

19 September, 2011

IGE announces agreement enabling production in the Bakerville diamond mine

IGE Resources AB (OSE: IGE) today announced that the Company has entered into a contract mining agreement with Frontier Mining Projects Pty Ltd of South Africa (Frontier) for its Bakerville diamond mine in South Africa. The agreement enables IGE to ramp up the Bakerville mine operation towards diamond production and cash flow generation without further investment from IGE.

The contract mining commences with immediate effect. Initial activity allows Frontier to take over and continue bulk sampling operations of the underlying geological formations (potholes) alongside ore dressing studies to finalise design for large scale processing plants to tackle both potholes and surface deposits. These results will allow ramping up to full production over the next two years through the construction of two additional processing plants.

Frontier is a wholly owned local subsidiary of privately owned Lutzville Engineering Pty Limited of South Africa, who has been responsible for processing plant design and construction as well as contract mining for a number of diamond companies, including De Beers, Petra and Firestone during the past decade. The completion of recent contracts has released equipment and skilled staff to be available immediately for the commencement of operations at Bakerville.

IGE will maintain the current ownership structure of the Bakerville mineral rights, while Frontier will provide the necessary equipment and personnel and operate the mine. Previous capex estimations amounted to approximately USD 10 million. Net profits from the Bakerville diamond sales will be divided 50/50 between IGE's local subsidiary and Frontier.

"The conclusion of this agreement with Frontier secures IGE's interest in the Bakerville license. It provides IGE with a quick ramp up towards a positive cash flow in the project without any need of additional dilution for our shareholders. Frontier will assume the geological and financial risks associated with developing the mine. Their in depth understanding of these risks and the upside potential of the project allows a win-win relationship for both parties. We are now able to progress further in developing IGE, having enabled a fast-track route for our Bakerville project to get into production without any further investments from IGE," said IGE's acting CEO, Thomas Carlsson.

IGE was awarded mining right for the Baskerville diamond mine in January 2011 and it covers an area of approximately 10 km². The resource base is estimated at over one million carats of rough diamonds (verified and additional resources combined). Earlier exploration was focussed on the top 50cm of the surface material, where extensive diamond gravel deposits were identified. A number of underlying deeper vertical structures known as potholes, which historically have a probability of increased diamond content, may add significant value to the project.

The previous capex estimate of USD 10 million for surface mining was aimed at production level of 2,500 carats per month. The current strategy implies to improve the previous estimated production level through the addition of the pothole production. The Company will inform the market on updated production estimates once the sampling and ore dressing studies are complete, which is expected during Q1 2012. Diamonds recovered during the early exploration in Bakerville were sold at an average price of USD 369/Ct in 2009. Since then rough diamond prices have increased significantly.

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***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.*