28 January 2009

**Highlights of Chairman’s Statement at AGM**

**London, Wednesday 28th January 2009**

At the AGM of African Diamonds, held today at 12.30pm, Chairman, John Teeling, provided an update as follows;

“None of us have ever experienced the state of chaos current in world economies. The collapse of the financial sector and the consequent loss of credit is having a dramatic impact on business. The diamond industry is particularly sensitive to the loss of credit as the intermediaries between mine and buyer rely on bank lines of credit. The loss of many credit facilities has led to a dramatic fall in diamonds purchased at auction. Forced sellers have had to accept prices down by as much as 50 per cent.

But, the fundamentals of the diamond industry remain strong. Supply, which was expected to be flat, will now decline as marginal mines close. Demand, which is in a short term hiatus, will recover. Ladies in China and India want diamonds. The Supply Gap will emerge by 2011.

In the light of this, let me turn to the position of African Diamonds;

- **African Diamonds holds a 28 per cent stake in one of the very few proven hard rock high quality diamond discoveries – AK6 in Botswana**
- A Mining Licence was obtained on this discovery in October 2008
- The current plan is to bring this mine on stream in 2011 at 2.7 million tonnes a year throughput mining to 4.2 million tonnes in 2013
- Financing the $300 million CAPEX is the responsibility of our partner, De Beers
- The AK6 mine will produce high quality diamonds with relatively low operating costs
- In the light of current world economic turbulence, African Diamonds is at an advanced stage of preparing a low cost earlier production option for AK6. The study will be presented to the joint venture company at the end of February
- African Diamonds has taken 100 per cent ownership of Atlas, which holds prime exploration ground in Botswana including the AK8 and AK9 kimberlite discoveries
- Outside of Botswana, the 35.4 per cent AFD owned Bugeco holds 100 per cent of two recently discovered kimberlite clusters in a prospective area of the Democratic Republic of the Congo and a 8.6% holding in the AIM listed West African Diamonds which is developing diamond properties in Guinea and Sierra Leone
Of over 6,000 kimberlites, the source of diamonds, ever discovered, only 50 have ever become mines. Seventeen are in production with five expected to close by 2012. The AK6 mine will be one of the lowest cost, highest value producers. The current chaos is causing uncertainty but this can only be temporary. AK6 is a proven gemstone quality deposit with a mining lease in the best diamond address in the world. In a world where good diamonds are scarce, AK6 has a wonderful future.”

All resolutions put to the meeting were duly passed.

Further information:

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