29th June 2010

Progress Update on AK6

- Commissioning due to start in Q4 2011
- Updated Feasibility Study received by African Diamonds and Lucara
- Contractor appointed for implementation
- Diamond marketing terms in the Mining License have been agreed by the GRB
- Project financing ongoing
- Ribson Gabonowe appointed as CEO of Boteti

The Directors of African Diamonds plc (AIM: AFD) the Botswana diamond company announce the receipt of the updated Feasibility Study on the Boteti Mining (Pty) Ltd (‘Boteti’) AK6 project in Botswana. AFD hold 40% of Boteti, with Lucara, who are the operator, holding 60%.

The proposal is a process plant designed at an initial throughput rate of 2.5 million tonnes per annum (‘mtpa’) increasing to 4.0mtpa after 4 years. This phased production approach, combined with contract mining reduces the up-front capital requirement.

The revised mining plan calls for a smaller number of carats being produced at a higher diamond value. The Indicated Resource at a 1.5mm bottom cut off has an average grade of 16cpht and average diamond price US$243/ct from 0-400m. The bottom of the open cast pit is 324m and will be mined over an 11-year life.

The first phase requires a capital investment of US$120 million, which includes the process plant, all mine site and off-site infrastructure as well as a 13% contingency. This is a significant increase over the conceptual level ‘Value Engineering Study’ (‘VES’), with the major variances being a 25% increase in throughput (accounting for 26%, or US$14 million), foreign exchange movement and escalation (accounting for 37% of the increase, or US$20 million) and scope changes (accounting for 37% of the increase, or US$20 million). The most noteworthy scope changes were the addition of a pebble crushing circuit and increases in indirects and housing.

Operating costs over the life of mine are estimated to be US$17.20 per tonne of ore treated. The most significant increases in the operating costs are the factoring in of higher electricity supply costs and foreign exchange movements. With work commencing in July 2010, the first diamonds will be recovered during the last quarter of 2011. Project engineering has been awarded to DRA Africa (Pty) Ltd (‘DRA’) and work will commence immediately.

An agreement has been reached with the Government of the Republic of Botswana (‘GRB’) which allow Boteti to sell its entire production of diamonds through an open tender process and/or negotiated exclusivity contract(s), subject to valuation by the Government Diamond Valuer (‘GDV’). A number of proposals from diamantaires have already been received and these are currently being evaluated.

We are in discussion with banks to supply project finance.
AFD are pleased to advise that Mr Ribson Gabonowe, currently CEO of Kukama Diamonds (the wholly owned Botswana subsidiary of AFD) has been appointed as CEO of Boteti.

James Campbell, Managing Director, commented: “We are very pleased that the joint venture board has received the updated feasibility study and that approval has been given to proceed with implementation ensuring that the project remains on track for our Q4 2011 commissioning. We are also delighted that the marketing terms in the Mining License have been satisfactorily addressed with the GRB and that sound progress has been made with raising project finance. We are very pleased to have Ribson leading the Boteti management team.”

This release has been approved by Alex van Zyl, Technical Director African Diamonds. Alex van Zyl (B.Sc. Stellenbosch, B.Sc. Hons. Pretoria) spent a long career in Anglo American in the diamond division, ending up 1990 to 1997 with worldwide responsibility for diamond exploration and evaluation. He was a consultant to De Beers from 1997 to 2002.

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