30th July 2008

Update on AK6 Developments

- Early High Court case hearing in Botswana
- African Diamonds remain committed to early production of AK6
- De Beers rejects new offer of US$100 million convertible loan into African Diamonds shares for its stake in the AK6 mine

The board of African Diamonds (AIM:AFD) believes that there is no valid reason why the AK6 diamond mine in the Orapa region of Botswana cannot be developed immediately. We believe that we can build the mine more cheaply than our majority partner, De Beers, can operate the mine more efficiently and will obtain significantly higher diamond prices than those estimated by De Beers. Despite the fact that De Beers does not see AK6 as viable, De Beers has indicated that it is unwilling to accept a revised offer of US$100 million convertible into African Diamond shares.

In conjunction with arbitration proceedings and other activities designed to protect the interests of our shareholders, African Diamonds has reluctantly commenced legal proceedings to oblige the operator, De Beers, to act in what the Board sees as the best interests of the project. The first legal step was an application for an interdict to prevent De Beers applying for a Retention Licence over AK6. In a ruling yesterday in the Botswana High Court, the judge found that an early hearing of the case was an adequate remedy. Consequently, the matter has been set down for hearing in September at a date to be agreed by the parties. The directors of African Diamonds are very pleased with the move toward an early hearing of the full facts of the case. This will minimise delays.

Statements made by De Beers in regard to the ruling in Botswana are potentially misleading. African Diamonds believes that there was no immediate finding relating to the contractual relationship between the parties and that this would be considered during the next hearing in September. No decisions on fact or law have yet been made.

De Beers has recently requested a copy of African Diamonds’ shareholder register from the Company’s registrar.
De Beers has used its majority stake in Boteti (De Beers 71%, AFD 28%, Wati 1%), the joint venture company developing AK6, to pass a resolution to apply for a Retention Licence and today Boteti has applied for a Retention Licence. The Board believes this to be totally unnecessary, costly and time wasting.

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

“From the discovery of AK6 in 2004 until six weeks ago, De Beers and African Diamonds had an effective partnership. In the past two years African Diamonds has assisted De Beers when it found itself in difficulties with licences in Botswana. Rather than risk a delay or cause embarrassment to De Beers, African Diamonds accepted a reduction in its percentage interest in AK6. Our experienced team worked with De Beers’ specialists to produce an acceptable plan for AK6. Six weeks ago after the receipt of proposed mining licence terms from the Botswana government, De Beers unilaterally moved to mothball the project.

All of our actions are designed to bring this dispute to a speedy conclusion. We have started legal proceedings in Botswana, which has led to an early hearing in September. A detailed presentation of the facts of the case will demonstrate the validity and strength of our position. We are seeking, inter alia, the removal of De Beers as operator and the sale of De Beers’ shares in the Boteti joint venture to African Diamonds.

Despite De Beers declaring AK6 to be non-viable, it is not prepared to sell the asset. The US$100 million offered by African Diamonds is a multiple of their expense to date, while the conversion rights would have enabled De Beers to enjoy a substantial part of the higher profits which would be made by African Diamonds operating the mine.

The AK6 mine should be developed immediately. African Diamonds and local Botswana interests are ready to proceed. We can develop the mine cheaper than De Beers, operate at a cost lower than De Beers will and obtain revenue significantly greater than that estimated by De Beers. African Diamonds believes that early exploitation is in the best interests of all parties; African Diamonds, our international and Botswana shareholders and the Botswana State.”

Further information:

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