

# review of operations

## LERALA DIAMOND MINE

The Lerala Diamond Mine in eastern Botswana is the World's newest diamond mine and is 100% owned by Diamonex. It has an established resource of 3.7 million carats of diamonds and is scheduled to produce on average 330,000 carats per year for the next ten years.

Construction of the plant began in early 2007 and after some delays caused by unseasonably heavy rains at the beginning of this year commissioning of the plant began in April of this year and is virtually completed. The Lerala Plant is a brand new, purpose built Dense Media Separation Plant (DMS) with a 200 tonne per hour capacity and the latest in tertiary crushing technology allowing more diamonds to be liberated.

A strategy of a moderate build up towards full production has been adopted with this full plant capacity expected to be achieved in the next few months. This strategy exposes any weaknesses in the plant and allows for rectification without any major downtime to production.

The plant is powered by 12 on site diesel generators which deliver 4.8 megawatts of power. This on site power generation has meant that diamond production is now quarantined from the power shortages and outages which are presently plaguing Botswana and South Africa.



As Botswana is a very dry and arid country the continued supply of water to meet the needs of the plant was a high priority. To achieve this Diamonex has constructed a 32km pipeline from the Limpopo River to site. This has ensured that even in drought conditions the plant will always have sufficient water to maintain operations.

### WORKFORCE

Diamonex Botswana now employs 240 people on site with an additional 3 support staff employed in the Capital, Gaborone. Of these 96% are Batswana. Senior personnel on site have been instrumental in training and mentoring the remaining staff to a high level of competency with a large proportion of the workforce coming from the nearby village of Lerala.



## RESOURCE

The diamond resource at Lerala is contained within 5 kimberlite pipes totaling 6.33 hectares. The largest of these pipes is K3 which accounts for approximately 60% of the resource. In total the five pipes contain a total of 3.7million carats to the planned mining depth of 110 meters.

At present only K3 is being mined with excavation now at the -10m level. Approximately 250,000 tonnes of ore has been stockpiled to mitigate against any adverse mining conditions caused by the upcoming wet season. Because of its size K3 will be mined for the entire life of the mine while the other pipes will be selectively mined and blended with the K3 ore to maximize diamond production and value.

Preliminary studies have also indicated that K3 may be able to be mined below the planned depth of 110 metres thus increasing the life of the mine.

## DIAMOND SALES & MARKETING

Highly regarded diamond valuation agents, WWW International Diamond Consultants, who represent and act for the world's leading diamond companies and Governments, have been engaged by Diamonex to market its diamonds. Under a dual sales process the diamonds will be first offered to buyers in Botswana prior to being offered to the world. This is a major initiative of the Botswana Government to grow the diamond cutting industry in Botswana.

Importantly however, this sales process ensures that the best possible price for diamonds is achieved by allowing the world market to bid alongside the Botswana diamond cutters.

At present Diamonex is well advanced in assembling its first diamond parcel for sale. Diamonds are acidized or cleaned on site prior to their delivery to the Company's secure facility in Botswana. All aspects of the sale, which is expected to occur in the last week of October, will be coordinated by WWW International.

