

**River Diamonds plc**

**("River Diamonds" or "the Company")**

**Chairman's Statement and Interim Results to 28 February 2007**

**Highlights:**

- Completion of acquisition of Panguma Dykes Project ("Panguma") in Sierra Leone
- Successful results from initial drilling at the Pandubo Intrusion confirming kimberlite at depth at the first target of the Panguma Concession
- Further progress made at Panguma - Mini bulk sampling completed on two targets and drilling completed on third

**Post Period Highlights:**

- Right to acquire a strategic 5% working interest (with option to increase shareholding) in Lesotho Diamond Corporation, giving an important stake in the Kao Diamond Project
- Placing of 34,209,089 new ordinary shares raising £376,300 (before expenses) and securing of a £100,000 convertible loan agreement
- Completion of internal Scoping Study at Panguma

**Chairman's Statement:**

The previous nine months have seen continued progress in the development of River Diamonds' prospecting operations and its business development strategy. In February this year the Company announced in its Annual Report and Accounts that its intention is to focus on the development of its Panguma Dykes project in Sierra Leone and also to pursue acquisitions and business development opportunities over the coming year in what the Board believes is a fragmented diamond exploration industry.

The primary operational focus to date has been the completion of the Scoping Study on the Panguma Dykes project in Sierra Leone, which we acquired 100% of in December 2006. Following on from this, we intend to progress to a trial mining stage this year and thereby move closer to having a producing asset.

We have already progressed with the second part of our strategy by entering into an agreement to acquire 5% of the issued share capital in Lesotho Diamond Corporation plc ("LDC"), with the option to increase this to 12.5%, subject to the exercise of further options. This will provide us with an important stake in the Kao diamond pipe in Lesotho, an advanced stage asset, where bulk sampling is scheduled to commence in the third quarter of 2007.

*Results Summary*

The loss on ordinary activities for the period ended 28<sup>th</sup> February 2007 was £0.50 million; compared to a loss of £0.33 million for the period ending 28<sup>th</sup> February 2006. The increase in the loss on ordinary activities was primarily attributable to increased expenditure in Sierra Leone associated with the exploration of the Panguma Dykes project.

### *Funding*

No funding was carried out during the period ended 28<sup>th</sup> February 2007, however at the end of March 2007 34.21 million ordinary shares were issued, raising £376,000 before expenses. In addition, we entered into a convertible loan agreement (“the Convertible Loan”) with City of London Group for £100,000 which is repayable by December 2009. The Convertible Loan will carry a coupon of 1% per annum, and will be convertible at £0.012 into 8,333,333 new ordinary shares in River Diamonds.

### *Lesotho Diamond Corporation and Kao Pipe*

One of River Diamonds’ main objectives over the past year was to focus on acquisitions and business development opportunities, particularly regarding participation in advanced or near production diamond assets.

Acquiring an initial 5% stake in the Kao Diamond Project will provide River Diamonds with a key stake in a major kimberlite project, located in a prolific diamond area. The Kao Diamond Project currently has a measured and indicated resource of 147 million tonnes of kimberlite at a grade of 6.9 carats per hundred tonnes (“cpht”), which has been confirmed by SRK Consulting. Bulk sampling is scheduled to commence at the Kao Diamond Project in the third quarter of 2007 and the results of this, expected to be available in early 2008, will provide us with a definitive dollar per carat value.

Furthermore, the right to increase its holding to 12.5% allows the Company to minimise its risk while Stage One of the project is underway, and the opportunity to maximise its return by increasing its holding once the expected value of the diamonds has been assessed. The rights to acquire further shares have been granted close to the current value of LDC shares so that any rise in the base case average value of the diamonds will allow the Company to acquire a larger stake at a potentially discounted rate.

The Directors view this as a strategic investment in which the funds subscribed are being utilised for the development of the Kao Diamond Project with a view to producing capital growth and, in the longer term, dividend income. We have a good relationship with the current management and believe that they will be able to deliver the project on schedule and bring the Kao pipe into production.

River Diamonds’ investment in LDC is subject to raising sufficient capital, which we are currently in the process of doing, and the approval of the issue of shares at an Extraordinary General Meeting scheduled for the 14<sup>th</sup> June 2007.

### *Panguma Dykes Project, Sierra Leone*

One of our key current objectives on the project is to accelerate the rate of exploration activities at the Panguma Dykes project and, in particular, to bring the kimberlite dykes to resource definition as quickly as possible.

As highlighted in our Annual Report and Accounts for the year ended 31<sup>st</sup> August 2006, we have made considerable progress on the Panguma project completing mini bulk sampling on two of the main targets and a drilling programme on the third. In addition, we have identified several other kimberlite dykes within the licensed area which have yielded promising initial sampling results.

Subsequent work has mainly focused on consolidating the information collected to date and understanding the scale and tenor of the kimberlite dykes. Currently, the Company estimates that the kimberlite dykes on the concession hold between 1 million and 1.2 million tonnes of kimberlite, at an average grade of between 50 and 70 cpht. The value of the diamonds is currently hard to assess at this stage as we have not recovered a sufficiently large parcel. However, the Directors believe that given the recoveries to date and the average value of stones recovered from other kimberlite dykes in the area, the expectation of an average value of between US\$177 and US\$200 per carat is not unreasonable.

Accordingly we will be embarking on a trial mining phase in which we will seek to extract a 5,000 - 10,000 tonne sample of kimberlite, in order to recover a minimum of 5,000 carats. It is envisaged that this will involve trial mining at

regular intervals along the dykes and possibly some additional drilling at those localities. Independent consultants have recommended the trial mining programme, which will enable the Company to develop a resource model for the kimberlites.

### *Brazil*

The data package that we acquired from Rio Tinto Desenvolimentos Minerais Ltda ("RTDM"), a wholly owned subsidiary of Rio Tinto ("RTZ"), has been interpreted and we have been focusing on the ground follow up work of these anomalies. We intend to complete this work during this calendar year. These assets remain a speculative proportion of our project base but given that a primary source of diamonds has been found in this region, they are still important on a strategic level.

### *Outlook*

We are looking to unlock the value of the assets in Sierra Leone as quickly and as efficiently as possible, and the decision to progress to trial mining indicates progress in this regard. In addition, the decision to subscribe to an initial 5%, with the option to increase to 12.5% in LDC, has given us leveraged exposure to the Kao Diamond Project. We believe that we have positioned ourselves in some of the most prolific regions for diamond exploration and we are confident that these projects represent an exciting portfolio for our shareholders. We anticipate regular news flow from our operations and investments and will ensure that shareholders are duly informed of activities.

Finally, I would like to thank once again our management team, operational staff and shareholders for their continued support for River Diamonds as we look forward with optimism to the coming year's activities.

Colin Orr-Ewing  
Chairman  
30th May 2007

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**RIVER DIAMONDS PLC**  
**UNAUDITED CONSOLIDATED PROFIT AND LOSS**  
**ACCOUNT**  
**FOR THE SIX MONTHS TO 28 FEBRUARY 2007**

	Six months ended 28 February 2007 £	Six months ended 28 February 2006 £	Year ended 31 August 2006 £
<b>Turnover</b>	9,112	66,234	67,429
<b>Cost of sales</b>	(182,795)	(131,346)	(159,265)
<b>Gross loss</b>	(173,683)	(65,112)	(91,836)
<b>Administrative expenses</b>	(331,109)	(264,385)	(843,377)
<b>Operating loss</b>	(504,792)	(329,497)	(935,213)
Interest receivable and similar income	7,568	2,661	17,653
Interest payable and similar charges	(6,785)	(4,493)	(7,223)
<b>Loss on ordinary activities before taxation</b>	(504,009)	(331,329)	(924,783)
<b>Tax on losses on ordinary activities</b>	-	-	-
<b>Retained loss for the period</b>	(504,009)	(331,329)	(924,783)

	<b>Six months ended 28 February 2007</b>	<b>Six months ended 28 February 2006</b>	<b>Year ended 31 August 2006</b>
<b>Loss per share</b>	pence	pence	pence
Basic loss per share	<u>0.11</u>	<u>0.09</u>	<u>0.22</u>
Diluted loss per share	<u>0.11</u>	<u>0.09</u>	<u>0.22</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
PERIOD ENDED 28 FEBRUARY  
2007**

	<b>Six months ended 28 February 2007 £</b>	<b>Six months ended 28 February 2006 £</b>	<b>Year ended 31 August 2006 £</b>
<b>Loss for the period</b>	(504,009)	(331,329)	(924,783)
<b>Currency translation differences</b>	9,829	40,813	(22,304)
<b>Total losses</b>	<u><u>(494,180)</u></u>	<u><u>(290,516)</u></u>	<u><u>(947,087)</u></u>

**RIVER DIAMONDS PLC**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**FOR THE SIX MONTHS TO 28 FEBRUARY 2007**

	<b>28 February 2007</b>	<b>28 February 2006</b>	<b>31 August 2006</b>
	£	£	£
<b>FIXED ASSETS</b>			
Intangible assets	-	-	-
Tangible assets	462,908	584,494	477,596
Investments	271,857	57,722	233,934
	<u>734,765</u>	<u>642,216</u>	<u>711,530</u>
<b>CURRENT ASSETS</b>			
Stocks	-	-	-
Debtors	84,513	59,965	60,735
Investment	1	1	1
Cash at bank and in hand	28,374	1,128,425	525,230
	<u>112,888</u>	<u>1,188,391</u>	<u>585,966</u>
<b>CREDITORS</b>			
Amounts falling due within one year	<u>(203,236)</u>	<u>(86,014)</u>	<u>(158,890)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>(90,348)</b>	<b>1,102,377</b>	<b>427,076</b>
Provision for liabilities and charges	-	(21,024)	-
<b>NET ASSETS</b>	<u><u>644,417</u></u>	<u><u>1,723,569</u></u>	<u><u>1,138,606</u></u>

**CAPITAL AND RESERVES**

Called up share capital	469,928	467,228	469,928
Share premium account	3,179,460	3,155,160	3,179,460
Merger reserve	2,166,528	2,166,528	2,166,528
Profit and loss account	(5,171,499)	(4,065,347)	(4,677,310)

**SHAREHOLDERS' FUNDS**

644,417	1,723,569	1,138,606
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**RIVER DIAMONDS PLC**
**UNAUDITED CONSOLIDATED CASH FLOW FOR THE SIX MONTHS TO 28 FEBRUARY 2007**

	<b>28 February 2007</b>	<b>28 February 2006</b>	<b>31 August 2006</b>
	£	£	£
<b>Net cash flow from operating activities</b>	(389,828)	(281,749)	(845,583)
<b>Returns on investments and servicing of finance</b>	(746)	(1,832)	10,430
<b>Capital expenditure and financial investment</b>	(101,313)	(239,665)	(323,257)
<b>Net cash outflow from capital expenditure and financial investment</b>	(491,887)	(523,246)	(1,158,410)
<b>Financing</b>	-	1,648,500	1,675,500
<b>(Decrease)/increase in cash</b>	(491,887)	1,125,254	517,090

<b>Reconciliation of net cash flow to</b>	<b>28 February 2007</b>	<b>28 February 2006</b>	<b>31 August 2006</b>
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**movement of net funds**

	£	£	£
<b>(Decrease)/increase in cash</b>	(491,887)	1,125,254	517,090
<b>Net funds brought forward</b>	520,261	3,171	3,171
<b>Net funds carried forward</b>	28,374	1,128,425	520,261

**RIVER DIAMONDS PLC**
**NOTES TO THE UNAUDITED INTERIM ACCOUNTS  
FOR THE SIX MONTHS TO 28 FEBRUARY 2007**
**1 Compliance with accounting standards**

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention. The principle accounting policies of the Company and its subsidiaries ("the Group") are set out in the Company's 2006 annual report and financial statements.

**2 Statutory accounts**

The interim report is unaudited and does not constitute statutory accounts.

The results for the year ended 31st August 2006 do not comprise statutory accounts for the purpose of s240 companies Act 1985 and have been extracted from the Groups' published accounts for that year which have been filed with the Registrar of Companies.

The interim report for the six months ended 28th February 2007 was approved by the Directors on 30th May 2007.

**3 Dividends**

The Directors do not recommend the payment of a dividend.

**4 Consolidated accounts**

The Group financial statements consolidate the accounts of the Company and its interest in subsidiary undertakings. Overseas subsidiaries are considered using the closing rate method. Foreign exchange differences arising on consolidation are taken to reserves.

**5 Taxation**

There is no charge to UK and overseas Corporation tax due to the availability of losses.

**6 Basic loss and diluted loss per ordinary share**

The calculation of basic loss per share is based on a loss after taxation of £504,009 (2006 - £331,329) and on 469,927,966 ordinary shares (2006 - 364,744,633), being the weighted average number of ordinary shares in issue during the year. The calculation of diluted loss per share is based on a loss after taxation of £504,009 (2006 - £331,329) and on 513,761,288 ordinary shares (2006 - 364,744,633), being the weighted average number of ordinary shares in issue and share options or warrants outstanding in the period.

**7 Segment information**

Turnover and operating results are substantially attributable to activities in Brazil.

Net assets are attributable to the Groups' operations in the following geographic regions.

	<b>28-Feb</b>	<b>31-Aug</b>
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Brazil	519,148	411,757
Sierra Leone	271,857	233,693
Unallocated	(146,588)	493,156
	<u>791,005</u>	<u>1,138,606</u>