Astro Diamond Mines N.L.
ABN 96 007 090 904

C/- Norvest Corporate Pty Ltd
Ground Floor, 16 Ord Street
West Perth, WA 6005, Australia

PO Box 1696,
West Perth, WA 6872, Australia

Telephone: +61 8 9324 8555
Facsimile: +61 8 9324 8560
Email: astro@norvest.com.au

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Company Announcements Office
Australian Securities Exchange

By: e-lodgement (ASX code ARO)

LOAN AGREEMENT FOR $500,000

Astro Diamond Mines NL ("the Company") has today lodged the Rights Issue Prospectus with ASIC and ASX as previously announced on 24 September 2008.

As disclosed in the Rights Issue Prospectus, the Company has entered into a Loan Agreement with Gmax Capital Pty Ltd dated 7 October 2008 under which $500,000 will be advanced to the Company within 10 business days of execution of the agreement subject to lodgement of the Rights Issue Prospectus with ASIC.

The Company will use the loan funds for ongoing working capital.

A one-off loan fee equivalent to $40,000 plus 6% of the loan, totalling $70,000 is payable by the Company. Pursuant to the Loan Agreement, the loan (together with the associated fees) will be repaid in full upon closure of the Rights Issue through the issue of Shares and Options to the lender (or its nominee) on the same terms and conditions as the Rights Issue Prospectus and will form part of the Shortfall.

Accordingly, a total of 81,428,571 Shares at an issue price of 0.7 cents ($0.007) together with 40,714,285 free attaching Options will be issued to the lender (or its nominee) in full satisfaction of the $500,000 loan and associated fees (subject to any necessary regulatory approvals) on or about 20 November 2008, being the expected allotment date for the Rights Issue.

In the event, that there is insufficient Shortfall under the Rights Issue, the Company will issue the above Shares and Options to the lender (or its nominee) under the Company's 15% capacity pursuant to the ASX Listing Rules or otherwise (subject to any necessary regulatory approvals).