

Date: 1 November 2006
On behalf of: Cape Diamonds Plc ('Cape Diamonds' or the 'Company')
Embargoed until: 0700hrs

Cape Diamonds Plc AGM Statement

- **Installation and implementation of crushing and screening system**
- **Commencement of commercial production**
- **Appointment of Finance Director at trading subsidiary**

Cape Diamonds Plc (AIM: CAPE), the diamond producing company with diamond assets in the Republic of South Africa, will provide the following update regarding progress at its Elandslaagte diamond mine at its AGM to be held at 10am this morning.

“Cape Diamonds’ Elandslaagte mine, which is operated by its trading subsidiary, Golden Falls Mining (Pty) Limited, is based on a diamondiferous kimberlite pipe system and consists of three pits – Leicester, Russel and Balmoral. Mining activity is currently concentrated in the Leicester pit. Since flotation, this pit has been dewatered and drilling and blasting has facilitated access to higher-grade blocks of ore.

“The interim development plan to upgrade the equipment on site, as outlined at the time of Admission to AIM, is progressing on schedule. A new pan-based crushing and screening system, acquired utilising funds raised at the time of the AIM listing, has been installed and eight rotary pans are now in operation. Diamond recoveries are currently being achieved in line with management’s expectations.

“The Company’s full development plan is progressing well ahead of the Board’s original expectations and contracts for a 200,000 tonne dense medium separation plant and a main electrical substation have been awarded. Civil engineering work has already commenced, with planned completion of the plant in Q3 2007. When fully commissioned this equipment, together with the pan plant, is expected to increase production to 300,000 tonnes of ore per month. Currently 50,000 tonnes of ore per month is being processed, which is expected to increase to 130,000 tonnes per month by the end of November 2006. The acceleration of the full development plan is anticipated to improve the Company’s cash flow position.

“Following the phased commissioning of the eight rotary pan plants and the crushing and screening system, a total of 706.35 carats has been recovered. The company has a total inventory of 1,180 carats. The largest diamond recovered since the September startup was 23.15 carats, which has an estimated value of US\$800 per carat. Three further stones of between 8 and 10 carats have an estimated value of US\$3,500 per carat. These estimated values have been provided by the Company’s Marketing & Sales Department. 22.66% of total production during this period represented a recovery size of larger than 5 carats with an estimated value of US\$1,150 per carat. Average recovery to date has been 6.07 carats per hundred ore tonnes and the average estimated value of the 706.35 carats recovered since September is US\$400 per carat.

“The planned exploration programme continues at all three pits. In particular, drilling and sampling results from the Balmoral kimberlite pipe are being evaluated to update the geological model of the

pit. The Board will provide shareholders with a further update on the exploration programme when further geological data has been obtained and fully evaluated.

“A finance director has been appointed at Golden Falls, Cape Diamond’s trading subsidiary in South Africa. Petrus Jacobus (“Peet”) Bierman joins from Sasol Petroleum International, where he held the position of Financial Manager at the Rosebank business in Johannesburg. During his career Peet has worked in various financial roles at the South African Board of Standards (SABS), Telkom SA Ltd, Sasol Industries and South African Transport Services. He is a member of the South African Institute of Chartered Accountants as an Associated General Accountant (AGA) and a graduate of the Executive Programme at Stanford University, Graduate School of Business, California, USA.

“Finally, we have recently received clarity on royalty rates and the export levy to be imposed on rough diamond exports from South Africa. The South African Cabinet has approved a second draft of the Mineral and Petroleum Resources Royalty Bill, which proposes a royalty rate of 5% on unpolished natural diamonds, down from 8% in the original draft. The Diamond Export Levy Bill was also approved, proposing a reduction of the levy from 15% to 5%. Assuming this Bill is passed by Parliament this represents further good news for the Group and the mining industry in South Africa.”

- Ends -

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Notes to Editors:

- Cape Diamonds was established in March 2004 to capitalise upon the opportunity to acquire diamond assets in the RSA
- The Company began trading on AIM in May 2006
- In 2004 the company acquired a 74.4pc stake in the Elandsplaagte mine, RSA, an existing mining operation on a diamondiferous kimberlite pipe system
- Since 1896 approximately 30,000 carats of diamonds have been extracted from the Elandsplaagte mine
- The Project currently has indicated and inferred diamond resources of 1.25 million carats with considerable upside potential from established kimberlite deposits