

Cape Diamonds Plc

Interim results for the six months ended 31 December 2007 (unaudited)

1 April 2008

Cape Diamonds Plc (AIM: CAPE), the diamond producing company with diamond assets in the Republic of South Africa, today reports its unaudited interim results for the six months ended 31 December 2007.

Operational update - July to December 2007

- Mining activities have mainly focused on ore exposure in the Leicester pit; 343,203 tonnes of ore and 902,490 tonnes of waste were mined.
- Both the Leicester and Russel pits have been constructed to ensure a continuous supply of ore to the Dense Medium Separation plant (“DMS”) when the plant reaches full production.
- For the Russel pit, based on drilling results from the exploratory phase, a final industry software Surpac mining model from company Gencom is now in progress.
- Geological information is currently limited to indicated / inferred resources. Based on results obtained from 6,800 metres of exploratory drilling to date and planned DMS production up to June 2008, a new geological model will be produced for the mine site. A revised evaluation of ore resources and conversion to reserves will then be produced.
- Ore treated by the pan plant from July to September 2007 totalled 161,410 tonnes from which 1,215 carats of diamonds were recovered.
- The first phase pan plant remained operational until September 2007. The pan plant was then shut down as it proved not to be commercially viable and because the electrical supply used at the pan plant was required for the start-up of the new DMS plant.
- The DMS plant was commissioned by the end of October 2007; the sort-house is currently under construction and an interim grease table recovery plant has been implemented to facilitate diamond recovery.
- The operation of the DMS plant was severely affected by electrical power interruptions during cold commissioning in November and December 2007 to the extent that production was halted in mid-December 2007.
- Typical problems experienced with power interruptions include ferrosilicon losses, burnt electric motors (stop/start), conveyor belts tearing, choked slimes lines and long standing times to rectify unplanned stoppages.
- Following on from the power interruptions, a “force majeure” was declared in January 2008 which has included halting the mining contractor’s, Altivex, on-mine activities.
- Options to overcome the interruptions to the electrical power supply were evaluated and stand-by generator sets (“gen-sets”) were ordered; the first of which was delivered in February 2008.
- Following on from the installation of generator sets, the DMS ramp-up production has been revised to 50,000, 80,000 and 150,000 tonnes respectively for March, April and May 2008 respectively.
- The DMS is expected to reach full production capacity of 200,000 tonnes of ore and internal kimberlite waste per month from June 2008 onwards.

Interim result highlights

- Turnover of £0.3 million (2006: £0.6 million)
- Loss of £1.7 million (2006: £1.4 million)
- In December 2007, the Company agreed with Industrial Development Corporation (“IDC”) a further financing facility of £2.1 million (Rand 30 million) of which £0.4 million (R5.1 million) has been drawn down since 31 December 2007.

An additional £2.85million (net of share issue costs) has been raised through the issue of 10 million ordinary shares in December 2007.

We are pleased to announce the appointment of Mr David Gadd-Claxton, aged 50, as Chief Executive Officer of the Company with immediate effect.

David is very familiar with the mining environments in Southern Africa and has been on the Board of a number of AIM quoted companies. David held the positions of President and Chief Executive Officer of Sierra Leone Diamond Company Limited since 2005. David was formerly CEO and then President of Diamond Exploration and Production for African Minerals Limited, and held the position of Chief Operating Officer of Petra Diamonds Limited between July 2002 and June 2004.

David spent four and a half years as Vice President of SouthernEra Resources Ltd, a Canadian diamond and platinum miner and was responsible for the building of both the Klipspringer and Marsfontein diamond mines.

David is a mining engineer with more than 25 years experience in the mining industry. He has extensive experience in both underground and open-pit mining in the gold, coal and diamond industries. He worked for De Beers Consolidated Mines for a number of years and participated in the Venetia mine project and has developed expertise in large underground diamond mines such as Finch, Kimberley and Koffiefontein.

Mr Manie Silver, has resigned from the position of Chief Executive Officer of the Company, with effect from close of business on 28 March 2008.

Mr M A Alikhani resigned from the Board with effect from 22 February 2008 following which Dr Anna T M Mokgokong has been appointed acting Chairperson.

Commenting on the results, Dr Anna T M Mokgokong, Chairperson of Cape Diamonds, said:

“The generator set installed at the end of February 2008 was commissioned successfully and proved to have sufficient capacity to power the whole plant including the crushing circuit. This was proved by operating the plant solely on generator power for the greater part of March. With the power situation resolved and the DMS fully operational by June 2008, we will be in a position to update the resource summary.”

31 March 2008

Chairperson's Statement

I am pleased to report the unaudited results of Cape Diamonds Plc ("Cape Diamonds") for the six month period ended 31 December 2007.

Matters of significance during the six months related mainly to the commissioning of the DMS plant at the end of October 2007 and consequent disruption of production outputs following electrical power supply interruptions towards the end of 2007. As a result of these interruptions, the mine was placed on care and maintenance until March 2008 when it returned to operation. During this period mining activity by the contractor was halted, and standby-generator sets were sourced to bridge the impact of power supply to the plant. The first generator was delivered in February 2008 and production ramp-up commenced from March 2008 onwards.

Unaudited interim results for the six months ended 31 December 2007

The interim results show a loss before taxation of £1.9 million compared with a loss of £2.5 million for the corresponding period in the prior year. A deferred tax credit of £0.2 million (2006: £1.1 million) has been recognised on development costs and losses.

Outlook

The DMS plant is now commissioned and electrical power supply interruptions are not expected to recur from the end of February 2008. The period from March to June 2008 will be used to fine-tune the DMS plant to reach 200,000 tonnes full production capacity. In addition, this period will be critical as a new Competent Persons' Report ("CPR") will be produced.

Financing

In December 2007, the Company agreed a further financing facility of £2.1 million (Rand 30 million) with the IDC Bank. £0.4 million (R5.1 million) of this facility has been drawn down post December 2007.

The Board believes that it is necessary to give the Company the ability to raise further funds, to counter the risk that production from DMS plant is delayed or at lower volumes or grades than expected. The Company has obtained the authority to issue up to 17 million additional ordinary shares on a pre-emptive basis to facilitate raising further finance through the issue of shares.

Going concern basis

The Group was loss making in the current period, recording a loss of £1.9 million. In addition, the nature of the Group's business is such that there is significant reliance on the DMS plant at the Elandsplaagte mine reaching full capacity by June 2008.

The Directors' assumption over the timing of the DMS plant reaching full capacity is crucial to the Group meeting its forecast cashflows for the next 12 months from the date of this report. Should the full commissioning of the DMS plant be delayed or the expected levels of production not be reached there may be insufficient cashflow for the Group to manage its day to day operations without seeking and relying on further financing, which may or may not be available. Therefore there is a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Due to electrical power supply interruptions, the mine was placed on care and maintenance until March 2008 when it returned to operation. During this period mining activity by the contractor was halted, and standby-generator sets were sourced to bridge the impact of power supply to the plant. The first generator was delivered in February 2008 and production ramp-up commenced from March 2008 onwards. The generator set installed at the end of February 2008 was commissioned successfully and proved to have sufficient capacity to power the whole plant including the crushing circuit. This was proved by operating the plant solely on generator power for the greater part of March.

With the power situation resolved and the DMS plant tested, the Board is confident that the DMS will be fully operational and be in full production in June 2008.

After making enquiries, the Directors have formed a judgement, at the time of approving the interim financial information, that there is a reasonable expectation that the Group can access adequate resources to continue in operation and remain in existence for the foreseeable future. This assumes that these resources include the Group's ability to raise further funds if the production from the plant is delayed or does not meet forecast expectations. The Directors have the approval of the shareholders to issue a further 17 million shares on a pre-emptive basis.

For these reasons the Directors continue to adopt the going concern basis in preparing the interim results.

Resource

The resource summary as shown in the Admission Document dated 22 May 2006 will be updated following ramp up completion in June 2008.

Dr Anna T M Mokgokong
Chairperson
31 March 2008

Enquiries to:

Cape Diamonds Plc
Sharon Sasson

+ 972 52 272 7394

Oren Lubow

+ 972 54 332 0908
www.capediamonds.com

W.H. Ireland
Tim Cofman-Nicoresti

+44 (0)121 265 6330

Consolidated income statement

		Six months ended 31-Dec 2007 Unaudited £	Six months ended 31-Dec 2006 Unaudited £
Revenue	4	305,690	607,787
Mining expenses		(861,988)	(1,975,145)
Gross loss		<u>(556,298)</u>	<u>(1,367,358)</u>
Other operating income		86,000	21,767
Administrative expenses		(591,658)	(1,038,884)
Other operating expenses		(671,528)	(257,961)
Operating loss		<u>(1,733,484)</u>	<u>(2,642,436)</u>
Investment income		38,470	141,935
Finance costs		(244,781)	(3)
Loss before taxation		<u>(1,939,795)</u>	<u>(2,500,504)</u>
Taxation	5	249,265	1,134,465
Loss for the period		<u>(1,690,530)</u>	<u>(1,366,039)</u>
Attributable to:			
Equity holders of the parent	7	(1,437,943)	(1,366,039)
Minority interest	7	(252,587)	-
		<u>(1,690,530)</u>	<u>(1,366,039)</u>
Loss per share			
Basic and diluted	6	4.16p	4.15p

The above results relate to continuing operations.

Consolidated statement of recognised income and expense

	Six month period ended 31 December 2007 Unaudited £	Six month period ended 31 December 2006 Unaudited £
Exchange differences on translation of foreign operations	187,339	(159,198)
Loss for the period	(1,690,530)	(1,366,039)
Total income and expense recognised	(1,503,191)	(1,525,237)
Attributable to:		
Equity holders of the parent	(1,250,604)	(1,525,237)
Minority interest	(252,587)	-
	(1,503,191)	(1,525,237)

Consolidated balance sheet

	Notes	As at 31 December 2007 Unaudited £	As at 31 December 2006 Unaudited £
Non-current assets			
Property, plant and equipment		52,314,897	42,932,022
Investment – insurance policy Sanlam (S Africa)		108,207	-
Deferred tax		185,837	1,815,589
		<hr/>	<hr/>
		52,608,941	44,747,611
		<hr/> <hr/>	<hr/> <hr/>
Current assets			
Diamond stock		29,764	240,376
Trade and other debtors		632,999	1,500,444
Cash and cash equivalents		3,208,650	3,239,143
		<hr/>	<hr/>
		3,871,413	4,979,963
		<hr/>	<hr/>
Total assets		56,480,354	49,727,574
		<hr/> <hr/>	<hr/> <hr/>
Current liabilities			
Trade and other payables		(2,854,722)	(1,458,304)
Provisions		(38,974)	(50,440)
		<hr/>	<hr/>
		(2,893,696)	(1,508,744)
		<hr/>	<hr/>
Net current assets		977,717	3,471,219
		<hr/>	<hr/>
Non-current liabilities			
Long term liability – IDC loan		(3,120,014)	-
Provisions		(298,134)	(193,313)
Deferred tax		(10,009,142)	(10,009,142)
		<hr/>	<hr/>
		(13,427,290)	(10,202,455)
		<hr/>	<hr/>
Total liabilities		(16,320,986)	(11,711,199)

Net assets		<u>40,159,368</u>	<u>38,016,375</u>
Equity			
Share capital	7	4,459,605	3,299,605
Share premium	7	28,244,541	25,089,041
Translation reserve	7	(28,566)	(267,354)
Retained earnings	7	3,048,380	9,895,083
		<u>35,723,960</u>	<u>38,016,375</u>
Equity attributable to equity holders of the parent	7	35,723,960	38,016,375
Minority interest	7	4,435,408	-
		<u>40,159,368</u>	<u>38,016,375</u>
Total equity		<u>40,159,368</u>	<u>38,016,375</u>

Consolidated cash flow statement

		Six month period ended 31 December 2007 Unaudited £	Six month period ended 31 December 2006 Unaudited £
Net cash outflow from operating activities	Notes 8	(174,758)	(4,208,602)
Investing activities			
Interest received		38,470	141,935
Pre-production development costs		(1,996,653)	(2,258,142)
Acquisition of property, plant and equipment		(2,454,110)	-
Investment – insurance policy Sanlam (S Africa)		57,037	-
		<hr/>	<hr/>
Net cash used in investing activities		(4,355,256)	(2,116,207)
Financing activities			
Proceeds on issue of shares	7	3,000,000	17,500
Share issue costs	7	(150,000)	-
Loan received - IDC		1,874,116	-
Interest paid		(244,781)	-
		<hr/>	<hr/>
Net cash from financing activities		4,479,335	17,500
Net decrease in cash and cash equivalents		(50,679)	(6,307,309)
Cash and cash equivalents at 1 July 2007		3,013,191	9,731,664
Effect of foreign exchange rate changes		246,138	(185,212)
		<hr/>	<hr/>
Cash and cash equivalents at 31 December 2007		3,208,650	3,239,143
		<hr/> <hr/>	<hr/> <hr/>

Interim results for the six months ended 31 December 2006 (unaudited)

Notes to the financial information

1. General information and accounting policies

Cape Diamonds Plc is a company incorporated in the United Kingdom under the Companies Act 1985. It was incorporated on 25 March 2004 under the name of Dominion Mining Plc and changed its name to Cape Diamonds Plc on 26 January 2006.

This announcement is for the unaudited interim results for the six month period ended 31 December 2007.

The interim results including all comparatives have been prepared using the accounting policies consistent with the audited financial statements for the year ended 30 June 2007.

This financial information is presented in pounds sterling. The currency of the primary economic environment in which the group operates is South African Rand ("R").

The R/£ exchange rates for the period are as follows:

	Six months ended 31 December 2007	Six months ended 31 December 2006
Period end rate	13.69	13.82
Average rate for period	14.14	13.74

2. Basis of accounting

The accounting policies for the interim financial information are consistent with those applied in the preparation of the audited financial statements for the year ended 30 June 2007, which were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

This financial information has been prepared on a historical cost basis, except for certain financial instruments which are carried at fair value in accordance with IFRS.

The financial information of the subsidiaries is prepared for the same reporting period as the parent company, using consistent accounting policies.

IFRS 7 Financial Instruments: Disclosures will be adopted for June 2008 statements and is not mandatory for interim financial information.

3. Interim results for the six month period ended 31 December 2007 (unaudited)

The financial information presented for the interim period covers the period from 1 July 2007 to 31 December 2007. The comparative figures cover the period from 1 July 2006 to 31 December 2006.

The financial information set out in the interim report is unaudited.

This announcement was approved by the Board of Directors of the Company on 31 March 2008.

4. Revenue

Revenue for the six month period ended 31 December 2007 of £305,690 (2006: £607,787) comprises the sale of diamonds in the South African market which is the Group's only segment.

5. Current Tax - Group

	Six month period ended 31 December 2007 Unaudited £	Six month period ended 31 December 2006 Unaudited £
Current tax		
- UK corporation tax	-	-
- South African tax	-	-
Deferred taxation - South Africa	249,265	1,134,465
Total tax credit	<u>249,265</u>	<u>1,134,465</u>

The current tax credit is significantly different to the statutory tax charge due to non-deductible expenses, timing differences and tax losses not recognised.

6. Loss per share

From continuing operations:

The calculation of the basic and diluted loss per share is based on the following data:

	Six month period ended 31 December 2007 Unaudited £	Six month period ended 31 December 2006 Unaudited £
Earnings		
Loss for the purposes of basic and diluted loss per share being share attributable to equity holders of the parent	(1,437,943)	(1,366,039)
Statutory number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	34,596,053	32,910,999
Effect of dilutive potential ordinary shares: Share warrants	4,739,150	4,569,150
Weighted average number of ordinary shares for the purpose of diluted earnings per share	39,335,203	37,480,149
Basic and diluted loss per share	4.16p	4.15p

The outstanding share warrants are anti-dilutive as the Group made a loss during the current and prior periods.

7 (a) Statement of change in equity for the six month period ended 31 December 2006

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Minority interest £	Total £
At 1 July 2006	3,282,105	25,089,041	(42,924)	10,827,197	-	39,155,419
Net loss for the period	-	-	-	(1,366,039)	-	(1,366,039)
Shares issued	17,500	-	-	-	-	17,500
Share-based payments	-	-	-	368,694	-	368,694
Exchange differences on translation of overseas operations	-	-	(224,430)	65,231	-	(159,199)
At 31 December 2006	<u>3,299,605</u>	<u>25,089,041</u>	<u>(267,354)</u>	<u>9,895,083</u>	<u>-</u>	<u>38,016,375</u>

(b) Statement of change in equity for the six month period ended 31 December 2007

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Minority interest £	Total £
At 1 July 2007	3,459,605	26,394,541	(215,906)	4,259,047	4,687,995	38,585,282
Net loss for the period	-	-	-	(1,437,943)	(252,587)	(1,690,530)
Shares issued	1,000,000	2,000,000	-	-	-	3,000,000
Share issue expenses	-	(150,000)	-	-	-	(150,000)
Exchange differences on translation of overseas operations	-	-	187,340	-	-	187,340
Share-based payments	-	-	-	227,276	-	227,276
At 31 December 2007	<u>4,459,605</u>	<u>28,244,541</u>	<u>(28,566)</u>	<u>3,048,380</u>	<u>4,435,408</u>	<u>40,159,368</u>

- (c) The translation of the Group's foreign operations to the functional currency at each balance sheet gives rise to a foreign exchange difference that is initially recorded as a separate component of the equity in the translation reserve. This reserve is recognised in the income statement on the disposal of the foreign operation.

8. Notes to the cash flow statement

	Six months ended 31 December 2007 Unaudited £	Six months ended 31 December 2006 Unaudited £
Operating loss from continuing operations	(1,733,484)	(2,642,436)
Adjustments for:		
Depreciation of property, plant and equipment	285,377	166,816
Increase/(decrease) in provisions	102,287	(3,104)
Share-based payments	227,276	368,692
Net foreign exchange (gain)/loss	(423,314)	370,767
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(1,541,858)	(1,739,265)
Decrease / (increase) in stock	118,779	(198,275)
Decrease/(increase) in receivables	764,234	(1,096,020)
Increase / (decrease) in payables	484,087	(1,175,042)
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(174,758)</u>	<u>(4,208,602)</u>

Included in the operating loss above is an amount of £212,638 owed by Prema Mining (Proprietary) Limited, a previous shareholder of Golden Falls, which has been provided for in the period.

9. Events after the balance sheet date

An additional IDC loan facility for £2.1 million (R30 million) was agreed in December 2007 to finance the expenditure on the new DMS of which £0.4 million (R 5.1 million) was drawn down post 31 December 2007.

Mr Manie Silver resigned with effect from 28 March 2008 with severance payment payable representing three months' salary and totalling £30,000.

10. Going concern

The Group was loss making in the current year, recording a loss of £1.7 million. In addition, the nature of the Group's business is such that there is significant reliance on the DMS plant at the Elandslaagte mine reaching full capacity by June 2008.

The Directors' assumption over the timing of the DMS plant reaching full capacity is crucial to the Group meeting its forecast cashflows for the period ending 31 December 2008. Should the full commissioning of the DMS plant be delayed or expected levels of production or grade recoveries not be reached there may be insufficient cashflow for the Group to manage its day to day operations without seeking and relying on further financing, which may or may not be available. Therefore there is a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Due to electrical power supply interruptions, the mine was placed on care and maintenance until March 2008 when it returned to operation. During this period mining activity by the contractor was

halted, and standby-generator sets were sourced to bridge the impact of power supply to the plant. The first generator was delivered in February 2008 and production ramp-up commenced from March 2008 onwards. The generator set installed at the end of February 2008 was commissioned successfully and proved to have sufficient capacity to power the whole plant including the crushing circuit. This was proved by operating the plant solely on generator power for the greater part of March.

With the power situation resolved and the DMS plant tested, the Board is confident that the DMS will be fully operational and be in full production in June 2008.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial information, that there is a reasonable expectation that the Group can access adequate resources to continue in operation and remain in existence for the foreseeable future. This assumes that these resources include the Group's ability to raise further funds if the production from the plant is delayed or does not meet forecast expectations. The Directors have obtained the approval of the shareholders to issue a further 17 million shares when required. In addition, the Directors consider that there are various costs in relation to the mining activities which could be deferred without an adverse impact on the operations.

For these reasons the Directors continue to adopt the going concern basis in preparing the financial information.

INDEPENDENT REVIEW REPORT TO CAPE DIAMONDS PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises the income statement, the balance sheet, the statement of changes in equity, recognised income and expense, the cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Emphasis of matter – Going concern

Without qualifying our conclusion, we draw attention to the disclosures made in note 10 to the financial information concerning the Group's ability to continue as a going concern which would depend on full commissioning of the DMS plant on a timely basis and the expected levels of production of the plant being met, or alternatively, on obtaining additional financing if the plant is delayed further or underperforming. This, along with other matters as set forth in note 10, indicates the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern. The interim financial information does not include adjustments that would result if the Company of the Group was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

31 March 2008

London, UK