DiamonEx
Limited
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QUARTERLY REPORT

FOR THE PERIOD APRIL – JUNE 2004

SUMMARY :

- DiamonEx Limited lists on the ASX on 30 March 2004 after closing its prospectus oversubscribed and raising $4 Million.
- Drilling programmes commence at the Martin's Drift diamond deposit.
- Two new kimberlites discovered at the Molopo project.
- Appointment of Mr David Magang as a Director

Since listing, the Company has moved quickly to implement the development strategy proposed in the prospectus supporting the Company's IPO and listing. The Company is moving closer to undertaking a mining feasibility study on its Martin's Drift Project.

MARTIN'S DRIFT DIAMOND PROJECT (DiamonEx 100%)

A Large Diameter Drilling (LDD) programme is currently underway on the 5 known pipes within the Project area (K2, K3, K4, K5 and K6).This drilling will provide additional information on the diamond grade of the pipes. Eighteen 17.5 inch diameter holes are planned to be drilled to a depth of 110 metres.

Five holes have been completed to date.

Approximately 700 tonnes of sample will be produced by this drilling which will be treated through a dense media plant to produce a concentrate .The concentrate will then be treated through a Flowsort diamond recovery plant for diamond extraction.

Samples from the first three drillholes are currently being processed through a De Beers plant in Kimberly, South Africa. All other samples will be treated onsite at Martin's Drift.

The construction of a dense media plant to be used at Martin's Drift is nearing completion. The plant is being built by DRA in Johannesburg. DiamonEx will lease the plant from

DRA for the duration of the sampling programme. The company has purchased it's own Flowsort diamond recovery plant.

Delays have been experienced in the construction of the plant mainly caused by difficulties in sourcing some components. It is anticipated that the plant will be fully operational on site at Martin's Drift by the end of August. All site works, including provision of water and power are proceeding to schedule.

Outline drilling of the pipes, undertaken to generate information on the pipes geometry and geology at depth, was completed during the quarter. This information will be used to generate 3 dimensional models of the pipes for feasibility study and mine planning purposes.

One drillhole was drilled in pipe K3 to a vertical depth of 150 metres, 40 metres below previous drilling, to confirm the vertical extent of the pipe. This hole was still in kimberlite when terminated.

A 12,000 tonne bulk sample of kimberlite is planned to be taken from the 5 pipes to provide a parcel of diamonds for valuation and stone size distribution purposes. This work is scheduled to commence in late September.

Information from these programmes will be used in conjunction with previous De Beers data to provide the basis of a mining feasibility study which is planned to be completed in 2005.

The Martin's Drift project was formerly held by De Beers who in 1993 defined a resource within the 5 pipes of some 13.1 million tonnes, at a +1mm production grade of 22.82 carats per hundred tonnes, representing a resource of 3.1 million carats of diamonds.

All pipes are exposed at the surface.

MARTIN'S DRIFT EXPLORATION

Diamond indicator mineral sampling on a 250 metre grid, carried out by DiamonEx in close proximity to the known pipes, has identified anomalous areas containing kimberlitic garnets, indicative of potential new kimberlite bodies. Limited drilling was undertaken on some of these soil sample anomalies and selected magnetic anomalies during the quarter.

No new kimberlites were intersected by this drilling. It was apparent that the 250 metre soil sampling grid was too broad and consequently these anomalous areas have now been sampled on a 50 meter grid. Samples from this work are currently being processed.

MOLOPO

Drilling of four anomalies at Molopo in May intersected two previously unknown kimberlites. Samples from these two discoveries are being processed to determine their microdiamond contents and age. Results are expected shortly.

CORPORATE

During the quarter, DiamonEx was awarded "Local Asset Status" by the Botswana Ministry of Finance and Planning. The award of this status means that institutional investors within Botswana can invest in the Company.

Mr David Magang, a resident of Botswana was appointed a Director of the Company.

A general meeting of the company, requisitioned by 2 shareholders, was held in June. The meeting was called to consider removing Messrs Greg King and Dan O'Neill, as Directors of the Company. Both resolutions were defeated.

Paul Crawford
Company Secretary

For more information, contact Dan O'Neill (Managing Director) or Greg King (Chairman)

Appendix 5B

Mining exploration entity quarterly report

Name of entity

DIAMONEX LIMITED

ABN	Quarter ended ("current quarter")
26 091 951 978	30 JUNE 2004

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(600)	(945)
	(b) development		
	(c) production		
	(d) administration	(206)	(323)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received		
1.5	Interest and other costs of finance paid	19	31
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(787)	(1,237)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investment		
	(c)other fixed assets	(185)	(248)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investment		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(185)	(248)
1.13	Total operating and investing cash flows (carried forward)	(972)	(1,485)

1.13	Total operating and investing cash flows (brought forward)	(972)	(1,485)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		4,250
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(18)	(390)
	Net financing cash flows	(18)	3,860
	Net increase (decrease) in cash held	(990)	2,375
1.20	Cash at beginning of quarter/year to date	3,492	127
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	2,502	2,502

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	140
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Executive Director salaries (70)
Accrued service fees prior years (70)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	600
4.2	Development	
	Total	**600**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	131	17
5.2	Deposits at call	2,371	3,475
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	2,502	3,492

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	48,625,000	34,267,500		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	32,567,500	18,215,000	*Exercise price* 20 cents	*Expiry date* 30 June 2006
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... (Director/Company secretary)

Date: 30 July 2004

Print name: Paul Crawford

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.