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ASX ANNOUNCEMENT
AUSTRALIAN SECURITIES EXCHANGE

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SALE OF MAJORITY INTEREST IN DIAMONEX BOTSWANA LIMITED

BACKGROUND

On Friday, 27 February 2009 DiamonEx Limited (**DiamonEx**) announced that its wholly owned subsidiary Diamonex Botswana Limited (**DBL**) had been placed under Judicial Management pursuant to orders granted by the High Court of Botswana. This order provided DBL with a period of immunity from claims from its creditors.

Since the granting of the orders, DiamonEx has investigated numerous alternatives to position DiamonEx for the future.

DiamonEx is pleased to advise it has finalised the key terms of a conditional agreement for the sale of 80% of the shares in DBL (**Acquisition Agreement**). The agreement is with Fleming Asset Management Botswana (**FAMB**) acting on behalf of the DiamonEx Convertible Bond Holders (**Bondholders**).

The agreement provides for the transfer by DiamonEx of 80% of the shares in DBL. Additionally DiamonEx will transfer its diamond exploration tenure in the USA to the purchasers.

KEY TERMS OF THE ACQUISITION AGREEMENT

Transfer of DiamonEx Limited Loans

DiamonEx will effect the novation of all receivable loans and advances made by DiamonEx to DBL to an entity nominated by FAMB. These loans and advances amount to approximately A\$23,000,000 (as recorded in the company's annual report for 2007/08).

Convertible Bonds

As disclosed in the company's annual report for 2007/08, the convertible bonds are a loan to DiamonEx under which DiamonEx has been required to pay a fixed rate of interest to the Bondholders. The bonds up until recently have been listed on the Botswana Stock Exchange. The obligations under the convertible bonds are equivalent to BWP 50,000,000 (approximately A\$10,000,000). The bonds terms also included a right to convert up to 10% of the bonds to DiamonEx shares (with shareholder approval obtained for this feature of the bonds at the 2007 Annual General Meeting of DiamonEx).

The purchasers will assume DiamonEx's obligations and liabilities under the terms of the convertible bonds. This will mean that DiamonEx is released from any future obligation to

repay the capital value of the bonds, interest or convert up to 10% of the bonds to DiamonEx shares.

European Investment Bank Loan to Diamonex Botswana Limited

As stated in the company's annual report for 2007/08, DBL entered into a loan with the European Investment Bank to the value of €5,000,000 (approximately A\$10,000,000). The purchasers have undertaken to effect the total release of the deed of share pledge given by DiamonEx to the European Investment Bank for the loan to DBL as security for this loan. On completion of the Acquisition Agreement, DiamonEx will not be liable under any security or similar instrument in relation to this loan. DBL will still be liable as the borrower under the European Investment Bank loan notwithstanding this change.

Stanbic Bank Loan to Diamonex Botswana Limited

The purchasers have also undertaken to settle with the Stanbic Bank of Botswana the loan of approximately A\$2,000,000 provided to DBL.

Loan to DiamonEx Limited

The purchaser will loan A\$500,000 to DiamonEx. The loan will be for a term of 24 months with 15% interest charged. Interest will be calculated as simple interest on the balance of the loan outstanding and the interest owed will payable at the end of the term of the loan. This loan is to be secured by a mortgage of DiamonEx's DBL shares.

Investment in Diamonex Botswana Limited

In addition, FAMB and/or the Bondholders will invest up to approximately A\$6,500,000 into DBL. Whilst the total debt of DBL can not be determined at this stage due to factors which are yet to be finalised under the judicial management process, this should enable DBL to settle its immediately owing debts (other than the European Investment Bank loan) and provide sufficient working capital to enable DBL's main asset, the Lerala Diamond Mine, to either stay on care and maintenance for at least two years, or to commence production if and when a commercially attractive diamond off - take contract is secured.

Conditions Precedent

The company confirms that the Acquisition Agreement includes the following conditions precedent:

1. DiamonEx shareholder approval.
2. Approvals of the Bondholders.
3. DiamonEx obtaining a release from the European Investment Bank of securities granted in its favour over DBL shares.
4. Settlement with the Stanbic Bank of Botswana of the finance provided to DBL for plant and equipment of the Lerala Mine.
5. Completion of due diligence in respect of DiamonEx's Sloan Mineral Rights in the United States of America.

DiamonEx expects to execute the formal Acquisition Agreement shortly and hold the shareholders meeting seeking approval of the transaction (**Transaction**) within 3 months, with completion to be effected 2 weeks after shareholder approval has been given.

In summary, on completion the following outcomes will result:

- DiamonEx will transfer its right to receipt of approximately A\$23,000,000 from DBL to an entity nominated by the purchaser;
- DiamonEx will be released from approximately A\$10,000,000 of debt owed to the Bondholders under the convertible bonds (and interest payments due in the future);
- DiamonEx will not be liable under any security or similar instrument in relation to the European Investment Bank loan to DBL;
- The settlement of the loan from the Stanbic Bank to DBL; and
- DiamonEx will retain 20% ownership in DBL.

THE FUTURE

The Directors' intention is to ensure that DiamonEx's stake in DBL will be protected from dilution. This will be done through either a contractual undertaking or by an amendment to DBL's constitution and will provide DBL shareholders, in the event of future capital raisings by DBL, the right to purchase additional equity pro-rata to their proportion of shareholdings.

On successful completion of the Transaction, DiamonEx will manage its 20% investment in DBL, continue exploration and evaluation of remaining tenements and will restructure the company to pursue other exploration and development opportunities. DiamonEx's remaining tenements are set out below:

Tenement Name	Tenement Number	DiamonEx Interest
Botswana - Tuli Block	PL 06/2006	100%
	PL 07/2006	100%
	PL 08/2006	100%
	PL 09/2006	100%
	PL 10/2006	100%
	PL 11/2006	100%
	PL 12/2006	100%
	PL 13/2006	100%
	PL 14/2006	100%
	PL 21/2006	100%
	PL 22/2006	100%
	PL 23/2006	100%
	PL 24/2006	100%
	PL 25/2006	100%
	PL 26/2006	100%
	PL 27/2006	100%
	PL 28/2006	100%
	PL 29/2006	100%
Botswana -Jwaneng	PL 15/2006	100%
	PL 16/2006	100%
	PL 17/2006	100%
	PL 19/2006	100%
	PL 20/2006	100%

Once the Transaction has been completed it is the Directors' intention to seek re-instatement to trading of DiamonEx's shares on the ASX, the Botswana Stock Exchange and the Alternative Investment Market of the London Stock Exchange, however this will be subject to DiamonEx having complied with the relevant exchange's requirements. ASX has advised that prior to re-instatement it will require DiamonEx to disclose its future plans and strategy for its continued operation as a viable business and demonstrate that it has met all ASX Listing Rules requirements.

More detailed information will be provided to shareholders in the explanatory memorandum to be provided with the notice of meeting seeking shareholder approval for the Transaction. DiamonEx anticipates that this material will be despatched shortly.

Yours faithfully
DiamonEx Limited



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Company Secretary

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