

Cape Diamonds - Production Update

Cape Diamonds PLC

Date: 15 October 2007

On behalf of: Cape Diamonds Plc ('the Company')

Cape Diamonds Plc
Production Update

Cape Diamonds Plc (AIM: CAPE), the diamond producing company with diamond assets in the Republic of South Africa, announces a production update to shareholders:

Golden Falls Mining, Cape Diamond's South African subsidiary, is currently recovering good gem quality stones. Included in the latest recoveries is a 23.66 carat gem quality stone that was evaluated by Ernest Blom, at US\$8,000 per carat. The Company has an additional 1184 carats in our evaluation office in Johannesburg, under the supervision of Ernest Blom. The latest parcel, including the 23.66 carat stone is US\$630 per carat. The evaluation price is not necessarily the selling price. On sales, the actual price achieved for the 23.66 carat diamond was US\$8,000 per carat. The total parcel was sold at US\$569.02 per carat. This was slightly lower than the evaluated price but still above US\$500 per carat.

The Company announced in its AGM statement on 26 July 2007 that the DMS plant would be fully operational from October 2007. The DMS plant has now been fully commissioned, however, due to heavy rainfall at Elandslaagte the start up of the plant was delayed by approximately 10 days. It is expected that the commencement of this operation will occur before the end of October 2007.

The quality of the ore extracted at the Elandslaagte site has improved, the current available information has allowed the Company to upgrade its geological model with an advanced mine planning scheduling programme. New mining plans - a 3 month plan, a 12 month plan and a 36 month plan - have been completed and form part of the future mining strategy. This work has been completed by an independent company under instruction from the Board substantiating the accuracy of the mine plans.

Based on current production of the rotary pan system, and the introduction of crushing, screening and the DMS plant with state of the art final recovery, it is expected that production will escalate dramatically from the current 50,000 tonnes per month to 200,000 tonnes per month over a six month period.

The micro diamond count and heavy mineral count as well as the exploration drilling on the Leicester pipe is progressing well and the Company intends appointing a competent person to report on the Company's reserves and resources in 2008.

The Board is confident that with the newly updated geological information in addition to mine planning schedules and the DMS plant, production targets will be met. If everything goes according to plan, and based on the performance of the DMS, the Company should become cash positive in 2008.

We look forward to reporting further information to shareholders in the near future.

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Ernest Blom has approved the contents of this announcement.

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