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IGE initiates withdrawal from its Luxinge diamond project

IGE Resources AB (OSE: IGE) today announced that the Company is holding discussions with its partners in the Luxinge diamond project in Angola with the purpose of withdrawing from the project.

The diamond recoveries and grades since the June 2010 granting of the Luxinge mining permit have not matched the expectations established by the earlier bulk sampling results. A recent external audit initiated by IGE, has identified on-site operational inefficiencies and procedural shortcomings which would require significant restructuring and thus add further complexity to any decision to continue subsidising operations.

It is also IGE's opinion that the current partner model and its administrative requirements challenge the viability of the project. IGE has management control of the Luxinge mining company, but is a minority shareholder together with the state owned diamond company Endiama and other local partners. IGE's operations director in Angola (excl. Cassanguidi) has resigned from his position.

On this basis IGE is discussing with its Angolan partners how to resolve the situation. Since 2007, IGE's total investment in Luxinge amounts to USD 15 million, of which USD 6 million are in equipment which remains IGE's property.

"We are obviously disappointed that the Luxinge project failed to meet IGE's expectations and requirements, further to our concerns expressed at our third quarter results presentation in November. We still hope to find a solution acceptable to all parties, including a sale of our interest. We are, however, also prepared to withdraw from the project unilaterally if necessary," said IGE's CEO Tomas Fellbom.

At IGE's second diamond mine in Angola, Cassanguidi, additional mining equipment is now being installed following the formal investment decision in November. Efforts are being made to optimise production rates and further improve diamond recovery and grade. As previously reported, technical difficulties and reduced efficiency due to the installation and start-up of new equipment have significantly reduced the monthly output from Cassanguidi in the fourth quarter of 2010. Despite the recent difficulties, Cassanguidi's monthly production target for the end of 2011 remains unchanged.

Preparations at the Bakerville diamond project in South Africa are moving forward and the mining license is expected in early 2011, subject to the timing and decision processes of the local authorities. IGE will determine the optimal time for start-up of production based on an assessment of both the diamond market and the currency exchange rate in South Africa.

For additional information, please contact:

Tomas Fellbom
CEO, IGE Resources AB
Phone: +46 8 402 28 00 / Mobile: +46 73 322 57 86
E-mail: tomas.fellbom@ige.se

Thomas Carlsson
CFO, IGE Resources AB
Tel: +46 8 402 28 05 / +46 70 552 26 22
E-mail: thomas.carlsson@ige.se

IGE Resources AB (publ) is a Scandinavian company mainly focusing on diamonds exploration and production in Southern Africa. IGE's portfolio also includes one of Northern Europe's largest nickel deposits and gold exploration projects in Kenya. IGE is headquartered in Stockholm and its shares are listed on the Oslo Stock Exchange (ticker: IGE). Please refer to www.ige.se for more detailed information.