



DiamonEx Limited

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**BSE ANNOUNCEMENT
BOTSWANA SECURITIES EXCHANGE**

26 November 2008

LERALA DIAMOND MINE UPDATE (‘DiamonEx’ or the ‘Company’)

- **Government of Botswana to play active role in supporting Diamonex during this period when worldwide commodity prices and prices for rough diamonds in particular, are depressed**
- **The Company has secured a financing facility from its bank, The Stanbic Bank, Botswana, repayment of which has been guaranteed by the Government of Botswana, which will enable the Company to fund its operating costs against its diamond inventory until a sale at what it believes to be a fair price is achieved**
- **These new financing arrangements provide scope to defer diamond sales until the market improves**

Diamond Values & Sales

The Board of Directors have completed their review of their options for the Company in light of the disappointing results from its first Lerala Diamond Mine sale. The Directors believe the average price of US\$20 per carat received for the 10,612 carats sold on 30 October was an aberration, reflecting an abnormally depressed market.. They believe this price was significantly below the longer term value of Lerala diamonds because:

- From 1997 to 2000, De Beers ran a trial mine at the Lerala Diamond Mine (then known as the Tswapong Trial Mine) and achieved an average dollar per carat approximately double what Diamonex achieved in October 2008
- In 2005 when Diamonex completed its bulk sample producing approximately 1,000 carats which WWW International Diamond Consultants valued at US\$57 per carat average;
- Leading up to the 30 October 2008 Diamond sale, WWW International Diamond Consultants valued the parcel of 10,612 carats at US\$48 average, and this valuation was supported by the Government of Botswana’s independent diamond valuer;

The Directors remain firmly of the view that in the medium to long term, the supply deficit in world diamond production that currently exists and is expected to continue to increase over the next decade, will ensure that the market for rough and polished diamonds is strong. Short term however, with the Global credit crisis, prices will remain uncertain.

The Indian market, which is where most of the Company's goods will be sold, has to a large extent stopped buying rough diamonds. Market sources suggest that the Indian buyers will return to the market in the New-Year. In this regards however, the Directors are encouraged to advise that through the Government of Botswana, direct contact has been made with some Indian buyers and arrangements are being made for viewing of the Company's diamonds to them before Christmas.

In light of these circumstances, the Directors wish to advise as follows:

- **The Company will be discussing and exploring a diamond sale directly with a number of Indian buyers before Christmas;**
- **Discussions will include possible forward off take commitments from the buyers for the Company's diamond production in the short to medium term;**
- **In the short term however, the Company has secured a financing facility from its bank, The Stanbic Bank, Botswana, repayment of which has been guaranteed by the Government of Botswana, which will enable the Company to fund its operating costs against its diamond inventory until a sale at what it believes to be a fair price is achieved;**
- **The financing facility is for an initial ten million pula, and can be increased and extended with the consent of the Government of Botswana depending on how discussions and negotiations proceed with Indian or other buyers.**

The Government of Botswana is playing an active role in supporting the Company in this regard.

Diamond Production

For the month of October, 55,000 tonnes of ore were processed against a budget of 50,000, from which 15,500 carats were recovered confirming a grade of 28 carats per hundred tonnes. There is an estimated 15 percent of additional diamonds to be recovered from the recovery tailings which will be re-processed during Plant stoppages giving the Directors confidence that the grade will exceed 30 carats per hundred tonnes.

Corporate

The Directors have appointed Mark Gray as the Chief Executive Officer of DiamonEx Botswana Limited. He was previously Head of Corporate Development for the Group.

Mark has an extensive background in corporate law and banking, having been a Partner in major law firms in New Zealand and Australia, as well as having worked in London in both law and investment banking. For the last 5 years prior to joining DiamonEx in November 2007, Mark set up, ran, and listed on the ASX, a contract coal mining services company. During this time Mark acquired and developed his management, mining and processing skills which DiamonEx now has the benefit of calling on.

Managing Director Dan O'Neill says, "The arrangements which have been negotiated with our bank and the Government of Botswana gives us the financial stability we need to weather the immediate market uncertainty and provides time to further mitigate these risks to secure the future of the business. Fortunately, we are producing and recovering well, our grade is where we believed it to be, and we have a very low cost base. Even though these are extremely challenging times for start up producers, to a large extent our destiny is now very much in our own hands. We have strong Management on the ground in Botswana and a plan we are currently executing, which will not only protect the Company, but position it well to capture value once the financial markets settle."

For and on behalf of the Board

Paul Crawford
Company Secretary

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About DiamonEx:

DiamonEx is an emerging diamond producer having developed a 330,000 carat per year diamond mine at Lerala, in eastern Botswana. The mine is 100% owned and is located in an area that produces up to 30% of the worlds diamonds by value. The company also owns 15,000 sq km of mineral rights in Botswana which it is actively exploring for diamonds, as well as a 9.3 hectare diamondiferous kimberlitic pipe in northern Colorado, USA, which it is currently evaluating for grade and value. DiamonEx is listed on the Australian Stock Exchange (ASX), the Alternative Investment Market in London (AIM), and the Botswana Stock Exchange (BSE).