



# Diamonex Limited

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**BSE ANNOUNCEMENT  
BOTSWANA SECURITIES EXCHANGE**

**30 JANUARY 2009**

## **QUARTERLY REPORT FOR THE QUARTER ENDING 31 DECEMBER 2008**

- **159,000 tonnes of ore treated**
- **42,993 carats of diamonds produced**
- **World wide diamond market remains depressed**
- **Plant still not operating at full capacity**
- **Lerala plant put on care and maintenance**

### **THE LERALA DIAMOND MINE (Diamonex 100%)**

Mining Operations:

The Lerala Mine commenced production in October 2008. Following is a summary of production information.

<b>Mining Operations</b>	<b>December 2008 Quarter</b>	<b>Year to Date</b>
Ore Tonnes Mined	95,208	291,089
Ore Tonnes Treated	159,290	162,072
Diamonds Produced (carats)	42,993	48,341
Average Grade	27.0	N/A
Diamonds Sold (carats)	10,612	10,612
Revenue (A\$)	284,591	284,591

The Lerala diamond plant has not achieved full operating capacity, although many of the small engineering defects that had become evident during commissioning have been rectified. During the quarter 159,290 tonnes of ore from the pit on pipe K3 were processed through the plant to produce 42,993 carats of diamonds.

During the quarter worldwide diamond prices remained severely depressed as the global monetary

crisis continued to impact severely on the demand for diamonds. This was reflected in the Company's first diamond sale at the end of October where an average price of US\$20 per carat was received for the 10,612 carats sold. Your Directors believe this price is an anomaly which is significantly below the longer term value of Lerala diamonds. The Directors are of the opinion 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.

In the light of these market conditions, the Company looked at various sources of interim funding to make up for the poor price received from this first sale. As released to the market by an announcement dated 26 November 2008, the government of Botswana has given a guarantee on a financing facility provided to Diamonex by the Stanbic Bank Botswana. The financing facility was for an initial ten million Pula, and with the option to extend with the consent of the government of Botswana depending on how discussions and negotiations proceed with Indian or other buyers. To date the government has declined to extend this facility, however discussions with the government of Botswana are continuing.

Diamonex has also entered into discussions with numerous diamond buyers from India, China, and Israel with a view to entering into a long term arrangement to sell its diamonds at a set price under a medium term contract.

### **Diamonex Botswana Limited**

The Board has investigated various alternatives to address the operational funding requirements of Diamonex Botswana Limited.

In January 2009 it was evident that prices for rough diamonds were unlikely to increase in the short term and a decision was made to apply for Judicial Management for Diamonex Botswana Limited. The hearing took place on Friday, 23 January 2009 (Botswana time). An order for judicial management was made and Diamonex Botswana Limited was granted a period of immunity from claims from its creditors.

### **Suspension of Trading**

The making of this Judicial Management Order may place DiamonEx in breach of covenants with a number of its borrowers and DiamonEx has commenced negotiations with these lenders, which are ongoing and the outcome of which are uncertain. Consequently, application was made to the Australian Securities Exchange, the Botswana Stock Exchange and the Alternative Investment Market of the London Stock Exchange to suspend trading in the Company's shares until 2 March 2009.

### **Strategies**

The strategies that are being considered regarding DiamonEx operations include a reduction in operating costs for the Lerala Mine by the halting of further mine expansion and the processing of the stockpiled ore (approximately 363,000 tonnes).

DiamonEx is currently in negotiations with its key lenders regarding the nature of any arrangement between it and these lenders which will ensure that DiamonEx is able to continue in operation. The Directors are also in discussions with other parties in order to secure ongoing financing for the Group.

## **EVALUATION**

### **Sloan Mineral Rights, Northern Colorado, USA (Diamonex 100%)**

No work was carried out during the quarter.

## **EXPLORATION**

No exploration activities were carried out during the quarter.

The Company has suspended all activity on its portfolio of exploration properties.

## **OUTLOOK FOR THE NEXT QUARTER**

The focus for the current quarter will be on developing a funding strategy that will provide a stable financial basis for the Company that will enable the Group to see out the current difficult diamond marketing conditions and establish a platform from which the Company can re-establish profitable mining operations at its Lerala Diamond Mine.

For and on behalf of the Board

**Paul Crawford**  
Company Secretary

### **For further information contact:**

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The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Dan O'Neill who is a member of the Australian Institute of Geoscientists and a full time employee of Diamonex Limited. Mr O'Neill has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr O'Neill consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.