



DiamonEx Limited

ABN 26 091 951 978

Level 1
349 Coronation Drive
Milton Qld 4064
Australia
Telephone: +61 7 3720-8944
Facsimile: +61 7 3720-8988
e-mail: diamonex@diamonex.com

Postal Address:
PO Box 1357
Milton Qld 4064

ASX ANNOUNCEMENT
AUSTRALIAN SECURITIES EXCHANGE

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SALE OF DIAMONEX BOTSWANA AND RESTRUCTURING UPDATE **(‘DiamonEx’ or the ‘Company’)**

DiamonEx announces the execution of a conditional agreement for sale of its wholly owned subsidiary Diamonex Botswana (Pty) Limited (“DBL”) and proposals for the restructuring and recapitalisation of the Company.

Background

As previously advised to the market the Company ran into significant financial difficulties during the commissioning of the Company’s main project, a new diamond mine based in Botswana, at the very start of the global financial crisis in 2008. The mine, the Lerala Diamond Mine, was owned and developed by DBL, the Company’s wholly owned subsidiary.

Since February last year, the Directors have been working with the Company’s main creditors, in particular the Company’s largest creditor, a Botswana Pension Fund (the “Fund”), towards a debt restructuring to enable the Company to recapitalise and to resume business as a resource development company.

After a lengthy period of litigation with one of DBL’s secured creditors, in September this year, the Directors have now concluded debt restructuring agreements with all employees and unsecured creditors in DBL, leaving just two secured creditors in the company, one of whom has agreed new terms, and the other who is currently in negotiations with the Directors. The Directors are confident those negotiations will also settle soon.

Accordingly, on the 27th of September this year the Judicial Management of DBL terminated. DBL was handed back to its directors in a solvent state with its main asset, the Lerala Diamond Mine, currently on care and maintenance.

Sale of DBL

The Company has entered into a conditional agreement with Mantle Diamonds Limited, a United Kingdom based privately owned diamond exploration and development company, with a global portfolio of diamond projects.

The purchase price (the “Mantle Consideration”), is the sum of US\$3.25 million in cash, and the issue of 45,330,913 shares in Mantle at an issue price of GBP0.10 per share.

The Mantle Consideration received will be applied as follows:

- (a) A cash amount will be retained in the Company for its immediate working capital requirements including the payment of transactions costs (the exact amount is to be finalised in discussions with the Company's secured creditors referred to in paragraph (b) below);
- (b) The balance of the cash and all equity in the Mantle Consideration will be used to settle, full and final, the secured debt in the Company totalling around BWP 80 million owed to the Fund and to the holders of DiamonEx Notes, arising from the issue of 50 million, Botswana Pula denominated notes in August 2007.

The sale is subject to a number of conditions including

- (a) Execution of detailed transaction documentation;
- (b) Completion of mutually satisfactory due diligence;
- (c) Obtaining all necessary approvals from the shareholders of DiamonEx;
- (d) Mantle Diamonds obtaining finance sufficient to complete the transaction and fund the start-up of the Lerala Diamond Mine; and
- (e) Obtaining required regulatory consents in Botswana to the sale of the DBL shares.

DiamonEx Restructuring

With the settlement of the Fund and the Note Holders in DiamonEx, the remaining creditors totalling about AU\$4.8 million have agreed to convert their debt into DiamonEx equity at two cents per share, subject to shareholder approval.

This will extinguish all debt in DiamonEx, and the Directors will look to recapitalise the Company as soon as possible. To that end, the Directors are talking to a number of parties who have expressed an interest in investing in the Company with a view to acquiring new resource projects for the Company.

Once the Directors have found a project to acquire, they will recapitalise the company at that time to fund the requirements of that project. It is hoped the Directors will be able to do that at the same time that they seek shareholder approval for the sale of DBL and the conversion of Company debt into equity.

Once a new project is acquired, and the Company recapitalised, the Company will apply to the Australian Stock Exchange to have the trading suspension on its shares lifted.

The Directors plan to dispose of the Company's US diamond projects in due course.

Extraordinary Meeting of the Shareholders

The Directors are currently preparing a Notice of Meeting and Explanatory Statement dealing with the transactions discussed in this announcement, and plans to hold an extraordinary meeting of the shareholders for this purpose early in 2011.

For and on behalf of the Board

Paul Crawford
Company Secretary