

## River Diamonds Plc

('River Diamonds' or 'the Company' or 'the Group')

### Chairman's Statement and Interim Results to 28 February 2008

#### Highlights:

- Increased stake in the Vatukoula Gold Mine to 19%
- Mining commenced at the Vatukoula Gold Mine in November 2007
- First gold poured from the recommissioning of the processing plant
- Placed 250,000,000 new ordinary shares raising £3,750,000 (before expenses)

#### Post Period Highlights:

- Acquisition of the Vatukoula Gold Mine completed
- Placed 77,816,666 new ordinary shares raising £4,668,999 (before expenses)
- Mill commissioned in April 2008
- First gold pour from continuing operations totalling 641 ounces

#### Chairman's Statement:

The previous nine months have seen a major change in the Group's mineral and geographic focus. In the previous financial period River Diamonds began investing in the Vatukoula Gold Mine in Fiji, eventually increasing its shareholding to 19% of the mine on 4 October 2007. On 14 December 2007 the Company entered into an agreement to acquire the remaining interest in the mine. The acquisition was completed on 1 April 2008.

With the completion of the acquisition, the Group has full control over the mine and has significantly expanded its interest in the gold sector. Our change in focus with a view to becoming a more diversified mining and exploration Group has allowed us to secure an established mine with a substantial resource.

#### *Results Summary*

The consolidated loss on ordinary activities for the period ended 29 February 2008 was £0.59 million; compared to a loss of £0.50 million for the period ending 28 February 2007. The increase in the loss on ordinary activities was a result of an increase in administrative costs that were primarily attributable to increased expenditure associated with the acquisition of the Vatukoula Gold Mine.

#### *Funding*

During the period 250,000,000 ordinary shares of 0.1p each were issued for cash of 1.5p per share, generating proceeds of £3,750,000. In addition, ordinary common shares were issued against warrant conversions which generated proceeds of £30,000.

#### Projects Review

Vatukoula Gold Mine - Fiji - (100% holding - as at 1 April 2008)

#### *Stage - Mine Development / Production*

The Vatukoula Gold Mine is one of the longest continuously operating high grade mines in the world with an operational history that extends over 70 years. The mine commenced production in 1933 and has produced some 7 million troy ounces of gold and over 2 million troy ounces of silver from the treatment of around 30 million tonnes of ore. In the last 10 years of full operation the plant has processed on average 560,000 tonnes per annum at a mined grade of 7.8 grams of gold per tonne producing 122.1 thousand ounces of gold per annum.

The strategy is to bring the mine back to full production by the second half of 2009. The extraction of underground ore reserves commenced in November 2007, and processing began in April 2008. The first gold pour occurred on 19 May 2008. This pour, which totalled 779.2 ounces of gold ore (comprising 641 ounces fine gold and 121 ounces of fine silver), was in-line with production targets and represents the final step in the recommissioning of operations at the mine.

The mining operations are designed using conventional labour intensive stoping methods, together with trackless ground handling and haulage followed by skip hoisting via the vertical shafts. Stopping will be a mixture of Long Wall Breast, Shrinkage and Cut and Fill. The processing plant comprises a crushing circuit, flotation, roasting and calcines cyanidation circuit and tailings cyanidation.

The JORC-compliant gold resources at the mine total 16.84 million tonnes at an average grade of 9.49 grams of gold per tonne or 5.15 million ounces of gold. Currently, the mine employs approximately 700 personnel

Panguma Dykes Project - Sierra Leone - (100% holding)

*Stage - Resource Definition / Test for Larger Stones*

River Diamonds has a 100% interest in the Panguma Diamond Project in Sierra Leone, the License expired at the end of March 2008. However the Company has reapplied for the area and is waiting for a response from the Mineral Department of Sierra Leone.

The Panguma area is about 230 km from Freetown and covers approximately 5,400 hectares in eastern Sierra Leone. In recent years Sierra Leone appears to have stabilised politically and has a favourable mining law. New bedrock diamond discoveries, as well as the high value of Sierra Leone diamonds, combine to make the country a prime target for diamond exploration.

Exploration by River Diamonds has demonstrated that a number of the Kimberlite dyke systems located at Panguma have a strike extent up to 4-5km and the mini-bulk sampling programme confirms that most of the Panguma dykes are diamondiferous, with strongly anomalous values within the widest reported (composite) dyke at 0.8m. Some of the other dykes/fissures sampled also contain interesting grades up to 0.77ct/t, although these dykes are narrower and may splay and pinch towards the southwest. Given the narrow dyke width the proposed collection of a bulk sample of up to 1,000 tonnes will require shaft sinking and underground mining on one or more dykes.

Currently the Group is not expending any significant amounts in the development of this project until the status of the license has been determined.

Rio Novo - Brazil - (100% holding)

*Stage: Target Definition / Target Delineation*

The site is located within the Tapajós gold province, in central Brazil, and has undergone very little modern exploration. The mineralisation in the area is associated to quartz veining and hydrothermal alteration related to the veins. Detailed exploration over the area is limited with Rio Tinto undertaking a systematic mineral exploration across the province in the 1980's and the Brazilian geological survey undertaking a regional mapping and geophysical survey in 2000. In November 2006 River Diamonds undertook a geological review of the area focusing on historic and current artisanal workings of both alluvial and vein hosted origin. The work included mapping and grab sampling.

The Company is currently assessing a strategy for the development of this project, and therefore currently only minimal expenditure is being incurred in Brazil.

Kao Diamond Project -Lesotho - (0.5% holding)

### Stage - Mine Development

Kao Diamond Project is a Kimberlite deposit with an indicated and measured resource of 147 million tonnes of Kimberlite at a grade of 6.9 carats per hundred tonnes. The Kao Diamond Mine was commissioned on the 22 November 2007, and during the first week 30 tonnes of alluvial material was processed, producing the first diamonds including a 0.86 carat stone.

### Outlook

With the acquisition of the Vatukoula Gold Mine we believe that we have secured an asset that has the potential to deliver substantial cash flow to River Diamonds in the near future. Furthermore, we believe that the combination of stringent cost controls, management expertise and strong gold prices, together with the fact that the operations are unburdened by any historical hedging obligations, represents a significant opportunity to bring the mine back to profitability.

Lastly, I would like to reiterate the Board's appreciation of the senior management and operational staff, who have shown continuing support and commitment to the Group. It is this commitment and support that has brought the company to the strong position it is in today, and that will continue this success in the long term.

### Enquiries:

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### RIVER DIAMONDS PLC CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 29 FEBRUARY 2008

	Six months to 29 February 2008 (unaudited) £	Six months to 28 February 2007 (unaudited) £	Twelve months to 31 August 2007 (audited) £
Turnover	54,366	9,112	28,106
Cost of sales	(7,962)	(900)	(4,116)
<b>Gross profit</b>	<b>46,404</b>	<b>8,212</b>	<b>23,990</b>
Administration expenses	(646,371)	(513,004)	(1,001,117)
<b>Operating loss</b>	<b>(599,967)</b>	<b>(504,792)</b>	<b>(977,127)</b>
Other interest receivable and similar income	14,537	7,568	9,188

Interest payable and similar charges	-	(6,785)	(14,172)
<b>Loss on ordinary activities before taxation</b>	<b>(585,430)</b>	<b>(504,009)</b>	<b>(982,111)</b>
Taxation	-	-	-
<b>Loss for the financial period</b>	<b>(585,430)</b>	<b>(504,009)</b>	<b>(982,111)</b>
	pence	pence	Pence
<b>Loss per share</b>			
Basic	(0.06)	(0.11)	(0.17)
Diluted	(0.06)	(0.11)	(0.17)

**RIVER DIAMONDS PLC  
CONSOLIDATED BALANCE SHEET  
AS AT 29 FEBRUARY 2008**

	As at 29 February 2008 (unaudited) £	As at 28 February 2007 (unaudited) £	As at 31 August 2007 (audited) £
<b>Non-current assets</b>			
Goodwill	1,213,091	-	1,213,091
Property, plant and equipment	398,194	462,908	434,268
Investments	4,650,250	271,857	2,900,250
<b>Total non-current assets</b>	<b>6,261,535</b>	<b>734,765</b>	<b>4,547,609</b>
<b>Current assets</b>			
Investment	1	1	1
Trade and other receivables	1,592,156	84,513	56,561
Cash and cash equivalents	39,550	28,374	35,436
<b>Total current assets</b>	<b>1,631,707</b>	<b>112,888</b>	<b>91,998</b>
<b>Total assets</b>	<b>7,893,242</b>	<b>847,653</b>	<b>4,639,607</b>
<b>Total equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	1,548,060	203,236	300,155
<b>Non current liabilities</b>			
Convertible loan	88,555	-	88,555
<b>Total liabilities</b>	<b>1,636,615</b>	<b>203,236</b>	<b>388,710</b>
<b>Shareholders' equity</b>			
Share capital	1,088,622	469,928	835,622
Share premium account	9,217,209	3,179,460	6,884,411
Merger reserve	2,166,528	2,166,528	2,166,528

Other reserve	154,092	-	154,092
Foreign exchange reserve	5,362	-	-
Retained loss	(6,375,186)	(5,171,499)	(5,789,756)
<b>Total equity</b>	<b>6,256,627</b>	<b>644,417</b>	<b>4,250,897</b>
<b>Total equity and liabilities</b>	<b>7,893,242</b>	<b>847,653</b>	<b>4,639,607</b>

**RIVER DIAMONDS PLC  
CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 29 FEBRUARY 2008**

	Six months to 29 February 2008 (unaudited) £	Six months to 28 February 2007 (unaudited) £	Twelve months to 31 August 2007 (audited) £
Net cash flow from operating activities before changes in working capital	(553,115)	(389,828)	(768,029)
Returns on investments and servicing of finance	14,537	(746)	(5,253)
Capital expenditure and financial investment	(2,037,691)	(101,313)	(3,887,603)
Net cash outflow from capital expenditure and financial investment	(2,576,269)	(491,887)	(4,660,885)
Financing	2,585,798	-	4,170,645
Increase/ (decrease) in cash	9,529	(491,887)	(490,240)

<b>Reconciliation of net cash flow to movement of net funds</b>	Six months to 29 February 2008 (unaudited) £	Six months to 29 February 2007 (unaudited) £	Twelve months to 31 August 2007 (audited) £
Increase / (decrease) in cash	9,529	(491,887)	(490,240)
Net funds brought forward	30,021	520,261	520,261
Net funds carried forward	39,550	28,374	30,021

**RIVER DIAMONDS  
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE PERIOD ENDED 29 FEBRUARY 2008**

	Six months to 29 February 2008 (unaudited) £	Six months to 28 February 2007 (unaudited) £	Twelve months to 31 August 2007 (audited) £
Loss for period	(585,680)	(504,009)	(982,111)
Currency translation differences	5,561	9,829	(27,945)
Total losses	<u>580,119</u>	<u>(494,180)</u>	<u>(1,010,056)</u>

**RIVER DIAMONDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 29 FEBRUARY 2008**

**1. Basis of preparation**

The interim financial information for the period 1 September 2007 to 29 February 2008 has been prepared on the basis of the accounting policies set out in the August 2007 annual report and accounts.

The interim report is unaudited and does not constitute financial statements. The financial information for the period ended 29 February 2008 does not constitute statutory accounts, as defined in section 240 of the Companies Act 1985. The Group's financial statements for the year ended 31 August 2007, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The interim report for the six months ended 29 February 2008 was approved by the Directors on 30 May 2008.

**2. Segmental information**

	Six months to 29 February 2008 (unaudited) £	Six months to 28 February 2007 (unaudited) £	Twelve months to 31 August 2007 (audited) £
<b>Turnover</b>			
United Kingdom	-	-	-
Brazil	54,366	9,112	28,106
Sierra Leone	-	-	-
	<u>54,366</u>	<u>9,112</u>	<u>28,106</u>
<b>Gross profit</b>			
United Kingdom	-	-	-
Brazil	46,404	8,212	23,990
Sierra Leone	-	-	-
Total gross profit	<u>46,404</u>	<u>8,212</u>	<u>23,990</u>

**3. Called up share capital**

**a) Authorised**

	<b>29 February 2008</b>	<b>31 August 2007</b>
	£	£
Authorised		
1,500,000,000 ordinary shares of 0.1p each (2006: 750,000,000 Ordinary shares of 0.1p each)	1,500,000	1,500,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
835,622,055 ordinary shares of 0.1p each (2006: 469,927,966 Ordinary shares of 0.1p each)	1,088,062	835,622
	<hr/>	<hr/>

**b) Share issues during the period**

	Note	Issue value per share £	Shares	Share Capital £	Share premium £
Share issue	(i)	0.01	3,000,000	3,000	27,000
Share issue	(ii)	0.015	250,000,000	250,000	3,500,000
			<hr/>	<hr/>	<hr/>
			253,000,000	253,000	3,527,000
			<hr/>	<hr/>	<hr/>

(i) On 11 October 2007, 250,000,000 ordinary shares of 0.1p were issued for cash of 1.5p per share, representing a premium of 1.4p per share.

(ii) On 13 November 2007, 3,000,000 ordinary shares of 0.1p were issued for cash of 1p per share, representing a premium of 0.9p per share.

**4. Investments**

<b>Group:</b>	<b>Unlisted Investment</b>
	£
<b>Cost</b>	
Balance brought forward	2,900,250
Additions	1,750,000
At 29 February 2008	<hr/> 4,650,250
<b>Provision for diminution in value</b>	
Charge for the year	-
At 29 February 2008	<hr/> -
<b>Net book value</b>	
At 29 February 2008	<hr/> 4,650,250

In October 2007, the Company increased its stake in Viso Gero Inc. ('VGI') from 12.5% to 20% for a consideration of £1,750,000, which represented an indirect holding of 19% in the Vakaloula Gold Mine. VGI indirectly owns a 94% equity interest in the Vatukoula Gold Mine. Details of the

Company's subsequent acquisition of the remaining issued share capital of VGI are detailed in note 6 below.

## 5. Basic and diluted loss per ordinary share

The calculation of basic loss per share is based on loss after taxation of £585,430 (28.02.2007: £504,009; 31.08.2007: £982,111) and on 1,031,183,593 ordinary shares (28.02.2007: 469,927,966; 31.08.2007: 583,857,497), being the weighted average number of shares in issue during the period.

In accordance with IAS 33, and as the Group has reported a loss for the period, diluted earnings per share is not included.

## 6. Post balance sheet events

On 3 March 2008, the Company issued and allotted 8,333,333 ordinary shares of 0.1p each pursuant to an exercise of warrants at an exercise price of 1.3p and 7,750,000 new ordinary shares of 0.1p each pursuant to an exercise of warrants at an exercise price of 2p.

On 12 March 2008, Anthony Balme and Nicholas Shaw-Hardie resigned as Directors. In addition, David Lenigas agreed to provide his services in an executive capacity, and accordingly has ceased to be treated as a non-executive director. Donald Strang was appointed as a non-executive director on 12 March 2008.

On 1 April 2008, the Company acquired the remaining 80% of VGI not already held by it from Viso Gero Global Inc. As a result of this acquisition, and the acquisition by VGI of the remaining 6% of Westech Gold Pty Ltd ('Westech'), River Diamonds now owns 100% of VGI and indirectly, through Westech and its indirect subsidiaries, holds a 100% interest in the Vatukoula Gold Mine.

Purchase consideration (see below)	£
Cash	903,000
Shares	<u>28,658,000</u>
Total purchase consideration	29,561,000
Fair value of net assets acquired	8,282,623
Intangible fixed assets acquired (mining rights)*	<u>21,278,377</u>
Goodwill	<u>-</u>

\* The assets and liabilities arising on the post balance sheet acquisitions have been provisionally determined.

The consideration payable for the acquisition consists of the issue of 477,633,333 new ordinary shares in River Diamonds at 6p per share ('Consideration Shares') and the payment of A\$ 2,100,000 in cash.

On 1 April 2008, the Company raised gross proceeds of £4,669,000 following a placing at 6p per share.

John Stalker and Neil Herbert were appointed as non-executive directors of the Company with effect from 1 April 2008.

On 22 May 2008, the Company issued and allotted 13,333,332 new Ordinary Shares of 0.1p each pursuant to an exercise of warrants at an exercise price of 1.5p per share and 3,000,000 new Ordinary Shares of 0.1p each pursuant to an exercise of warrants at an exercise price of 1p per share.