

31st May 2006
AIM: RVD

River Diamonds plc
(“River Diamonds” or “the Company”)

Chairman’s Statement and Interim Results to 28 February 2006

Highlights:

- Strategic review shifted the focus towards kimberlitic targets in both Sierra Leone and Brazil
- Placing of 164.9 million new ordinary shares raised £1.72m

Post Period Highlights:

- Encouraging sampling results from Panguma Dykes Project in Sierra Leone
- Appointment of Frank Gaunt as Exploration Manager of Brazilian operations
- Appointment of James de Jager as Exploration Manager of Sierra Leone operations

The previous nine months have seen the Company move closer to securing resources and reserves to underpin the asset value of the Company. This has been achieved by concentrating on developing the diamond resources at the Panguma Dykes Project in Sierra Leone. The Company has repositioned itself as a kimberlitic diamond exploration company rather than an alluvial exploration company and has recruited the necessary expertise to direct this strategic change.

Results Summary

The loss on ordinary activities for the period ending 28th February 2006 was £0.33 million, as compared to a loss of £0.60 million for the period to 28th February 2005. During the period diamonds sales from our sampling operations in Brazil generated £66,234 (2005 - £1,762) in revenue. The reduction of loss on ordinary activities was primarily attributable to a reduction of administrative expenses which went from £0.42 million to £0.26 million.

Funding

During the period, two tranches of shares were issued, the first on 10 October 2005 raised £223,500 before costs, for the issue of 14.9 million shares, the second on 3rd January 2005 raised £1,500,000 for the issue of 150 million shares. The majority of these shares were placed with current institutional shareholders.

Panguma Dykes Project, Sierra Leone

Over the past months, River Diamonds has been carrying out a number of mini bulk samples along the Talama dyke, currently the most delineated dyke at Panguma. It was felt that the work done on the dyke in 1965 had not adequately recorded the grade – the previously reported six tonne sample, grading 38 carats per hundred tonnes (cpht), did not compare satisfactorily to recorded grades of 87 and 268 cpht on other sections of the Tongo dykes adjoining our property.

First indications from two of the mini bulk samples are encouraging with the recovery of 2.58 carats of diamonds, from approximately two tonnes of dyke material. The largest diamond recovered was a 0.98 carat stone. Further results will be announced as soon as they are available. It was encouraging that all the diamonds recovered from the sampling have been macro diamonds. The samples are being taken from a depth of approximately eleven metres and are from fresh kimberlite rather than the weathered surface exposure of the dyke. Whilst groundwork is confirming both the continuity and grade of one of the dykes, the work has uncovered a number of other dykes and stringers running through the property in addition to the known "blow". A rig is being mobilised to drill around the blow to define both its size and grade and should be on site in June.

There is extensive diamond exploration activity in this region with Koidu Holdings active on the neighbouring lease and Petra Diamonds also advancing their Lion dyke project in joint venture partnership with Mano River about forty kilometres away.

The Company is aware of its local responsibilities and is continuing to support the local community and develop the local infrastructure, to benefit all parties.

We were also very pleased to announce that James de Jager has joined us to drive Panguma forward. He has practical kimberlite experience gained from the Klipspringer and Marsfontein operations in South Africa and will be invaluable in progressing this project as quickly as possible.

Brazil

The data package that we acquired from Rio Tinto Desenvolvidos Minerais Ltda ("RTDM") a wholly owned subsidiary of Rio Tinto ("RTZ") is being re-interpreted Bizzi Consulting and Frank Guant, who until recently had been consulting on the Vaaldiam/RTZ exploration programme in Rondonia, Brazil. Frank has the practical experience of identifying targets in this environment and we have the people and equipment to implement the exploration strategy. We are expecting to be able to prioritise targets in the next month in the Alto Paraguai/Diamantino area and sampling will commence as soon as possible. Key areas at Paranatinga will subsequently be targeted, although the known kimberlites there are encouraging.

We will continue to look to develop the existing assets within our portfolio, although the Board will also review new opportunities where the Company can strengthen its exploration base.

Outlook

We are looking to unlock the value of the assets in Sierra Leone as quickly and as efficiently as possible and will do so concurrently with the development of the 'blue sky' potential at our Brazilian projects. We believe that we have positioned ourselves in two of the most prolific regions for diamond exploration and we are confident that these projects will provide an exciting package for our shareholders. We expect a regular news flow from our operations and will keep shareholders informed of all activity.

I would once again like to thank our management and operational staff and the Company's shareholders for their continued support for the Company and we look forward to the coming year with optimism.

Colin Orr-Ewing
Chairman
30th May 2005

**RIVER DIAMONDS PLC
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS TO 28 FEBRUARY 2006**

	Six months ended 28 February 2006 £	Six months ended 28 February 2005 £	Year ended 31 August 2005 £
Turnover	66,234	1,762	18,621
Cost of sales	(131,346)	(197,036)	(699,739)
Gross loss	(65,112)	(195,274)	(681,118)
Administrative expenses	(264,385)	(418,908)	(744,633)
Operating loss	(329,497)	(614,182)	(1,425,751)
Interest receivable and similar income	2,661	10,039	18,601
Interest payable and similar charges	(4,493)	-	(7,330)
Loss on ordinary activities before taxation	(331,329)	(604,143)	(1,414,480)
Tax on losses on ordinary activities	-	-	-
Retained loss for the period	(331,329)	(604,143)	(1,414,480)
	Six months ended 28 February 2006	Six months ended 28 February 2005	Year ended 31 August 2005
Loss per share	pence	Pence	pence
Basic loss per share	(0.09)	(0.20)	(0.49)
Diluted loss per share	(0.09)	(0.20)	(0.49)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
PERIOD ENDED 28 FEBRUARY 2006**

	Six months ended 28 February 2006 £	Six months ended 28 February 2005 £	Year ended 31 August 2005 £
Loss for the period	(331,329)	(604,143)	(1,414,480)
Currency translation differences	40,813	11,176	112,293
Total losses	<u>(290,516)</u>	<u>(592,967)</u>	<u>(1,302,187)</u>

RIVER DIAMONDS PLC
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2006

	28 February 2006 £	28 February 2005 £	31 August 2005 £
FIXED ASSETS			
Intangible assets	-	36,224	-
Tangible assets	584,494	413,834	480,709
Investments	57,722	-	-
	<u>642,216</u>	<u>450,058</u>	<u>480,709</u>
CURRENT ASSETS			
Stocks	-	31,451	66,233
Debtors	59,965	75,155	25,664
Investment	1	1	1
Cash at bank and in hand	1,128,425	636,850	8,551
	<u>1,188,391</u>	<u>743,457</u>	<u>100,449</u>
CREDITORS			
Amounts falling due within one year	(86,014)	(144,188)	(194,549)
	<u>(86,014)</u>	<u>(144,188)</u>	<u>(194,549)</u>
NET CURRENT ASSETS/(LIABILITIES)			
	1,102,377	592,269	(94,100)
Provision for liabilities and charges	(21,024)	-	(21,024)
	<u>1,723,569</u>	<u>1,049,327</u>	<u>365,585</u>
NET ASSETS	<u>1,723,569</u>	<u>1,049,327</u>	<u>365,585</u>
CAPITAL AND RESERVES			
Called up share capital	467,228	298,450	302,328
Share premium account	3,155,160	1,649,960	1,671,560
Merger reserve	2,166,528	2,166,528	2,166,528
Profit and loss account	(4,065,347)	(3,065,611)	(3,774,831)
	<u>1,723,569</u>	<u>1,049,327</u>	<u>365,585</u>
EQUITY SHAREHOLDERS' FUNDS	<u>1,723,569</u>	<u>1,049,327</u>	<u>365,585</u>

**RIVER DIAMONDS PLC
UNAUDITED CONSOLIDATED CASH FLOW
FOR THE SIX MONTHS TO 28 FEBRUARY 2006**

	28 February 2006 £	28 February 2005 £	31 August 2005 £
Net cash outflow from operating activities	(281,749)	(792,551)	(1,246,174)
Returns on investments and servicing of finance	(1,832)	10,039	11,271
Capital expenditure and financial investment	(239,665)	(234,643)	(441,409)
Net cash outflow from capital expenditure and financial investment	(523,246)	(1,017,155)	(1,676,312)
Financing	1,648,500	272,000	297,478
Increase/(decrease) in cash	<u>1,125,254</u>	<u>(745,155)</u>	<u>1,378,834</u>
Reconciliation of net cash flow to movement in net funds	28 February 2006 £	28 February 2005 £	31 August 2005 £
Increase/(decrease) in cash	1,125,254	(745,155)	(1,378,834)
Net funds brought forward	3,171	1,382,005	1,382,005
Net funds carried forward	<u>1,128,425</u>	<u>636,850</u>	<u>3,171</u>

**RIVER DIAMONDS PLC
 NOTES TO THE UNAUDITED INTERIM ACCOUNTS
 FOR THE SIX MONTHS ENDED 28 FEBRUARY 2006**

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 principal accounting policies of the Group are set out in the Group's 2005 annual report and financial statements.

2. Statutory accounts

The financial information set above does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

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 consolidated 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 loss after taxation of £331,329 (2005 - £604,143) and on 364,744,633 ordinary shares (2005 - 298,450,425), being the weighted average number of ordinary shares in issue during the year. The calculation of diluted loss per share is based on loss after taxation of £331,329 (2005 - £604,143) and on 364,744,633 ordinary shares (2005 - 298,450,425), being the weighted average number of ordinary shares in issue. There were no dilutive share options or warrants outstanding in the year.

Enquiries

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