

DiamonEx Limited

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BSE ANNOUNCEMENT
BOTSWANA STOCK EXCHANGE

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CONVERSION OF CONVERTIBLE BONDS TO EQUITY

BACKGROUND

On 20 March 2009 DiamonEx Limited (**DiamonEx**) announced that it had finalised the key terms of a conditional agreement (**Acquisition Agreement**) for the sale of 80% of the shares in its wholly owned subsidiary DiamonEx Botswana Limited (**DBL**). The agreement was with Fleming Asset Management Botswana (Pty) Limited (**FAMB**) acting on behalf of the DiamonEx Convertible Bond Holders of which FAMB is one (**Bondholders**).

The Acquisition Agreement included a number of conditions precedent. The parties to the agreement expected to obtain all approvals for the transaction and satisfy conditions precedent by July 2009.

It has become clear that DiamonEx cannot satisfy all the conditions precedent to the Acquisition Agreement and will not be able to do so in the foreseeable future, if at all. The Acquisition Agreement has subsequently lapsed.

The Company has subsequently entered into a conditional agreement with FAMB whereby the Bondholders will convert their bonds to equity in DiamonEx Limited (**Conversion Agreement**). The conversion of bonds will be subject to DiamonEx shareholder and regulatory approvals and Bondholder approval, respectively.

Convertible Bonds

As disclosed in previous announcements, the convertible bonds are a loan to DiamonEx under which DiamonEx has been required to pay a fixed rate of interest to the Bondholders. The obligations under the convertible bonds are equivalent to BWP 50,000,000 (approximately A\$8,650,000). The bonds terms also included a right to convert up to 10% of the bonds to DiamonEx shares (with shareholder approval obtained for this feature of the bonds at the 2007 Annual General Meeting of DiamonEx).

DiamonEx is in breach of covenants under this instrument and bondholders could seek repayment of bonds. To date the Bondholders, despite the fact that DiamonEx is in breach of the terms of the Bonds, have not required the repayment of the Bonds.

KEY TERMS OF THE CONVERSION AGREEMENT

Under the proposed agreement, DiamonEx will issue 865,051,903 new shares to Bondholders, at an issue price of A\$0.01 each (**Conversion Price**) to effect a conversion of the entire indebtedness under the Bonds. The conversion of the bonds is subject to approval by the Bondholders and the issue of shares is subject to approval by DiamonEx shareholders.

Following the conversion of the Bonds the Bondholders will hold 81.27% of the then issued capital of the Company.

If the conversion is approved by shareholders, FAMB will facilitate the injection of up to \$1 million into DiamonEx, by way of an on-demand interest free loan, convertible into the shares of DiamonEx. The conversion will be at the Conversion Price, in whole or part, and exercisable at any time within one year from the date of completion of the Conversion Transaction.

Under the agreement the Bondholders will be entitled to appoint two new directors to the Board of Directors of DiamonEx, replacing two existing Directors who will resign. DiamonEx is yet to be advised as to the proposed new directors.

Investment in Diamonex Botswana Limited

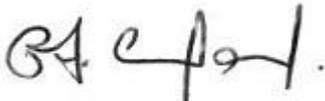
In addition, FAMB has, independent of the Conversion Agreement, agreed to invest up to A\$6,500,000 into DBL. These funds will underwrite the recovery plan for DBL which was recently approved by the Botswana High Court after an unsuccessful application by one of DBL’s creditors to have DBL put into liquidation.

THE FUTURE

The Directors’ intention is to ensure the survival of DiamonEx and provide potential for the restoration of value in the future. Once the Transaction has been completed it is intended that DiamonEx seeks re-instatement to trading of shares on the ASX and the Botswana Stock Exchange, however this will be subject to DiamonEx having complied with the relevant exchange’s requirements.

More detailed information will be provided to shareholders in the explanatory memorandum to be provided with the notice of meeting seeking shareholder approval for the Transaction. This meeting material will contain an Independent Experts Report that will comment of the fairness and reasonableness of the transaction for the unrelated parties. DiamonEx anticipates that this material will be despatched shortly.

Yours faithfully
DiamonEx Limited



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Company Secretary

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