	170 000	1.09
Total	69 600	-	3 535 346	216 530	22.47

<i>As at 28 February 2005</i>	Directly		Indirectly		%
	Beneficial	Non Beneficial	Beneficial	Non Beneficial	
M Welthagen	1 000	-	1 945 896	46 530	11.72
JL Bosch	16 000	-	-	-	0.09
JR Rapoo	20 000	-	-	-	0.12
Prof DL Reid	16 600	-	-	-	0.10
AP Roux	16 000	-	-	170 000	1.09
Total	69 600	-	1 945 896	216 530	13.12

M Welthagen has a 20.79% (2005: 11,11%) indirect interest in the company held through The Marius Welthagen Trust's direct 54,59% interest in Saminco Limited or 1 755 371 shares (2005: 1 698 644 shares) and 1 779 375 shares (2005: 247 252 shares) held through SA Mineral Investments (Pty) Ltd. AP Roux has a direct interest of 16 000 and an indirect interest of 170 000 ordinary shares in the company or 1,09%. No material change in the above interests occurred since year-end to the date of this report.

MINERAL AND PROSPECTING RIGHTS

Your board has considered the current modifying and risk factors influencing the value of the Group's mineral and prospecting rights. These include the expected medium to longer-term increase in rough diamond demand. Significant increases in precious and base metal prices, the legal environment as well as longer-term market conditions for these commodities are factors which caused positive changes on the value of the Company's mining assets. Thabex also successfully explored the Salt River Base Mineral project.



DIRECTORS' REPORT (continued)

However, impairment losses recognised in previous periods have not been reversed in the current year due to the significant uncertainty in obtaining sufficient funding to complete bankable feasibility study.

SUBSEQUENT EVENTS

On 31 May 2006 Thabex announced in a SENS announcement that the agreement with Minnex Exploration Ltd has become unconditional.

On 31 March 2006 the company acquired a further 20% in the Kolo Kimberlite Project at R200. On 22 June 2006, the Company announced in a SENS announcement that the Lesotho Government has granted Angel Diamonds (Pty) Ltd a Prospecting Licence for a period of two years over the Kolo cluster of kimberlite pipes and fissures, including the Kolo kimberlite pipe.

Other than mentioned above there are no other events of a material nature that have occurred between the balance sheet date and the date of this report.

LITIGATION

On 23 May 2006 Anglo Operations Limited lodged a Notice of Motion (Case 10536/2006) against several respondents including, inter alia, the Minister of Minerals and Energy to review and set aside the refusal by the Minister to grant a prospecting right applied for by it. Abarawaki Investments (Pty) Ltd is also a respondent, having applied for several prospecting rights in the Middelburg area. The latter applications were accepted by the DME in Witbank and Abarawaki has submitted a Notice of Motion to defend.

DIRECTORATE AND ADMINISTRATION (see inside back cover)

The executive director in office at the date of this report is M Welthagen. The non-executive directors were JL Bosch, JR Rapoo (Chairman), AP Roux and Prof DL Reid. In accordance with Article 93 of the company's Articles of Association, AP Roux will retire from office at the annual general meeting to be held on Wednesday, 25 October 2006, but being eligible, offers himself for re-election.

Abridged biography of director seeking re-election

Name: Antonie Petrus Roux

Date of birth: 15 June 1957

Academic qualifications: BAgric

Occupation: Dciduous fruit producer in the Franchhoek Valley

Experience: See abridged CV on page 4 of this report.

Other current directorships: Saminco Ltd and
SA Mineral Investments (Pty) Ltd

M Welthagen
Chief Executive
25 August 2006



SUBSIDIARIES AND INVESTMENTS

	Issued share capital	Effective interest		Shares at cost		Loan Accounts	
		2006 %	2005 %	2006 R	2005 R	2006 R	2005 R
Subsidiaries							
Angel Diamonds (Pty) Ltd (Incorporated in Lesotho (Registration number 1992/269))	1 000	60	-	600	-	(600)	-
Diamex JV (Pty) Ltd (Registration number 1997/014096/07)	10 000	100	67.3	67 601	67 600	786 660	217 791
Pilanesberg Gold Holdings (Pty) Ltd (Registration number 1987/000711/07)	9 400	100	50	46 551	46 550	284 950	-
Pure Diamonds Ltd (Registration number 1998/008449/06)	50 010 000	-	100	-	500 100	-	156 526
Taung Diamond Mines Ltd (Registration number 1995/001724/06)	4 000 000	50	-	900 000	-	309 458	-
Tradepost 121 (Pty) Ltd (Registration number 1997/010926/07)	100	100	-	2	-	21 372	-
Thaba Egoli Mining & Exploration Ltd (Registration number 1994/008806/06)	27 000 000	100	100	8 400 000	8 400 000	2 451 124	1 748 978
				9 414 754	9 014 250	3 852 964	2 123 295
Deduct: Impairment losses				(9 367 603)	(9 014 104)	(3 175 590)	(2 118 553)
Provision for subsidiary liabilities				-	-	-	(11 476)
				47 151	146	677 374	(6 734)
Associated companies							
Abarawaki Investments (Pty) Ltd (Registration number 2002/021236/07)	100	40	-	40	-	(40)	-
Taung Diamond Mines Ltd (Registration number 1995/001724/06)	3 000 000	-	37.5	-	500 000	-	83 647
Tradepost 121 (Pty) Ltd (Registration number 1997/010926/07)	50	-	50	-	1 097	-	-
Deduct: Impairment losses				-	(501 097)	-	(83 647)
Provision for associate liabilities				-	-	-	(11 481)
				40	-	(40)	(11 481)

The attributable interest in the aggregate net losses of subsidiaries is R1 147 577 (2005: R364 847).

The interest in Abarawaki Investments (Pty) Ltd has been equity accounted. The year end of the associate is the same as Thabex's year end, 28 February.

Unless otherwise stated all subsidiaries are incorporated in the Republic of South Africa and have a year end of 28 February.



BALANCE SHEETS AT 28 February 2006

	Notes	Company		Group	
		2006 R	2005 R	2006 R	2005 R
Assets					
Non-current assets		1 327 551	38 215	926 556	33 737
Mining assets and equipment	2	603 026	33 327	926 556	33 737
Interest in subsidiaries	3	724 525	4 888	-	-
Interest in associated companies	4	-	-	-	-
Current assets		13 306 949	20 976 623	13 476 367	21 117 833
Inventories	5	1 558 060	587 372	1 558 708	661 357
Investments	6	741 001	467 361	782 001	467 361
Trade and other receivables	7	2 187 173	53 469	2 289 638	105 995
Taxation refundable		4 285 098	-	4 285 098	-
Cash and cash equivalents	8	4 535 617	19 868 421	4 560 922	19 883 120
Total assets		14 634 500	21 014 838	14 402 923	21 151 570
Equity and liabilities					
Capital and reserves					
Share capital	9	1 700 689	1 700 689	1 700 689	1 700 689
Share premium		17 202 741	17 202 741	17 202 741	17 202 741
Treasury shares	17	-	-	(240 900)	-
Accumulated loss		(4 601 040)	(1 198 428)	(4 657 135)	(1 198 428)
Total equity attributable to the equity holders of the parent		14 302 390	17 705 002	14 005 395	17 705 002
Minority interest	12	-	-	-	146
Total equity		14 302 390	17 705 002	14 005 395	17 705 148
Non-current liabilities					
Non-interest bearing loans and borrowings	11	-	-	-	66 540
Current liabilities	13	332 110	3 309 836	397 528	3 379 882
Trade and other payables		332 110	1 286 879	397 528	1 368 401
Provisions	14	-	2 022 957	-	2 011 481
Total equity and liabilities		14 634 500	21 014 838	14 402 923	21 151 570
Net asset value per share (cents)		84.10	104.10	82.35	104.10
Net tangible asset value per share (cents)		84.10	104.10	82.35	104.10



INCOME STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Notes	Company		Group	
		2006 R	2005 R	2006 R	2005 R
Revenue	15	45 754	349 775	45 754	427 445
Cost of sales		(43 297)	(369 644)	(43 297)	(456 444)
Gross profit/(loss)		2 457	(19 869)	2 457	(28 999)
Other operating income		207 969	19 720 873	130 544	19 746 584
Administration expenses		(1 580 260)	(1 998 483)	(1 731 390)	(2 084 524)
Other operating expenses		(3 046 650)	(2 142 511)	(2 887 397)	(2 073 234)
Operating (loss)/profit before finance income	16	(4 416 484)	15 560 010	(4 485 786)	15 559 827
Finance income	17	1 013 872	806 870	1 026 933	807 053
(Loss)/profit before taxation		(3 402 612)	16 366 880	(3 458 853)	16 366 880
Taxation	19	-	-	-	-
Loss for the year		(3 402 612)	16 366 880	(3 458 853)	16 366 880
Attributable to:					
Equity holders of the parent		(3 402 612)	16 366 880	(3 458 707)	16 377 312
Minority interest		-	-	(146)	(10 432)
Loss per share (cents)	18	(20.01)	96.24	(20.34)	96.24
Diluted loss per share (cents)		(20.01)	96.24	(20.34)	96.24



STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 February 2006

	Notes	Share capital R	Share premium R	Treasury shares R	Accumulated loss R	Minority Interest R	Total R
Company							
Balance at 28 February 2004		1 700 689	17 202 741	-	(17 565 308)	-	1 338 122
Net profit for the year		-	-	-	16 366 880	-	16 366 880
Balance at 28 February 2005	26	1 700 689	17 202 741	-	(1 198 428)	-	17 705 002
Net loss for the year		-	-	-	(3 402 612)	-	(3 402 612)
Balance at 28 February 2006		1 700 689	17 202 741	-	(4 601 040)	-	14 302 390
Group							
Balance at 28 February 2004		1 700 689	17 202 741	-	(17 575 886)	10 578	1 338 122
Net profit for the year		-	-	-	16 377 312	(10 432)	16 366 880
Balance at 28 February 2005		1 700 689	17 202 741	-	(1 198 428)	146	17 705 148
Purchase of own equity by subsidiary	10	-	-	(240 900)	-	-	(240 900)
Net loss for the year		-	-	-	(3 458 707)	(146)	(3 458 853)
Balance at 28 February 2006		1 700 689	17 202 741	(240 900)	(4 657 135)	-	14 005 395



CASH FLOW STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Note	Company		Group	
		2006 R	2005 R	2006 R	2005 R
Cash utilised in operating activities					
Cash utilised in operations	21	(8 961 044)	(143 068)	(10 156 960)	(144 798)
Interest received		770 135	744 566	772 551	744 749
Taxation	19	(4 175 098)	-	(4 175 098)	-
Net cash (outflow)/inflow from operating activities		(12 366 007)	601 498	(13 559 507)	599 951
Cash flow from investing activities					
Additions to plant and equipment to expand operations		(621 812)	(2 685)	(956 201)	(2 696)
Acquisition in subsidiaries, net of cash acquired	21	(400 003)	(153 971)	(392 220)	-
Disposal of subsidiary, net of cash disposed	21	-	-	(1 082)	-
Treasury shares acquired		-	-	(240 900)	-
Funding advanced to subsidiary loan accounts		(1 803 049)	-	-	-
Acquisition of further interest in associates		-	(4 756)	-	(4 756)
Cash purchase of additional listed investments		(156 933)	-	(190 288)	-
Cash proceeds from sale of listed investments		18 000	-	18 000	-
Disposal of subsidiary, net of cash disposed of		-	19 222 479	-	19 222 479
Net cash (outflow)/inflow from investing activities		(2 966 797)	19 061 067	(1 762 691)	19 215 027
Cash flow from financing activities					
(Decrease)/increase in non-current liabilities	8	-	-	-	(160 200)
Net cash (outflow)/inflow from financing activities		-	-	-	(160 200)
Net (decrease)/increase in cash and cash equivalents		(15 332 804)	19 662 565	(15 322 198)	19 654 778
Cash and cash equivalents at beginning of year		19 868 421	205 856	19 883 120	228 342
Cash and cash equivalents at end of year		4 535 617	19 868 421	4 560 922	19 883 120



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

Accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening International Financial Reporting Standards (IFRS) balance sheet at 1 March 2004 for the purpose of the transition to IFRS:

1. Significant accounting policies Thabex Exploration Limited ("the Company") is a company domiciled in the Republic of South Africa. The consolidated financial statements of the Company for the year ended 28 February 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The financial statements were authorised by the directors on 25 August 2006. The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year. The accounting policies of the subsidiaries and associates are consistent with those of the holding company.

1.1. Statement of compliance These are the Group's first consolidated financial statements prepared in accordance with IFRS. IFRS has been applied before its effective date in preparation of the Group's consolidated financial statements. An explanation of how the transition to IFRS has effected the reported financial position, financial performance and cash flows of the Group is provided in note 26. The financial statements and Group financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the South African Companies Act.

1.2. Basis of preparation The consolidated financial statements and Group financial statements are prepared on the historical cost convention, except that the following assets and liabilities are carried at their fair value; financial instruments and investments held for trading measured at fair value through profit and loss.

The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Judgements made by management in application of IFRS that have significant effect on financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant note.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

1.3. Basis of consolidation The Group financial statements incorporate the assets, liabilities and results of the operations of the Company and all its subsidiaries. The results of subsidiaries acquired or disposed of during a financial year are included from the effective dates of control to the effective dates that control ceases as appropriate. Intra-group balances and transactions, and any unrealised gains arising from intra-

group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprises. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associates. Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

1.4. Investment in subsidiaries Subsidiaries are carried at cost less impairment losses. Subsidiaries are those entities over whose financial and operating policies the group has power to exercise control, so as to obtain benefit from their activities.

1.5. Associated companies An associate company is one over which the Group has the ability to exercise significant influence, but not control. The Group's share of post-acquisition results of associate companies is incorporated in the financial statements, using the equity method of accounting, from the effective date of significant influence until the effective date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

1.6. Mining assets and equipment

1.6.1. Equipment Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for on the straight-line basis, over the estimated useful lives of the assets. The estimated useful life of equipment is estimated at five years. No residue value has been used in the calculation of depreciation as the amount is considered insignificant.

1.6.2. Mining assets Mining assets consist of mineral and prospecting rights and are recorded at cost less accumulated amortisation, less any accumulated impairment losses.

1.6.3. Land development and exploration expenditure Expenditure on land development and exploration is written off in full in the year in which it is incurred.

1.6.3. Land Land is accounted for at cost and is not depreciated.

1.7. Impairment The carrying amounts of the Group's assets are, except for inventories (see accounting policy 1.9) and deferred tax assets (see accounting policy 1.14) reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

Goodwill was tested for impairment at 1 March 2003, the date of transition, even though no indication of impairment existed.

A previously recognised impairment loss is reversed if there is an indication that the impairment loss may have reversed, in addition to there being a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.8. Goodwill Goodwill is any excess of the cost of an acquisition over the Group's interest in the fair value of the identifiable assets acquired. Goodwill is carried at cost less any accumulated impairment losses. The carrying amount of goodwill is reviewed annually and written down for impairment where considered necessary. Impairments are accounted for through profit and loss.

1.9. Inventories Inventories comprising polished diamonds, gold and silver bullion are carried at the lower of cost and net realisable value, and are determined using the specific cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

1.10. Provisions Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.11. Financial instruments

Measurement Financial instruments are initially measured at fair value through profit and loss, and does not include transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Trading investments Trading investments are financial instruments held for trading are classified as current assets and are stated at fair value with the resultant gain and loss recognised in the income statement. Trading investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Trade and other receivables Trade and other receivables are stated at amortised cost less impairment losses.

Cash and cash equivalents Cash and cash equivalents are measured at fair value. **Financial liabilities** Financial liabilities are recognised at amortised cost, using the effective interest rate method.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not a part of a hedging relationship are included in net profit or loss in the period in which the change arises.

Offset Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.12. Revenue Revenue comprises diamond and commodity sales exclusive of value-added tax. Revenue from the sale of goods is recognised in the income statement when significant risks and rewards of ownership have transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

1.13. Cash and cash equivalents For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, all of which are available for use by the Group, unless otherwise stated and includes any credit facilities.

1.14. Investment income Interest is recognised as it accrues, using the effective interest rate method, taking account of the principal outstanding and the interest rate over the period to maturity, when it is probable that such income will accrue to the Group. Included in investment income are fair value adjustments on investments held for sale.

1.15. Tax

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years. Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.16. Segment reporting A segment is a distinguishable component of the Group that engaged either in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1.17. Treasury shares Any acquisitions of the Group's own equity instruments are not recognised as financial assets irrespective of reason for repurchase. Such shares are classified as treasury shares for consolidation purposes and are deducted directly from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of such treasury shares.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company			Group	
	2006 R	2005 R	2006 R	2005 R	
2. Mining assets and equipment					
2.1 Mining assets - mineral and prospecting rights					
Opening balance - cost	-	-	7 286 072	-	7 396 916
Disposals	-	-	-	(110 884)	
Closing balance - cost	-	-	7 286 072	-	7 286 072
Opening balance - impairment losses	-	-	(7 286 072)	(7 396 916)	
Disposals	-	-	-	110 884	
Closing balance - impairment losses	-	-	(7 286 072)	(7 286 072)	
Carry Value	-	-	-	-	-
2.2 Mining equipment					
	Office Furniture and equipment R	Computers R	Vehicles R	Mining equipment R	Total R
Company					
Equipment at cost					
Opening balance	153 074	-	-	-	153 074
Additions	157 480	214 974	249 358	-	621 812
Closing balance	310 654	214 974	249 358	-	774 886
Accumulated depreciation					
Opening balance	119 747	-	-	-	119 747
Depreciation for the year	39 656	8 494	3 963	-	52 113
Closing balance	159 403	8 494	3 963	-	171 860
Carrying value 2005	33 327	-	-	-	33 327
Carrying value 2006	151 151	206 480	245 395	-	603 026
Group					
Equipment at cost					
Opening balance	153 074	-	-	2 832	155 906
Additions	157 480	214 974	249 358	334 389	956 201
Closing balance	310 554	214 974	249 358	337 221	112 107
Accumulated depreciation					
Opening balance	119 337	-	-	2 432	122 169
Depreciation for the year	39 656	8 494	3 963	11 269	63 382
Closing balance	159 403	8 494	3 963	13 691	185 551
Carrying value 2005	33 737	-	-	-	33 737
Carrying value 2006	151 151	206 480	245 395	323 530	926 556

The impairment losses recognised in previous periods, which relate to the impairment of mineral and prospecting rights, have not been reversed in the current year due to the significant uncertainty in obtaining sufficient funding to complete bankable feasibility studies.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006	2005	2006	2005
	R	R	R	R
3. Interest in subsidiaries				
Cost at year end	9 414 754	9 014 250	-	-
Less: Impairment losses	(9 367 603)	(9 014 104)	-	-
	47 151	146	-	-
Subsidiaries' net indebtedness at year end	3 852 964	2 123 295	-	-
Less: Impairment of loans to subsidiaries	(3 175 590)	(2 118 553)	-	-
	677 374	4 742	-	-
Total interest in subsidiaries	724 525	4 888	-	-
4. Interest in associated companies				
Abarawaki Investment (Pty)Ltd				
Carrying value of investment:				
Shares at cost	-	-	40	-
Lona account	-	-	(40)	-
	-	-	-	-
Taung Diamond Mines Ltd				
Carrying value of investment:				
Shares at cost	-	-	-	500 000
Impairment loss	-	-	-	(500 000)
	-	-	-	-
Tradepost 121 (Pty) Ltd				
Carrying value of investment:				
Shares at cost	-	-	-	50
Impairment loss	-	-	-	(50)
	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Group	
	2006	2005
	R	R
4. Interest in associated companies (continued)		
Summary of financial information:		
Taung Diamond Mines Ltd		
Share capital and share premium	-	1 070 007
Accumulated loss	-	(1 152 997)
Shareholders' funds	-	(82 990)
Non-current liabilities	-	133 676
	-	(32 304)
Net current assets	-	(32 304)
Tradepost 121 (Pty) Ltd		
Share capital and share premium	-	100
Accumulated loss	-	(11 581)
Shareholders' funds	-	(11 481)
Long-term liability	-	7 491
	-	(15 471)
Property plant and equipment	-	-
Loans receivable	-	-
Investment	-	-
Net current liabilities	-	(15 471)
	-	(15 471)
Abarawaki Investments (Pty) Ltd		
Share capital and share premium	100	-
Shareholders' loans	(100)	-
	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006	2005	2006	2005
	R	R	R	R
5. Inventories				
Trading inventory - at cost	1 558 060	521 497	1 558 708	595 482
- Fair value less cost to sell	-	65 875	-	65 875
	1 558 060	587 372	1 558 708	661 357
6. Current investments				
Sage Sinking Fund policies	542 175	461 317	542 175	461 317
Shares in listed companies				
Ordinary shares held				
% shareholding				
Messina Platinum Limited	198 826	6 044	239 826	6 044
Southern Cross Resources Limited	-	2 324	-	2 324
1 000	-	-	41 000	-
<0.01	-	-	-	-
Trans Hex Group Limited	32 110	-	32 110	-
2 600	32 110	-	32 110	-
<0.01	-	-	-	-
Western Areas Limited	166 716	3 720	166 716	3 720
4 600	166 716	3 720	166 716	3 720
	741 001	467 361	782 001	467 361
Fair value of the Sinking Fund policies is indicated at surrender value at year-end.				
Fair value of listed investments is established at the current market price on the JSE Securities Exchange South Africa at year-end.				
7. Trade and other receivables				
Trade receivables	52 440	42 179	52 440	57 960
Sundry receivables	781 221	633	884 127	633
Cash in trust	-	10 000	-	10 000
Loan to Southern Mineral Brokers (Pty) Ltd	1 353 512	-	1 353 071	-
Loan account Taung Diamond Mines Ltd	-	83 647	-	37 402
Less impairment losses	-	(82 990)	-	-
	2 187 173	53 469	2 289 638	105 995
Loan to Southern Mineral Brokers (Pty) Ltd, a related party (see note 22), carries no interest and is repayable within 12 months.				
The impairment losses were calculated on the irrecoverable amount of the loan to Taung Diamond Mines Ltd. The remainder of the is repayable with 12 months and carries no interest.				
8. Cash and cash equivalents				
Current bank account	23 546	18 848	37 762	23 174
Cash on call and on hand	4 544 509	19 890 087	4 555 598	19 900 460
Credit facilities	(32 438)	(40 514)	(32 438)	(40 514)
Total cash and cash equivalents	4 535 617	19 868 421	4 560 922	19 883 120



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006 R	2005 R	2006 R	2005 R
9. Share capital				
Authorised				
100 000 000 (2005:100 000 000) ordinary shares of 10 cents each	10 000 000	10 000 000	10 000 000	10 000 000
Issued				
17 006 887 (2005:17 006 887) ordinary shares of 10 cents each	1 700 689	1 700 689	1 700 689	1 700 689
The unissued share capital is under the control of the directors, subject to the Companies Act and the rules, requirements and regulations of the JSE, until the next annual general meeting.				
10. Treasury shares				
Pilanesberg Gold Holdings (Pty) Ltd purchased 435 000 Thabex ordinary shares in the open market at a cost of 55 cents per share. These shares have been classified as treasury shares for consolidation purposes.				
11. Non-interest bearing loans and borrowings				
Non-current liabilities	-	-	-	66 540

Non-current liabilities are loans from parties external to the group which have no fixed period of repayment and bear no interest and are not secured.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006 R	2005 R	2006 R	2005 R
12. Deferred taxation				
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Deductible temporary differences	-	-	388 118	82 086
Tax losses	1 320 368	1 215 473	1 463 227	1 702 940
	1 320 368	1 215 473	1 851 345	1 785 026

A deferred tax asset has not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

13. Trade and other payables

Accounts payable	322 110	1 270 575	397 528	1 352 097
Loan from SA Mineral Investments (Pty) Ltd	-	16 304	-	16 304
	322 110	1 286 879	397 528	1 368 401

Loan from SA Mineral Investments (Pty) Ltd was of a short term nature, interest free and repayable within 12 months.

14. Provisions

Company	Losses in subsidiaries* and associates R	SARB# Settlement R	Total R
Opening balance	22 957	2 000 000	2 022 957
Utilised	(22 957)	(2 000 000)	(2 022 957)
Closing balance	-	-	-
Group			
Opening balance	11 481	2 000 000	2 011 481
Utilised	(11 481)	(2 000 000)	(2 011 481)
Closing balance	-	-	-

* A provision is made to account for the deficit of liabilities exceeding assets, in the subsidiaries and associates (see note 25).

Thabex will only be responsible for covering the deficit if the subsidiaries cannot repay their liabilities as and when they become payable.

#The provision for the South African Reserve Bank ("SARB") settlement was raised after a settlement was reached with the SARB, relating to the SARB blocking the proceeds from the sale of Platinexco (Pty) Ltd.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006 R	2005 R	2006 R	2005 R
15. Revenue				
Sale of polished diamonds	45 754	349 775	45 754	427 445
	45 754	349 775	45 754	427 445
16. Operating loss is arrived at after taking into account				
<i>Income</i>				
Management fees received	210 000	84 412	-	90 191
Option fees received	-	413 981	-	413 981
Consulting fees received	-	-	13 000	9 500
Profit on sale of investment in subsidiary	-	19 232 912	-	19 232 912
<i>Expenditure</i>				
Auditors' remuneration	5 900	150 050	13 650	167 893
- Audit fees	5 900	120 000	13 650	130 960
- Other services	-	30 050	-	36 933
Write down of inventories to net realisable value	-	32 925	-	32 925
Depreciation of equipment	52 113	18 606	63 382	18 841
Directors' emoluments for managerial services	382 667	212 525	400 667	231 525
Directors' emoluments for services as director	125 000	-	125 000	-
Impairment of goodwill	-	-	400 003	-
Impairment of interest in subsidiaries	1 483 514	-	-	-
Exploration expenditure	1 492 580	57 766	-	66 361
Provision for SARB settlement	-	2 000 000	2 437 297	2 000 000
Secretarial fees	54 000	74 331	54 000	78 550
SA Mineral Investments (Pty) Ltd, a related party, acts as company secretaries to the Group (see note 22).				
17. Income from investments				
Fair value adjustment to unlisted investments	80 858	68 335	80 858	68 335
Fair value adjustment to listed investments	52 880	(6 031)	63 525	(6 031)
Interest received	770 135	744 566	772 550	744 749
Interest on amount owing from SARS	110 000	-	110 000	-
	1 013 873	806 870	1 026 933	807 053

The fair value adjustment for unlisted investments relates to the surrender value of the sinking fund policies held by the company.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006	2005	2006	2005
	R	R	R	R
18. Earnings/(loss) per share				
The calculations (loss)/profit and headline loss per share are as follows:				
(Loss)/profit for the year	(3 402 612)	16 366 880	(3 458 561)	16 366 880
Headline loss for the year	(1 919 098)	(2 855 600)	(3 058 558)	(2 859 160)
Weighted average ordinary shares in issue	17 006 887	17 006 887	17 006 887	17 006 887
Basic (loss)/profit per share (cents)	(20.01)	96.24	(20.34)	96.24
Diluted (loss)/profit per share (cents)	(20.01)	96.24	(20.34)	96.24
Headline loss per share (cents)	(11.28)	(16.79)	(17.98)	(16.81)
Diluted headline loss per share (cents)	(11.28)	(16.79)	(17.98)	(16.81)

The Group has no share options or preference shares in issue resulting in the diluted loss per share and diluted headline loss per share to be the same as the basic loss per share and headline loss per share.

Reconciliation between loss and headline loss

Net (loss)/profit attributable to ordinary shareholders	(3 402 612)	16 366 880	(3 458 561)	16 366 880
Adjustments for:				
Profit on disposal of investment in subsidiary	-	(19 222 480)	-	(19 232 912)
Impairment of goodwill	-	-	400 003	2 117
Impairment losses	1 483 514	-	-	4 756
Headline loss	(1 919 098)	(2 855 600)	(3 085 558)	(2 859 159)

19. Taxation

South African Normal taxation	-	-	-	-
- Current	-	-	-	-
- Deferred	-	-	-	-

The Group has an estimated tax loss of R5 155 609 (2005: R5 676 466). The Company has an assessed loss of R4 662 993 (2005: estimated loss R4 051 576) available for offset against future taxable income.

	Company		Group	
	2006	2005	2006	2005
	%	%	%	%
Reconciliation of statutory taxation rate				
Taxation rate per income statement	0.0	0.0	0.0	0.0
Non-taxable income	(1.2)	(4.4)	(1.2)	(4.4)
Non-deductible expenses	28.6	28.8	26.9	28.9
Change in standard rate	1.6	5.6	3.3	5.5
Deferred tax asset not raised	0.0	0.0	0.0	0.0
Statutory taxation rate	29.0	30.0	29.0	30.0

No reconciliation of temporary differences or break down of deferred tax balance (as require by Circular 01/06 - Disclosures in relation to deferred tax) is disclosed as it will not provide any additional information.

**NOTES TO THE FINANCIAL STATEMENTS** FOR THE YEAR ENDED 28 February 2006**20. Financial instruments**

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business.

20.1. Foreign Currency risk

The Group incurs currency risk as a result of purchases and sales in foreign currencies. The currencies in which the Group primarily deals are Pounds Sterling and US Dollars. At present the foreign currency risk is not a major component of Thabex's diamond sales. As a result the company does hedge its foreign currency positions.

20.2. Interest rate risk

The Group generally adopts a policy of ensuring that its exposure to changes in interest rates is on a floating rate basis.

Re-pricing analysis

The following table identifies the period over which financial instruments that are sensitive to interest rate risk re-price.

	Effective interest rate %	Total R	6 months or less	6 - 12 months	1 - 5 years
Cash and cash equivalents -					
Group interest rate %:					
2005	9.5	19 883 120	19 883 120	-	-
2006	7.7	4 560 922	4 560 922	-	-

20.3. Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Reputable financial institutions are used for investing and cash-handling purposes. The carrying amount represents the maximum exposure to credit risk for each financial asset. The group only invests in listed securities and other investments are made with reputable financial institutions.

20.3. Sensitivity analysis

As the Group does not follow a hedging policy it is therefore exposed to permanent changes in foreign exchange and interest rates, which the Group does not consider as a material risk. Should such changes occur it would have the following impact on consolidated earnings

At 28 February 2006, it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately R100 279 (2005: R78 352).

At 28 February 2006, an increase in the R/US\$ exchange rate would not have materially influenced the Group's profit before tax.

20.5. Fair values of financial assets and financial liabilities

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the balance sheet. For this reason no comparative figure is shown.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

	Company		Group	
	2006	2005	2006	2006
	R	R	R	R
21. Cash utilised in operations				
(Loss)/profit before taxation	(3 402 612)	16 366 880	(3 458 853)	16 366 880
<i>Adjusted for:</i>				
Depreciation	52 113	18 606	63 382	18 841
Loss on disposal of investments	2 031	-	2 031	-
Goodwill written off	-	-	400 003	-
Impairment of investment in subsidiaries	1 483 514	-	-	-
Provisions utilised	(2 022 957)	-	(2 011 481)	-
Net interest income	(880 135)	(744 566)	(882 551)	(744 749)
Change in fair value of investments	(133 738)	(62 304)	(144 383)	(62 304)
Provision for SARB settlement	-	2 000 000	-	2 000 000
Reversal of impairment losses	-	(145 152)	-	4 756
Provision for losses in subsidiaries and associates	-	229 897	-	2 117
Profit on disposal of subsidiary	-	(19 222 480)	-	(19 232 912)
Operating loss before working capital changes	(4 901 784)	(1 559 119)	(6 031 852)	(1 647 371)
21.1 Changes in working capital				
Inventories	(970 688)	367 569	(970 688)	411 990
Trade and other receivables	(2 133 704)	556 100	(2 130 052)	542 728
Trade and other payables	(954 868)	492 382	(1 024 368)	547 855
Cash utilised in operations	(8 961 044)	(143 068)	(10 156 960)	(144 798)

21.2 Acquisition and disposal of subsidiaries

On the 1 March 2005 the group acquired an additional 12,5% interest in Taung Diamond Mines Ltd taking the effective interest in the group to 50%. The purchase price of R 400 000.00 was paid in cash. The group also acquired an additional 50% in Pilanesberg Gold Holding (Pty) td for a consideration of R1 as well as an additional 50% in Tradepost 121 (Pty) Ltd for a consideration of R1 and disposed of its shareholding in Pure Diamonds Ltd on 1 March for a consideration of R1.

Effect of acquisitions and disposal.

The acquisitions and disposal had the following effect on the group's assets and liabilities.

	Acquisition	Disposal
	R	R
Inventories	396	(73 733)
Trade and other receivables	90 336	(36 745)
Cash and cash equivalents	7 784	(1 083)
Non- current liabilities	-	66 540
Trade and other payables	(98 516)	45 021
Net identifiable assets and liabilities	-	-
Consideration paid/(received), satisfied for cash	400 004	(1)
Cash acquired/(disposed) of	(7 784)	1 083
Net cash outflow	392 220	1 082



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

22. Identities of Related parties

The related parties are key personnel and management, subsidiaries and associates. All transactions with related parties are transacted at armslength at market related values:

22.1 Key management personnel

JR Rapoo, the Chairman, holds directorships in the following companies not controlled by Thabex:

Royal Bafokeng Resouces Ltd
 Bafokeng Investment Syndicate (Pty) Ltd
 Bohirima Industrial Holdings (Pty) Ltd
 Fabvest Investment Holdings Ltd
 Premier Foods Ltd
 Saminco Ltd

M Welthagen, the Chief Executive of Thabex Exploration Ltd, holds directorships and has a controlling shareholding in the following companies not controlled by Thabex:

Maxzon Fusion (Pty) Ltd
 Maxzon Investments (Pty) Ltd
 Miningweb (Pty) Ltd
 Pure Diamonds Ltd
 Saminco Ltd
 SA Mineral Investments (Pty) Ltd (Group Secretaries)
 Southern Mineral Brokers (Pty) Ltd

AP Roux holds a directorships in SA Mineral Investments (Pty) Ltd and Saminco Ltd companies not controlled by Thabex.

	Fees for services as director R	Basic salary R	Bonuses and performance-related payments R	Other material benefits R	Retirement benefits R	Commissions profit-share Arrangements R	Total R
2005							
Executive directors:							
M Welthagen	-	212 525	-	-	-	-	212 525
Non executive directors:							
JR Rappoo	-	-	-	-	-	-	-
JL Bosch	-	-	-	-	-	-	-
Prof DL Reid	-	-	-	-	-	-	-
AP Roux	-	-	-	-	-	-	-
Total	-	212 525	-	-	-	-	212 525

During 2005 the non-executive directors waived there rights to directors fees.

2006

Executive directors:							
M Welthagen	-	382 667	-	-	-	-	382 667
Non executive directors:							
JR Rappoo	50 000	-	-	-	-	-	50 000
JL Bosch	25 000	-	-	-	-	-	25 000
Prof DL Reid	25 000	-	-	-	-	-	25 000
AP Roux	25 000	-	-	-	-	-	25 000
Total	125 000	382 667	-	-	-	-	507 667

The Group has not awarded (2005: nil) share options to directors.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

Identities of related parties (continued)

	2006 R	2005 R
Material related party transactions		
Companies controls by Directors		
Southern Mineral Brokers (Pty) Ltd:		
Loan by Thabex	1 353 512	-
Purchase of polished diamonds by Thabex	1 016 185	-
SA Mineral Investments (Pty) Ltd:		
Secretarial fees rendered to Thabex	54 000	57 000
Consulting fees paid by Thabex in respect of Competent Persons Report	-	150 000
Maxzon Fusion (Pty) Ltd:		
Web hosting services paid by Thabex	13 263	27 380
Miningweb (Pty) Ltd:		
Website content management paid by Thabex	15 000	6 000
Maxzon Investments (Pty) Ltd:		
Website management services paid by Thabex	6 600	6 600

22.2 Subsidiaries

	Fees for services as a director R	Basic salary R	Bonuses and performance-related payments R	Other material benefits R	Retirement benefits R	Commissions profit-share Arrangements R	Total R
2005							
Executive directors:							
M Welthagen							
Pure Diamonds Ltd	-	19 000	-	-	-	-	19 000
Total	-	19 000	-	-	-	-	19 000
2006							
Executive directors:							
AB Takang							
Taung Diamond Mines Ltd	-	17 000	-	-	-	-	17 000
M Welthagen							
Thaba Egoli Mining & Exploration Ltd	-	1 000	-	-	-	-	1 000
Total	-	18 000	-	-	-	-	18 000



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

Identities of related parties (continued)

	Company		Group	
	2006 R	2005 R	2006 R	2005 R
22.2. Subsidiaries (continued)				
Included in interest in subsidiaries are loans owing to Thabex by the following companies (refer to note 25):				
Diamex JV (Pty) Ltd	786 661	217 791	-	-
Pilanesberg Gold Holdings (Pty) Ltd	284 950	-	-	-
Taung Diamond Minex Ltd	393 104	83 647	-	-
Tradepost 121 (Pty) Ltd	21 372	-	-	-
Thaba Egoli Mining and Exploration Ltd	2 566 217	1 748 978	-	-
Total	4 052 304	2 050 416	-	-
All loans to subsidiaries are interest free and repayable within 12 months. The loans to subsidiaries, except to Pilanesberg Gold Holdings (Pty) Ltd, have been impaired.				
22.3 Associates				
No director held a position in Abarawaki Investment Company (Pty) Ltd. M Welthagen is a director of Angel Diamonds (Pty) Ltd.				
23. Capital commitments				
Authorised:	4 500 000	-	4 500 000	-
Contracted for: Angel Diamonds (Pty) Ltd	-	-	-	-
Capital commitments are expected to be settled within the following financial year				

24. Contingent liabilities

Thaba Egoli Mining & Exploration Ltd ("Thaba Egoli") has a bank guarantee for R10 000 in place in terms of the requirements of the Environmental Rehabilitation Management Plan for this company's prospecting permit. Thaba Egoli has ceded a fixed deposit as security for the bank guarantee. The guarantee is unlikely to be called as Thabex Egoli has been rehabilitating the drill site areas as drilling progressed, resulting in a minimal expenses to be incurred at the end of the prospecting program on the Salt River Base Mineral Project area.

25. Modified audit reports of subsidiaries

The following financial statements of the subsidiaries of Thabex have modified audit reports to show emphasis of matter on going concern considerations: Diamex (Pty) Ltd, Taung Diamond Mines Ltd, Tradepost 121 (Pty) Ltd, Thabex Egoli Mining & Exploration Ltd.

Thabex has indicated that it will give financial support to all its subsidiaries and associates.

Thabex has subordinated its loan accounts in the following subsidiaries and associates: Diamex (Pty) Ltd, Taung Diamonds Mines Ltd, Tradepost 121 (Pty) Ltd and Thaba Egoli Mining & Exploration Ltd



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

26. Explanation of transition to IFRSs and other adjustments

As stated in note 1.1 of the accounting policies, these are the Group's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in the notes to the consolidated financial statements have been applied in preparing the financial statements for the year ended 28 February 2006, the comparative information presented in these financial statements for the year ended 28 February 2005 and in the preparation of an opening IFRS balance sheet at 1 March 2004 (the Group's date of transition). In preparing its opening IFRS balance sheet, the group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (Previous GAAP). An explanation of how the transition from previous GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

Note	Company			Group		
	Previous GAAP	Effect of transition to IFRS and other adjustment at 28 February 2005	IFRS's	Previous GAAP	Effect of transition to IFRS and other adjustment at 28 February 2005	IFRS's
Reconciliation of equity at 28 February 2005						
Assets						
<i>Non-current assets</i>	38 215	-	38 215	33 737	-	33 737
Mining assets and equipment	33 327	-	33 327	33 737	-	33 737
Interest in subsidiaries	4 888	-	4 888	-	-	-
Interest in associated companies	-	-	-	-	-	-
<i>Current assets</i>	21 017 137	(40 514)	20 976 625	21 158 347	(40 514)	21 117 833
Inventories	587 372	-	587 372	661 357	-	661 357
Trading investments	467 361	-	467 361	467 361	-	467 361
Trade and other receivables	53 469	-	53 469	105 995	-	105 995
Cash and cash equivalents	19 908 935	(40 514)	19 868 421	19 923 634	(40 514)	19 883 120
Total assets	21 055 352	(40 514)	21 014 838	21 192 084	(40 514)	21 151 570
Equity and liabilities						
<i>Capital and reserves</i>	13 329 008	4 375 994	17 705 002	13 329 008	4 375 994	17 705 002
Share capital	1 700 689	-	1 700 689	1 700 689	-	1 700 689
Share premium	17 202 741	-	17 202 741	17 202 741	-	17 202 741
Revaluation reserve	-	-	-	-	-	-
Retained loss	(5 574 422)	4 375 994	(1 198 428)	(5 574 422)	4 375 994	(1 198 428)
Minority interest	-	-	-	146	-	146
<i>Non-current liabilities</i>	-	-	-	66 540	-	66 540
<i>Current liabilities</i>	7 726 344	(4 416 508)	3 309 836	7 796 390	(4 416 508)	3 379 882
Trade and other payables	1 327 393	(40 514)	1 286 879	1 408 915	(40 514)	1 368 401
Provisions	2 022 957	-	2 022 957	2 011 481	-	2 011 481
Taxation	4 375 994	(4 375 994)	-	4 375 994	(4 375 994)	-
Total equity and liabilities	21 055 352	(40 514)	21 014 838	21 192 084	(40 514)	21 151 570



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

Explanation of transition to IFRSs (continued)	Company			Group			
	Previous GAAP	Effect of transition to IFRSs and tax adjustment at 28 February 2005	IFRS's	Previous GAAP	Effect of transition to IFRSs and tax adjustment at 28 February 2005	IFRS's	
	Note						
Reconciliation of profit for 2005							
Revenue		349 775	-	349 775	427 445	-	427 445
Cost of sales		(369 644)	-	(369 644)	(456 444)	-	(456 444)
Gross (loss)/profit		(19 869)	-	(19 869)	(28 999)	-	(28 999)
Other operating income		498 393	19 222 480	19 720 873	513 672	19 232 912	19 746 584
Exploration expenses		(57 766)	57 766	-	(66 361)	66 361	-
Administration expenses		(1 998 483)	-	(1 998 483)	(2084 524)	-	(2 084 524)
Other operating expenses	2	(2 054 604)	(87 907)	(2 142 511)	(1 976 732)	(96 502)	(2 073 234)
Operating (loss)/profit before finance income		(3 632 329)	19 192 339	15 556 010	(3 642 944)	19 202 771	15 559 827
Finance income		806 870	-	806 870	807 053	-	807 053
(Loss)/profit before taxation		(2 825 459)	19 192 339	16 366 880	(2 835 891)	19 232 771	16 366 880
Taxation	3	1 381 707	(1 381 707)	-	1 381 707	(1 381 707)	-
(Loss)/profit for the year		(1 443 752)	17 810 632	16 366 880	(1 454 184)	17 821 064	16 366 880
Reconciliation of cash flow for 2005							
Cash utilised in operations							
Operating (loss)/profit	2	(3 632 329)	19 192 339	15 560 010	(3 642 944)	19 202 771	15 559 827
<i>Adjusted for:</i>							
Depreciation		18 606	-	18 606	18 841	-	18 841
Provision for SARB settlement		2 000 000	-	2 000 000	2 000 000	-	2 000 000
Reversal of impairment losses		(145 152)	-	(145 152)	4 756	-	4 756
Provision for losses in associates		229 897	-	229 897	2 117	-	2 117
Profit on disposal of subsidiary	2	(30 141)	(19 192 339)	(19 222 480)	(30 141)	(19 202 771)	(19 232 912)
Cash flow from operation before working capital changes		(1 559 119)	-	(1 559 119)	(1 647 371)	-	(1 647 371)
Working capital changes							
Inventories		367 569	-	367 569	411 990	-	411 990
Trade and other receivables		556 100	-	556 100	542 728	-	542 728
Trade and other payables		532 896	(40 514)	492 382	588 369	(40 514)	547 855
		(102 554)	(40 514)	(143 068)	(104 284)	(40 514)	(144 798)

Explanation of material adjustments to equity

The group elected to adopt the cost model to account for mining assets. These assets were previously revalued on a regular basis. The transition to IFRSs did not result in any material adjustments to net equity at 1 March 2004. The change in accounting policy from revaluation of mineral and prospecting rights to the cost basis of accounting did not impact net equity at 1 March 2004 and 28 February 2005 due to these assets being impaired.

Note 1

Taxation on the sale of subsidiaries was previously incorrectly recorded as revenue in nature in the tax computation. The calculations have been revised to calculate the Capital Gains on the transactions and the tax charge adjusted accordingly.

Reconciliation of profit for 2005

Note 2

The increase in profit on sale of Platinexco is as a result of adopting the cost model for the valuation of both mining assets as well as investments in subsidiaries. This profit was previously reflected in the statement of changes in equity.

Note 3

The reversal of the taxation income is also as a result of the adoption of the cost model for the valuation of both mining assets as well as investments in subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2006

27. Standards and interpretations not yet effective

At 28 February 2006 there are Standards and Interpretations in issue that are not yet effective. The following Standards and Interpretations are applicable to the business of the entity and may have an impact on future financial statements:

IFRS 6 Exploration for and Evaluation of Mineral Resources

The group has chosen not to early adopt IFRS 6 Exploration for and Evaluation of Mineral Resources.

This standard applies to all entities engaged in exploration for and evaluation of oil and gas and mineral resources and provides guidance on how to account for exploration and evaluation expenditures. The statement is applicable to periods commencing on or after 1 January 2006

The group currently accounts for mineral resources at cost less accumulated amortisation and accumulated impairment losses, in terms of currently effective IFRS's.

Application of IFRS 6 will have the following impact:

- Exploration and evaluation expenses consisting of those expenses associated with the finding of a specific mineral resource will be capitalised as an intangible asset
- Capitalisation shall continue up until the point that the technical feasibility and commercial viability of extracting a mineral resource is demonstrable. The exploration and evaluation asset shall be reclassified as a mineral resource and accounted for either in terms of the cost model or revaluation model.
- The exploration and evaluation asset shall be assessed for impairment. Should there be an indication of this, any loss recognised shall be recognised before reclassification.
- The statement is applied retrospectively in terms of IAS 8 Accounting Policies, Change in Accounting Estimates and Errors

The group intends to recognise mineral resources in terms of the cost model on adoption of IFRS 6 for its next financial reporting period (year end 28 February 2007). This is expected to have no material impact on the group financial statements as mineral resources (currently classified under mining assets) have been impaired to nil for the 2006 financial reporting period as well as 2005 reporting period. (see note 2)



NOTICE OF ANNUAL GENERAL MEETING

This document is important and requires your immediate attention

If you are in any doubt about what action you should take, consult your stockbroker, attorney, banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in Thabex Exploration Ltd you should pass this document and the enclosed proxy form to the purchaser of such shares or the stockbroker, banker or other agent through whom the disposal was affected for transmission to the purchaser.



("Thabex" or "the Company")

(Registration number 1988/000763/06)

(Incorporated in the Republic of South Africa)

Young Lions Exploring Africa

www.thabex.com

e-mail info@thabex.com

ISIN code ZAE000013686

Listed on the JSE - Code TBX

Notice is hereby given that the seventeenth Annual General Meeting of members of Thabex Exploration Ltd will be held at KPMG Forum, 1226 Schoeman Street, Hatfield, Pretoria on Wednesday, 25 October 2006, at 10:00 for the following ordinary and special resolutions:

Ordinary resolutions

1. To authorise any Director or Alternate Director of the Company to sign all such documents and to do all such things as may be necessary for or incidental to the implementation of the following ordinary and special resolutions to be proposed at the Annual General Meeting.
- 2.. To receive, consider and adopt the audited annual financial statements of the Company for the year ended 28 February 2006.
3. To authorise the directors to determine and pay the auditors remuneration for the year ended 28 February 2006.

4. To re-elect AP Roux as director in accordance with the provisions of the Company's articles of association. An abridged CV of AP Roux is provided on page 4 of the annual financial statements for the period ended 28 February 2006.

5. To approve, in terms of articles 88 and 89 of the articles of association, the directors' remuneration as disclosed in the annual financial statements for the year ended 28 February 2006.

6. To renew the general authority of the directors to allot and issue all or any portion, subject to the provisions of the Companies Act, 1973, as amended, and the listing requirements of the JSE Ltd ("JSE"), of the remaining shares in the authorised but unissued share capital of the Company upon such terms and conditions as they may determine.

7. Resolved that, subject to ordinary resolution number 6 being passed, and subject to not less than 75% of the votes cast by those shareholders of the company present in person or represented by proxy and entitled to vote at this meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the company be and they are hereby authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Companies Act, 1973 (Act 61 of 1973), as amended, the articles of association of the company and the Listings Requirements of the JSE, provided that:

- 7.1 this authority is valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
- 7.2 any such issue will only be securities of a class already in issue, or limited



NOTICE OF ANNUAL GENERAL MEETING

to such securities or rights that are convertible into a class already in issue;

7.3 the shares will be issued only to the public shareholders as defined in the Listings Requirements of the JSE and not to related parties;

7.4 the number of shares issued for cash shall not in the aggregate in any one financial year exceed 10% (ten percent) of the company's issued share capital. The number of shares which may be issued shall be based on the number of shares in issue at the date of such application less any shares issued during the current financial year, provided that any shares to be issued pursuant to a rights issue (announced, irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were shares in issue at the date of application;

7.5 in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the issuer. The JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period;

7.6 that a paid press announcement giving full details including the impact on net asset value and earnings per share will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue.

In terms of the Listings Requirements on the JSE a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 7 for it to be approved.

Special resolution

As special resolution number 1

Resolved that the Board of Directors of the Company be hereby authorized, by way of renewal general authority to approve the purchase of its own shares by the Company, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, provided that:

This general authority shall be valid until Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;

- the ordinary shares be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counter party;
- an announcement complying with 11.27 of the Listings Requirements be published by the Company(i) when the Company and/ or its subsidiaries cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given ("the initial number") and (ii) for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;
- the repurchase by the Company and its subsidiaries of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the Company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the Company shall not exceed 10% in the aggregate of the number of issued shares of the Company;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately proceeding the date on which the transaction is effected;
- at any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
- the Company will after a repurchase of shares comply with the provisions of the Listings Requirements regarding shareholder spread;
- the Company and the subsidiary will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements); such repurchases will be subject to the Companies Act. The Company's Articles of Association and the Listings Requirements; and
- if the Company purchases its own shares from any wholly owned subsidiary of the Company for the purposes of canceling such treasury shares pursuant to this general authority, the provision of paragraph 2 above will not be applicable to such purchase transaction.

It is the intention of the Board of Directors to use this general authority should prevailing circumstances (including the tax dispensation and market conditions) warrant it in their opinion.



NOTICE OF ANNUAL GENERAL MEETING

The Company's directors undertake that they will not implement any such purchases while this general authority is valid, unless:

- the Company and its subsidiaries will be, in the ordinary course of business, able to pay its debts for a period of 12 months after the date of the notice of the annual general meeting at which this resolution is proposed ("the annual general meeting);
- the assets of the Company and its subsidiaries will exceed the liabilities of the Company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognized and measured in accordance with the accounting policies used in the Company's latest audited annual group financial statements;
- the Company and its subsidiaries will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
- the working capital of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- upon entering the market to proceed with the repurchase, Company's sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

Reason for and effect of Special Resolution Number 1

The reason for and the effect of the special resolution is to grant the Company's directors a general authority to approve the Company's repurchase of its own shares and to permit a subsidiary of the Company to purchase shares in the Company.

For the purposes of considering Special Resolution Number 1 and in compliance with 11.26 of the Listings Requirements, the information listed below has been included in the Annual Report, in which this notice of annual general meeting is included, at the places indicated:

Directors and management (pages 4, 20 and inside back cover);
 Major shareholders (page 18);
 No material changes (page 20);
 Directors' interests in securities (page 19);
 Share capital of the company (page 32);

The directors, whose names are set out on pages 4, 20 and the inside back cover of this report, collectively and individually accept full responsibility for the accuracy of the information contained in Special Resolution Number 1 and certify, to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the resolution contains all information required by law and the Listings Requirements;

Save for the legal proceedings stated on page 20, the company and the group are not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the company is aware that may have or have had in the previous 12 months, a material effect on the company's financial position.

And to transact any other business that may be transacted at an annual general meeting.

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and speak and vote in his stead. A proxy need not be a member of the Company. Proxy forms must reach the transfer secretaries, Link Market Services South Africa (Pty) Ltd, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) of the Company at least 48 hours before the time of holding the meeting excluding Saturdays, Sundays and Public Holidays.

Dematerialised shareholders, other than own name registered dematerialised shareholders, who wish to attend the annual general meeting or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary written authority to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her CSDP or broker in the manner and cut-off time stipulated therein.

By order of the board
 SA Mineral Investments (Pty) Ltd
 Company Secretaries
 Pretoria
 25 August 2006



SHAREHOLDERS' ANALYSIS

	Shareholders		Shares held	
	Number	%	Number	%
Shareholder spread				
I - 1000 shares	307	62.02	125 049	0.74
I 001 - 10 000 shares	108	21.82	480 485	2.83
10 001 - 100 000 shares	62	12.53	1 849 284	10.87
100 001 - 1 000 000 shares	14	2.83	4 555 892	26.79
1 000 001 - shares and more	4	0.80	9 996 177	58.78
	495	100.00	17 006 887	100.00
Distribution of shareholders				
Individuals	404	81.62	5 189 385	30.51
Investment companies & trusts	79	15.96	9 982 636	58.70
Banks and nominee companies	12	2.42	1 834 866	10.79
	495	100.00	17 006 887	100.00
Public/Non-public shareholders				
Public	487	98.38	8 122 279	47.76
Non-public	8	1.62	8 884 608	52.24
Directors of Thabex	5	1.01	535 520	3.15
Associates of directors				
Holding 10% and more	3	0.61	8 349 088	49.09
	495	100.00	17 006 887	100.00

SHAREHOLDERS' DIARY

Annual general meeting	25 October 2006
Interim report	25 November 2006
Annual report 2007 financial year	25 May 2007



FORM OF PROXY THABEX EXPLORATION LIMITED

Only for use by certificated shareholders and own name registered dematerialised shareholders



**Thabex
Exploration
Limited**

(Incorporated in the Republic of South Africa)
(Registration number 1988/000763/06)
("Thabex" or "the Company")
ISIN code ZAE000013686
Listed on the JSE - Code TBX

For use at the annual general meeting of members of the Company, to be held at KPMG Forum, 1226 Schoeman Street, Hatfield, Pretoria at 10:00 on Wednesday, 25 October 2006.

I/We _____ of
(address) _____
_____ being the
registered holders of _____ ordinary shares in the Company,
do hereby appoint

1 _____ or failing him

2 _____ or failing him

3 the chairperson of the annual general meeting, as my/our proxy to act for me/us at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote on the ordinary and special resolutions in respect of the ordinary shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions
(see note 2):

Ordinary resolutions	Number of votes (one vote per share)		
	In favour	Against	Abstain
1. To authorise signature of documents			
2. Adoption of financial statements			
3. To approve Auditors remuneration			
4. Re-election of director: AP Roux			
5. To approve directors' fees			
6. To place the unissued shares under control of the directors			
7. General approval to issue shares for cash			
Special resolution			
1. Repurchase of shares by Thabex and its subsidiaries.			

Insert an "X" in the relevant space above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of less than all the shares that you own in the Company, insert the number of ordinary shares held in respect of which you desire to vote. Unless otherwise instructed my/our proxy may vote as he/she thinks fit.

Signed at _____ on _____ 2006

Signature _____

Assisted by me (where applicable) _____

Each member is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.



NOTES

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the member. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the members' votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

3. Forms of proxy must be received at the Company's transfer secretaries, Link Market Services South Africa (Pty) Ltd, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Monday, 23 October 2006.

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the annual general meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

8. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the member wishes to vote.

9. Dematerialised shareholders who wish to attend the annual general meeting or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary written authority to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her CSDP or broker in the manner and cut-off time stipulated therein.



Rough diamond sorting – related party Southern Mineral Brokers (Pty) Ltd



Kolo-Ha-Petlane Kimberlite pipe – blasted Kimberlite



DIRECTORATE AND ADMINISTRATION

DIRECTORS

JR Rapoo

(non-executive Chairman)
B Comm (Accounting) Hons B Compt

M Welthagen

(Chief Executive) P Eng (Int) MEng (Mining)
MPhil (Mineral Economics) BComm Hons (Economics)
MECSA MSAIMM FGSSA MPDAC

JL Bosch

(Non-executive) MSc (Geology) PrSciNat MGSSA

AP Roux

(Non-executive) BAgric

Prof DL Reid

(Non-executive) DPhil (Geochemistry) MSc (Geology)
BSc Hons (Geology) PrSciNat MGSSA FSEG

SECRETARIES

SA Mineral Investments (Proprietary) Ltd
(Registration no 1981/004619/07)
51 Austin Street Northcliff Johannesburg 2195

REGISTERED OFFICE

KPMG Forum 1226 Schoeman Street Hatfield Pretoria 0028

BROKERS

PSG Online Securities Ltd (Member of the JSE Securities Exchange
South Africa) (Registration no 1996/000509/06) Cascade House Constantia Park
c/o 14th Avenue & Hendrik Potgieter Drive Weltevreden Park 1709

TRANSFER SECRETARIES

Link Market Services South Africa (Pty) Ltd
(Registration no 2000/007239/07)
11 Diagonal Street Johannesburg 2001

SPONSOR

PSG Capital Ltd (Registration no 1998/017396/06)
1st Floor Old Kollege 35 Kerk Street Stellenbosch 7600

AUDITORS

KPMG Inc. (Registration no 1999/021543/21)
KPMG Forum 1226 Schoeman Street Hatfield Pretoria 0028

COMMERCIAL BANKERS

First National Bank of Southern Africa Ltd
(Registration no 1971 /009695/06) Johannesburg Branch
80 Market Street Johannesburg 2001

LAWYERS

Brink Cohen Le Roux Inc (Registration no 1993/004501/21)
BCLR House 19 West Street Houghton Johannesburg 2198

STRATE

STRATE Ltd (Registration no 1998/022242/06)
5th Floor One Exchange Square 2 Gwen Lane Sandown 2196

OPERATIONS OFFICE

Ground Floor Keystone House Stonemill Office Park
171 Republic Road Darrenwood Randburg 2194

POSTAL ADDRESS

PO Box 3899 Northcliff Johannesburg 2115

TELEPHONE NUMBER

0860 THABEX (0860 84 2239)
+27 (0)11 459 6600

FAX NUMBER

+27 (0)11 459 6606

WEBSITE ADDRESS

www.thabex.com

E-MAIL ADDRESS

info@thabex.com

SHARE CODES

ISIN code ZAE000013686 JSE code TBX



young lions exploring africa