24th July 2008

Developments on the AK6 diamond deposit, Orapa, Botswana

Highlights;

- The terms of the Mining Licence on the AK6 diamond deposit were received from the Government of the Republic of Botswana on 17th June 2008.

- African Diamonds (28%) and Wati (1%), a private Botswana company, are happy to accept these terms. De Beers (71%) is not.

- De Beers wishes to delay the project citing power supply as the principal reason. The other partners reject this.

- African Diamonds has declared a dispute in terms of the Shareholder Agreement.

- African Diamonds has offered to purchase the De Beers stake in AK6 and to develop the mine in line with the timetable submitted to the government.

The directors of African Diamonds, listed in London (AIM) and Botswana, wish to report that further terms for the Mining Licence over the AK6 diamond discovery, in the Orapa area of Botswana, have been received on 17th June 2008 from Botswana’s Government and that these are acceptable to the Company, as well as our local partner Wati. One of the terms of the Mining Licence requires the diamonds from AK6 be auctioned in Botswana. African Diamonds believes that revenue from an auction process may be up to 40% greater than that estimated by De Beers. This could equate to US$50 a carat or US$50 million a year at full production.

De Beers has proposed to the board of the joint venture company (‘Boteti’) that the economics of the project are compromised by power supply issues and so should be delayed. This has been rejected by African Diamonds and Wati who have an independent study showing strong economic viability.

African Diamonds has made an offer to De Beers to acquire its entire interest in AK6. Despite claiming non-viability on AK6, De Beers is not prepared to accept a generous offer which more than covers their expenditure to date.
African Diamonds has invoked a dispute clause in the Shareholder Agreement which includes arbitration on any dispute to be held in Gaborone, Botswana.

**John Teeling, Chairman of African Diamonds plc commented;**

“This is an unexpected opportunity for African Diamonds and the people of Botswana to expand their interest in the AK6 diamond mine.

We had expected to develop AK6 with De Beers but its agenda differs from ours. We are prepared to accept the terms of the Mining Licence of 17th June 2008 as offered by the Botswana Government. De Beers is not. We have offered to buy out De Beers at a generous price. However, De Beers, while not being prepared to proceed with the project on the grounds of viability is not prepared to sell to African Diamonds to allow us to proceed immediately.

We will build an efficient, effective, reliable mine cheaper than the De Beers model. By auctioning the diamonds we will obtain prices up to 40% higher than those estimated by De Beers. The economics are not in doubt.

It makes no sense to African Diamonds, our local partner Wati or to the people of Botswana that the benefits from developing the mine should be denied.

We have declared a dispute and will go to arbitration in Botswana.”

Further information:

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