

## Media Release

Toronto, October 20, 2008

**Archangel Diamond Corporation notified that Russian government to give conditional consent for its acquisition of a 49.99% equity interest in AGD, but escrow release conditions not satisfied by October 17, 2008**

### Status of Russian Government Approvals

Archangel Diamond Corporation (“Archangel” or the “Corporation”) (TSXV : AAD) announces that, in connection with its proposed acquisition of a 49.99% equity interest in OAO Arkhangel'skoe Geologodobychnoe Predpriyatie from OAO LUKOIL (the “Transaction”) described in the Corporation's news release dated April 16, 2008, the Russian Federal Anti-Monopoly Service (“FAS”) has notified Archangel by letter dated October 15, 2008 that at its first session held on October 10, 2008, the newly established Russian Government Commission on control over foreign investment (the “Commission”) took a positive decision to grant conditional consent to the Transaction pursuant to the Russian Law on foreign investment in strategic assets (the “FISS Law”). Based on discussions with senior FAS officials held in Moscow, Archangel understands that the consent will be subject to a condition relating to local diamond processing. The formal decision (“Decision”), including details of the condition, will be issued by FAS and provided to Archangel once the relevant Commission protocol has been signed, which Archangel understands to be imminent. Archangel has been further advised that the condition will have to be formalized in an ancillary agreement to be entered into between the Corporation and FAS within 20 days of the Decision. Archangel will study the condition and proposed ancillary agreement on receipt of the Decision, in order to understand its impact, if any, on the Transaction.

With respect to the other outstanding condition precedent to completion of the Transaction, Russian competition law approval, FAS has confirmed that it will issue its approval after notification of the Decision under the FISS Law has been provided. Archangel was advised by FAS officials that this approval may also be subject to certain conditions but no details have yet been specified. Archangel will study any conditions on receipt of the approval in order to understand their impact, if any, on the Transaction.

### Escrow Release Conditions

With respect to the US\$172.4 million private placement of Subscription Receipts described in the Corporation's news release dated June 24, 2008, Archangel announces that the Escrow Release Conditions as defined in the Subscription Receipt Agreement dated June 24, 2008 between the Corporation and Computershare Trust Company of Canada (“Computershare”) were not satisfied by 4.00 pm Toronto time on October 17, 2008. The Corporation was unsuccessful in obtaining an extension, consequently each Subscription Receiptholder's escrowed funds, plus any accrued interest earned thereon, will be repaid *pro rata* to each such holder by Computershare in accordance with the terms and conditions of the Subscription Receipt Agreement.

Given the return of the escrowed funds to the Subscription Receiptholders, in the event of fulfillment of the remaining conditions precedent and completion of the Transaction prior to the long-stop date of December 31, 2008, Archangel anticipates drawing under the US\$115 million standby credit facility agreement dated April 15, 2008 made available by De Beers Société Anonyme.

In the meantime, Archangel will consider alternative financing options together with its financial advisors.

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For further information, please contact:

Ms. Jocelyn Fraser  
Archangel Diamond Corporation - Media  
Enquiries  
Vancouver, British Columbia, Canada  
Tel: +1 604 731 6164  
jocelyn.fraser@communicate-pa.ca

Mr. Steven Thomas  
Chief Financial Officer  
Archangel Diamond Corporation  
65 Overlea Boulevard  
Suite 400  
Toronto, Ontario M4H 1P1, Canada  
Tel: +1 416 423 1600  
steve.thomas@ca.debeersgroup.com

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