DiamonEx Limited

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31 May 2006

Dear Optionholder

Notice –Options Expiring 30 June 2006

I am writing to remind you that you have until 30 June to exercise your options and contribute to the emergence of DiamonEx as a diamond miner. Each option carries the right to acquire one fully paid share in the Company for A$0.20. Your option holding as at 30 May 2006 is shown in the attached Option Exercise Form.

As you know, it is DiamonEx's aim to create shareholder wealth as a successful diamond producer by developing the Martin's Drift project in Botswana.

This is an appropriate opportunity to update you on progress. Having established the feasibility of the project, we are focussing on obtaining the mining lease from the Botswana Government. Discussions with the authorities are well advanced and we now expect to be granted the lease in June.

Subject to the granting of the lease and completing the procurement of development finance, initial diamond production is scheduled to commence in early 2007.

MARTIN'S DRIFT DIAMOND PROJECT

The project lies within an area of Botswana and adjoining South Africa that produces 35% of the world's diamonds by value (over US$2 billion).

In March this year, following completion of a favourable feasibility study, DiamonEx announced its decision to proceed with the development of a new 330,000 carat per year diamond mine at Martin's Drift, subject to financing being completed. The study was completed by Promet Engineers Africa Pty Ltd.

The project is based on an established 3.7 million carat resource contained within five diamondiferous kimberlite pipes which are exposed at surface. There is potential to further increase the resource at depth and through ongoing exploration at several priority targets close to the project area.

The proposed development coincides with a strong market outlook for diamonds. Demand for diamonds is expected to increase by 5% a year over the next decade driven by consumers in China and India. As a result, rough diamond prices, which increased by more than 20% during 2003 and 2004, are forecast to increase a further 30% over the next five to six years. It has been reported that current shortfalls in rough diamonds for the polishing industry have been filled from major producers' stockpiles which are almost exhausted and production of the world's largest mines is declining. There has been considerable interest from prospective customers seeking to secure DiamonEx's rough diamond output, and we are taking time to formulate a marketing strategy for the project that will produce the best long term return to shareholders.

With a 2007 start-up proposed, we have progressed development planning to the stage that we can proceed with construction as soon as the mining lease is granted and finance completed.

OPTION EXERCISE

Exercise of the options would raise nearly $6 million and contribute significantly towards funding required to develop the Martin's Drift project.

If you intend to exercise your options, wholly or in part, you must complete and sign the enclosed Option Exercise Form and return it together with a cheque for the exercise amount of A$0.20 per option. In order for your exercise of options to be valid, the Company will need to receive payment by the close of business on 30 June 2006. Cheques should be made payable to "Diamonex Limited". There are no additional costs such as commissions or brokerage in relation to the exercise of your options.

If you do not exercise your options before the expiry date, they will automatically lapse.

Pursuant to Listing Rule 6.24 of the Australian Stock Exchange, the last day for official quotation of the options on the ASX will be 23 June 2006, being five business days before their expiry date.

As at the close of business on 30 May 2006, the date immediately before this letter, the Diamonex Limited shares last traded at A$0.22.

The highest and lowest market sale price of the Company's shares during the 3 months immediately before this notice was:

Highest - A$0.28 on 28 March 2006

Lowest - A$0.20 on 2 March 2006

There is no underwriting agreement in relation to the options.

To exercise your options, please complete the enclosed Option Exercise Form and return it to the share registry before 5pm (Brisbane time) on 30 June 2006.

All fully paid shares issued upon exercise of the options will rank equally in all respects with the Company's existing fully paid shares. The Company will apply for Official Quotation by Australian Stock Exchange Limited and Botswana Stock Exchange of all shares issued upon exercise of the options.

I encourage you to exercise your options. By exercising your options you will be contributing towards the emergence of DiamonEx as a diamond miner and securing an increased participation in the company's future.

The enclosed Option Exercise Form outlines the procedures required to exercise your options. Should you have any queries with regard to the exercise of your options, please contact the share registrar, Link Market Services on (02) 8280 7454. Alternatively, you may contact the company secretary, Paul Crawford at DiamonEx on (07) 3369 6399 or email him at diamonex@diamonex.com.au.

Yours sincerely
DiamonEx Limited

G. King

Greg King
Chairman