

Company Cape Diamonds
TIDM CAPE
Headline Agreement with KMG
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Cape Diamonds PLC
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Cape Diamonds Plc ("Cape Diamonds" or the "Company")

Agreement with KMG Diamonds Resources Plc

30 May 2008

The Company is pleased to announce that it has signed an agreement with KMG Diamond Resources Plc ("KMG") to acquire the entire issued share capital of its operating subsidiary KMG Diamond Resources (Pty) Limited ("KMG (SA)"). KMG (SA) operates two mines located in the Kimberley area of South Africa, namely the Frank Smith Mine and the Loxton Dal Mine, the latter being a producing mine.

The consideration for the acquisition will be the issue of ordinary shares by Cape Diamonds, such number of ordinary shares to be determined by the independent valuation of the net assets of Cape Diamonds and KMG (SA) by a mutually agreed independent consultant, to reflect the respective values of the net assets of Cape Diamonds and KMG (SA) as at 27 June 2008.

Completion of the acquisition is conditional upon approval by Cape Diamonds shareholders and re-admission of the enlarged share capital to trading on AIM.

The acquisition may constitute a reverse takeover under the AIM Rules for Companies and therefore the Company has requested a suspension in the trading of its ordinary shares on AIM pending publication of an admission document.

David Gadd-Claxton, Chief Executive Officer of Cape Diamonds commented:

"Synergies resulting from the acquisition will enhance the fundamental base value of Cape Diamonds which increases the growth potential of the enlarged group. The consolidation of resources sees Cape Diamonds entering a particularly exciting growth phase".

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