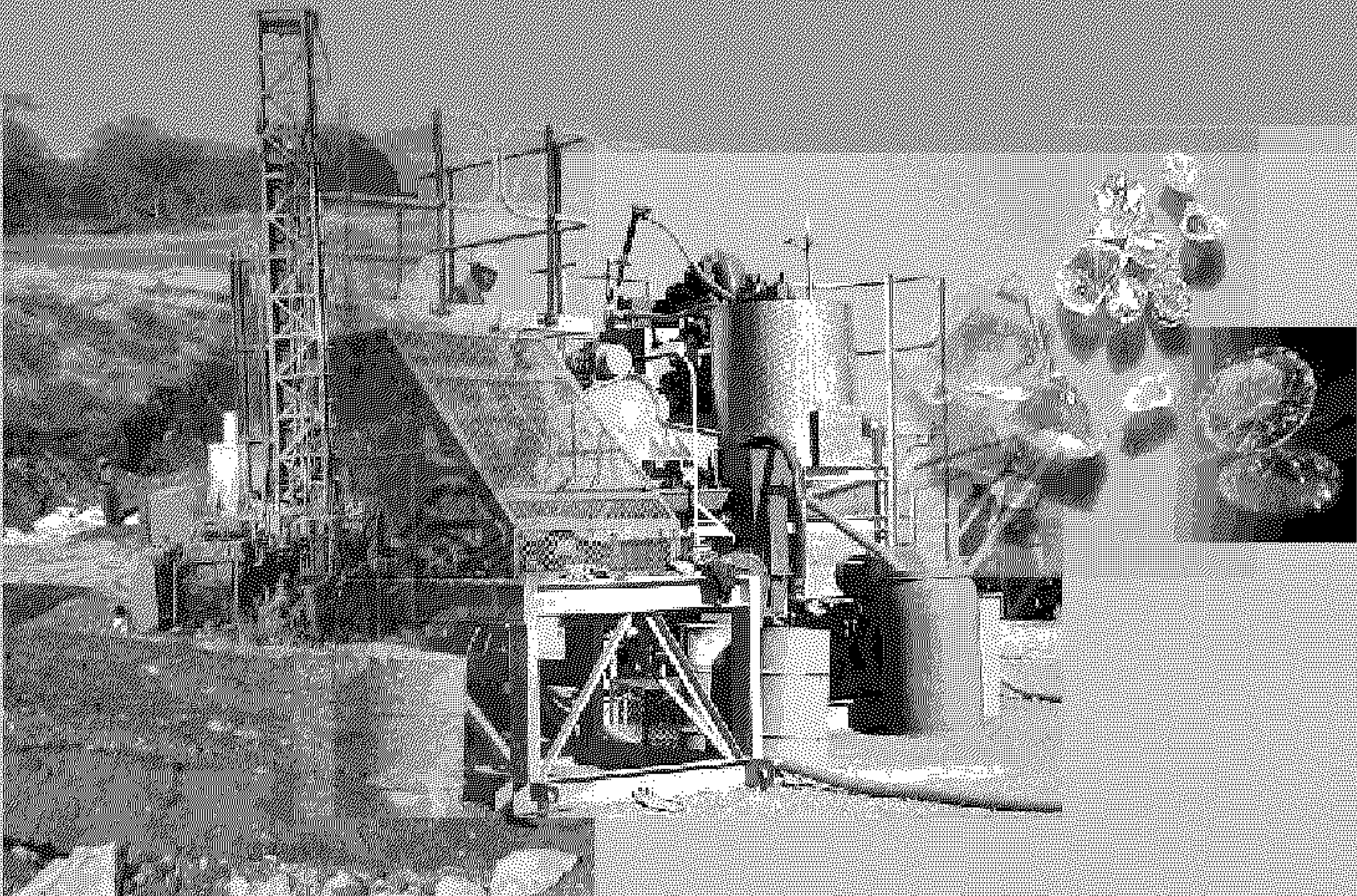
DIAMONEX Limited



2006

ANNUAL REPORT

highlights

of the year

Advancing from explorer to diamond producer......

Lerala Project (DiamonEx 100%)

- Decision to proceed with the development of a new 330,000 carat/yr diamond mine at Lerala, Botswana
- Feasibility study indicating robust project economics
- Initial diamond production planned for September quarter 2007
- Indicated Diamond Resource at Lerala increased by 23% to 3.7 million carats, further upside potential

Exploration

- Strong strategic exploration position in Botswana the biggest diamond producing country in the world by value
- Martin's Drift several high priority diamond targets identified close to the proposed Lerala Diamond Mine
- Tuli Project extensive exploration licences granted strategically positioned adjacent to Martin's Drift and lying within the prospective Limpopo Mobile Belt
- South eastern Botswana - exploration licences granted within 90 km of Jwaneng mine, the world's richest diamond mine

Looking Ahead

- Focus on developing the Lerala Diamond Mine
- Construction scheduled to commence in January 2007
- Initial production September quarter 2007
- Initial funding from cash reserves, further funding to be finalised in the December quarter 2006
- Exploration to commence at Tuli and Jwaneng licence areas in late 2006

DiamonEx Limited

chairman's report

Dear Shareholder

I am very pleased to report on an important year for your Company as it advances from explorer to becoming a producer of diamonds.

In March of this year the Board of DiamonEx announced its decision to proceed with the development of a new diamond mine at Lerala (the name given to the mine) within the Martin's Drift project area, subject to finance being completed. The decision followed completion of a favourable feasibility study on the project which was completed by ProMet Engineers Africa.

In September this year Mining Licence 2006/29L covering the proposed Lerala mine site was granted to DiamonEx by the Government of Botswana representing an important milestone in the Company's development. Design work has commenced and construction of the main processing plant is expected to commence in January 2007, subject to finalising funding. Diamond production is scheduled to commence in the September 2007 quarter.

Additional funding will be required to complete the development of the Lerala Diamond Mine. Negotiations to provide additional funding for the project are well advanced.

The development of Lerala coincides with a strong market outlook for diamonds and we have received interest from prospective customers seeking to secure the total output from the proposed mine.

Over the next several years, prices of rough diamonds are expected to increase due to increased demand and reduced supply as stockpiles are exhausted and world mine output declines.

In May this year De Beers Group announced plans to relocate its buying and marketing arm, the Diamond Trading Company (DTC), to Botswana. Botswana, already the leading diamond producer by value, will become the diamond trading hub of the world.

DiamonEx, as the only independent diamond producer in Botswana, is well positioned to benefit from the DTC relocation and the expected shortage of diamonds.

While the focus over the next year will be firmly on the successful development of the Lerala Diamond Mine, the company has taken advantage of strategic exploration opportunities that it identified in Botswana.

The recent award of extensive exploration licences adjacent to the Martin's Drift project area and near the rich Jwaneng diamond mine in south eastern Botswana has strengthened the company's strategic position in Botswana and provides opportunities to further grow the company's diamond resource base.

On the corporate front, DiamonEx has signed a mandate letter with Australian based Nomad, RFC Corporate Finance Limited with a view to seeking a compliance listing on the Alternative Investment Market (AIM) in London.

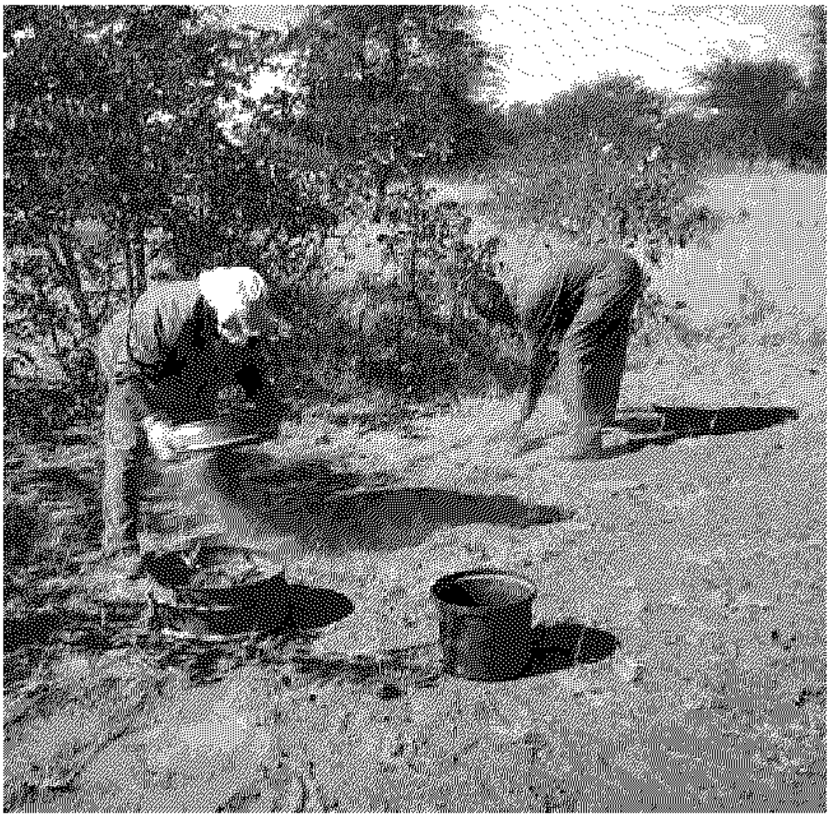
AIM admission is expected to raise the company's profile and interest from institutional investors through access to the broader European market which is more familiar with the investment opportunities offered by projects in Africa. It will also provide access to capital markets for funding future growth.

I would like to acknowledge and thank our employees and my fellow directors for their efforts during the past twelve months. On behalf of the Board I would also like to thank all shareholders for their support during the year as we look forward to an exciting year ahead.

G. King

Greg King
Executive Chairman

managing director's report



During the year, DiamonEx made a great deal of progress towards achieving its objective of becoming a mid-tier diamond producer in Botswana.

The March 2006 decision to proceed with the development of the Lerala Diamond Mine, subject to finance being completed, followed extensive evaluation work which concluded with the completion of a favourable feasibility study.

Lerala Diamond Mine Feasibility Study

The major achievement during the year was the completion of the Lerala feasibility study.

The proposed Lerala Diamond Mine will process 1.32 million tonnes per year of ore and produce 330,000 carats per year over 10 years. Construction is planned to commence in January 2007 and initial production is scheduled for the September quarter 2007.

Lerala will be a low capital cost low operating cost project with a simple, proven processing route. Average cash mining and processing costs are estimated to be US$9/tonne. These costs have been increased from the March 2006 estimate in response to the increased costs of diesel fuel and a decision to include the costs for leasing a High Pressure Grinding Roller Crusher (HPGR) for the project. The inclusion of a HPGR is expected to increase diamond liberation and boost diamond recovery by 15% at Lerala. The increased revenue from diamond sales will more than offset the leasing costs.

Key elements of the feasibility study included an independent valuation of a parcel of diamonds from the Lerala kimberlite pipes and confirmation of the diamond resources. In November 2005, DiamonEx announced a 27% increase in the estimated diamond resource to approximately 3.7 million carats.

The resource estimate was prepared by SRK Consulting (South Africa) Pty Limited (SRK) for four of the five kimberlite pipes comprising the Lerala project. In its report SRK estimated an Indicated Diamond Resource for Lerala of 13.5 million tonnes at an average grade of 27.41 carats per hundred tonnes (cpht) to a depth of 110 metres below surface, based on a +1mm bottom cut-off screen size. This estimate incorporated a significant amount of new data which was collected during drilling and bulk sampling programmes undertaken by DiamonEx in 2004 and 2005.

There is considerable potential to further increase the resource at Lerala through the addition of the fifth pipe where further work is required to provide a resource estimate; at depth for the existing pipes; and through several high priority exploration targets close to the proposed mine.

In October 2005, DiamonEx announced that the estimated the weighted average price of diamonds for the Lerala project was US$53 per carat assuming a bottom cut-off of 1mm. The estimate was based on a valuation of a parcel of 1100 carats recovered from Lerala during bulk sampling and was carried out by independent diamond valuer WWW International Diamond Consultants Ltd.

Exploration

During the year DiamonEx strengthened its strategic exploration position in Botswana.

In June 2006, DiamonEx was granted 15 new Exploration Licences (the Tuli project) covering 12,400 km^2 contiguous with the Martins Drift licence area and extending north and east. The licences lie within the prospective Limpopo Mobile Belt which hosts several diamond deposits including Lerala.

In the south east of Botswana, within 90 km of the world's richest (by value) diamond mine at Jwaneng, DiamonEx has been granted four Exploration Licences covering 3,200 km^2. In 2005, Jwaneng produced 15.6 million carats of diamonds

Looking ahead

Activity over the coming year will focus on advancing the Lerala mine towards production, with commercial production scheduled for the September 2007 quarter.

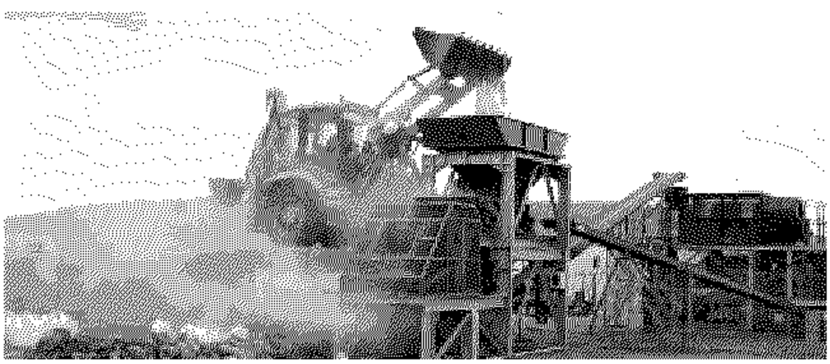
In addition to advancing the Lerala project we plan to recommence exploration activities aimed at establishing new diamond resources.

Within the Martin's Drift licence area we have identified a number of high potential targets which are scheduled to be drill tested before the end of this year. Additional resources would add value to the Lerala project.

Exploration at the Tuli Project is scheduled to commence in October of this year with the flying of an airborne Spectral Survey which will aid in the delineation of kimberlite pipes in the area.

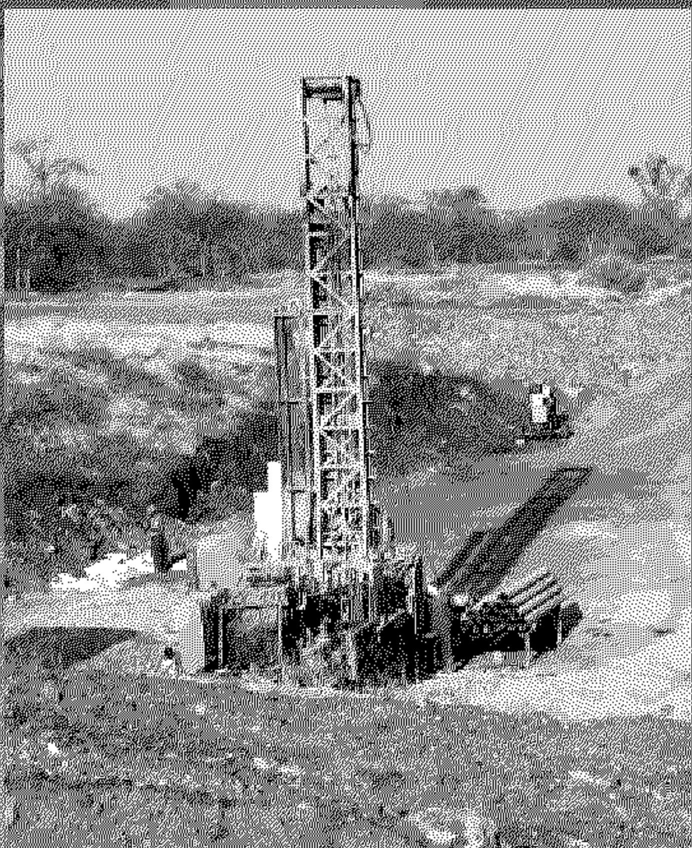
The next year presents many challenges as DiamonEx transforms itself from a junior explorer to an emerging diamond producer. The year is going to be extremely busy with no shortages of challenges, however I have no doubt that we can build on the successes of the past year.

Dan O'Neill
Managing Director



review of operations

"DiamonEx aims to create shareholder wealth as a successful diamond producer."



Lerala diamond project

The Lerala diamond project is located in eastern Botswana approximately 350 km north east of the capital Gaborone and 35 km west of the Martin's Drift border crossing with South Africa. Lerala is situated in a region of Botswana and adjacent South Africa that produces 30% of the world's diamonds by value (US$4.5 billion).

The low capital cost, low operating cost project will utilise a simple, proven processing route. The mine is situated close to existing road and power infrastructure.

The project feasibility study was based on a 10 year life of mine with an annual run of mine ore throughput of 1.32 million tonnes producing 330,000 carats of diamonds.

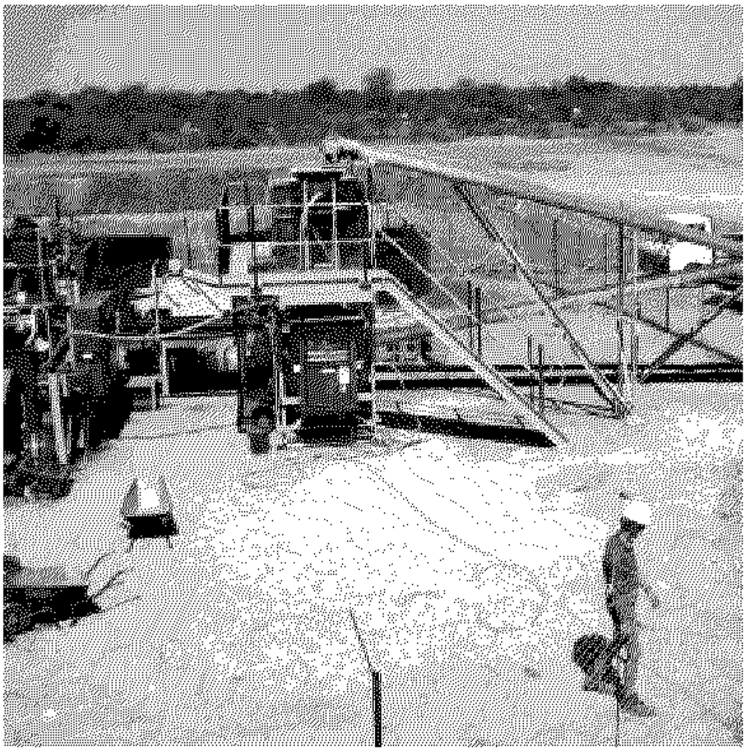
The capital requirement for the project is US$15 million with capital payback anticipated within three years. Mining will be by contractor. Lerala is expected to generate an operating cashflow of US$100 million over 10 years on revenue of US$230 million at forecast diamond prices.

The Lerala's diamondiferous kimberlite pipes are exposed at surface allowing low cost open cut mining methods to be employed. Initial mine design resulted in a low un-optimised average strip ratio of 0.68:1.

Ore will be treated in a 180 tonnes per hour diamond processing facility comprising best practice crushing, scrubbing, screening, water recovery, dense medium and diamond recovery practices.

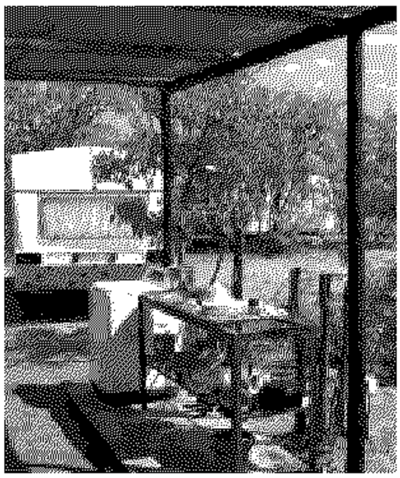
Detailed design work for the mine and processing plants is well advanced. Mine design work is being carried out by South African based mining and exploration consultants MinXcon (Pty) Ltd. Detail processing plant designs are being undertaken by ProMet Engineers Africa.

All major processing plant equipment has been selected. The Environmental Impact Statement has been prepared and a suitable borefield for the supply of water to the mine has been identified.



The mine will be operated in an environmentally responsible manner under a Botswana Government approved Environmental Management Program Report (EMPR).

DiamonEx expects to employ 133 persons directly, with an additional 140 persons through mining and security contractors. This will provide much needed growth and income opportunities to the surrounding rural community areas.



Lerala Resource

Four kimberlites, K002, K003, K004 and K005 have been defined with a combined Indicated Diamond Resource of 13.5 million tonnes with an average grade of 27.41 cpht (1mm diamond cut-off size). Further work is required to define a resource for a fifth pipe, K006, which has also been included in the Lerala mine plan. At K006, DiamonEx is targeting the establishment of a resource of around 200,000 tonnes at an average grade of over 40 cpht.

A pre-existing tailing dump of approximately 250,000 tonnes of low grade material produced during trial mining in the 1990's will be used during commissioning of the Lerala processing plant and blending when processing requirements allow.

. . . over the next several years, prices of rough diamonds are expected to increase due to increased demand and reduced supply

Indicated Diamond Resources *

Pipe	Tonnes (millions)	Grade (cpht)
K2	3.4	24.00
K3	6.7	29.86
K4	1.5	28.40
k5	1.9	24.14
TOTAL	**13.5**	**27.41**

* Estimated Resource to a depth of 110 metres below surface based on a +1mm bottom cut-off screen size.

The weighted average price of diamonds for the Lerala project has been estimated as US$53/carat (2006 base). Strong demand for diamonds combined with an expected shortfall in supply as stockpiles are depleted and declining world mine output is expected to lift diamond prices by 30% over the next five to six years.

These average prices have been modelled from information provided to WWW International Diamond Consultants Ltd by DiamonEx. The base information was sourced from the SRK resource statement, large diameter drill information and bulk sample results.

The marketing strategy for Lerala's diamonds has not been finalised and various avenues are under review to ensure a maximum revenue yield per carat. With increasing demand for diamonds driven by the Middle East and emerging Indian and Chinese markets, the future for diamond mining is positive.

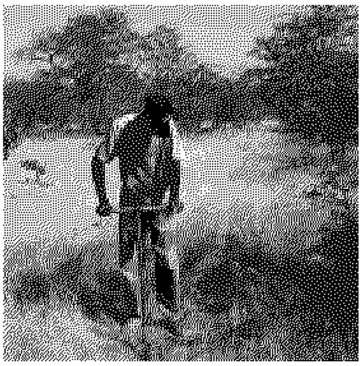
DiamonEx Limited

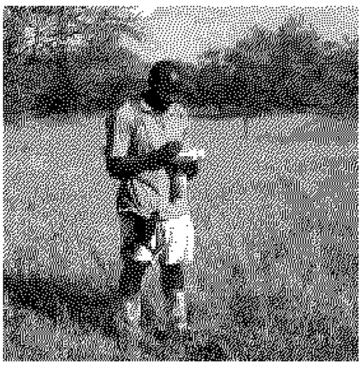
exploration
projects

BOTSWANA

Martin's Drift (DiamonEx 100%)

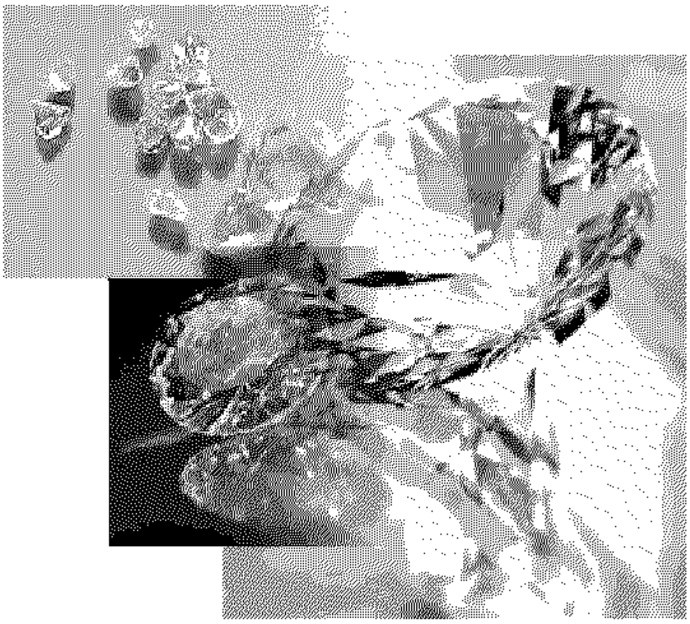
- 350 km^2 area surrounding the proposed Lerala Diamond Mine
- Geochemical sampling has identified 10 high priority targets, in close proximity the Lerala mine, requiring drill testing
- Drilling to be undertaken in October 2006
- Airborne high resolution spectral sensing survey to detect possible kimberlite pipes to be flown in October 2006
- Geochemical and drilling testing of targets outlined by the airborne survey





Tuli Project (DiamonEx 100%)

- Strong strategic position within the prospective Limpopo Mobile Belt host of several diamond deposits including Lerala
- 18 Prospecting Licenses covering 12,400 km^2 granted in September 2006
- Contiguous with Martin's Drift licenses
- Review of previous exploration work has identified currently unsourced alluvial diamonds and kimberlite indicator minerals
- Airborne high resolution spectral sensing survey to be flown in October 2006
- Follow-up soil geochemical surveys over anomalies outlined by remote sensing interpretation



Jwaneng (DiamonEx 100%)

- 4 Prospecting Licenses covering 3,200 km^2 granted in September 2006
- South eastern Botswana, within 90 km of the world's richest diamond mine (Jwaneng)
- Follow-up close spaced kimberlite indicator mineral (KIM) sampling over areas of previously defined anomalous KIM grains

AUSTRALIA

Jugiong

- Exploration Licence 6595 in Gundagai region of New South Wales
- Previous exploration reported the recovery of micro diamonds from the Jugiong lamprophyre breccia
- A bulk sample will excavated and tested for the presence of diamonds

DIAMONEX LIMITED
AND CONTROLLED ENTITIES

ABN 26 091 951 978

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006

CORPORATE GOVERNANCE STATEMENT

DiamonEx Limited is a specialist diamond explorer operating in countries that are significant world diamond producers. As an operator in an international context, the Board believes that fostering high governance standards reflects the Company's commitment to corporate integrity and enhancing shareholder value.

This Corporate Governance Statement outlines the key principles and practices of DiamonEx Limited, which represents our system of governance. The Company's Board is committed to implementing best practice corporate governance procedures and has adopted the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* as the basis for its corporate governance policies.

In viewing this Statement, shareholders are reminded that Diamonex is a junior exploration company operating in a volatile market, committed to maintaining a lean and efficient corporate structure. The Company advises that where its practices are not entirely consistent with the ASX Principles this is because the Board considers some of the recommendations to be inappropriate to the Company's size and the nature of its current operations. However, the Board and Management of DiamonEx are committed to the progressive implementation of the Principles, appropriate to each stage of the Company's development.

Summaries of compliance with the principles are provided below.

PRINCIPLE 1: SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

Lay Solid foundations for management and oversight

The Board's role is to govern the Company and to ensure that it represents effectively the interests of all shareholders. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is currently the role of the Executive Directors to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of the Executive Directors in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

The Company has developed a Statement of Board Functions and a Delegations Policy, which document the respective roles and responsibilities of the Board and management. Details of these policies are available on the Company's website.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Structure the Board to add value

Within the cost limits appropriate to a company of DiamonEx's size, the board has been structured to provide optimum experience and oversight of the company's operations. All Directors should bring specific skills and experience that add value to the Company. The Board considers that, between them, the existing Directors bring the range of skills, knowledge and experience necessary to govern the Company effectively.

The Board regularly reviews the composition, skill base and effectiveness of the Board.

In relation to the best practice recommendations:

2.1 A majority of the Board should be independent directors.

DiamonEx is not compliant with this principle. During this reporting period, the Board comprised two executive and five non-executive directors, two of whom were independent directors. At the date of this report the Board comprises one independent director. The size, nature of activities and stage of development of the Company does not justify expanding or restructuring the Board at this time. However, in making recommendations to shareholders about candidates for election to the Board, the Board will aim to have a balance of independent non-executives.

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience along with the term of office held by each of the Directors are stated in the Directors' Report.

The Board considers that two non-executive directors, Messrs Dippenaar and Magang meet its criteria for independence during the reporting period. Mr Dippenaar resigned as a Director in June 2005. Of the other non-executive directors, Mr Crawford is the principal of a firm that provides accounting, company secretarial, corporate and financial management services to the Company and therefore does not meet the criteria for independence. However, the Board considers it appropriate for him to remain a member of the Board. Similarly, Mr Chong, as a substantial shareholder in the Company, cannot be regarded as an independent director. However, his many years experience in mining and minerals processing and his experience as a director are regarded as important additions to the Board's skills base. The Board's most recently appointed non-executive director is Mr Don Duncan. Mr Duncan is a geologist who has operated his own independent diamond consultancy since 2000 and has provided consultancy services to DiamonEx. While he cannot be regarded as an independent director, his extensive experience in the diamond industry and involvement in the Martin's Drift project since inception, are extremely important to the Company.

The two executive Directors, Mr Greg King (Executive Chairman) and Mr Dan O'Neill (Managing Director) are founding directors and bring valuable knowledge and experience to the Board.

2.2 The chairperson should be an independent director.

DiamonEx is not compliant with this principle. The Board chooses the most suitable candidate to lead the Board.

Mr King is the Company's Executive Chairman. He was a Company founder and has been a major force in its success. While recognising that the ASX Corporate Governance Council recommends that the Chairman should be an independent Director, the Company feels that the strong independence exercised by the other Board members mitigates any negative impact on the Company that it may have.

2.3 The roles of chairperson and chief executive officer should not be exercised by the same person.

DiamonEx is compliant with this principle. DiamonEx does not have employees, and the chairman performs executive functions but is not considered the chief executive offer.

The Company's Managing Director, Mr O'Neill is the chief executive officer. In conjunction with the Executive Chairman, he is responsible for running the affairs of the Company under delegated authority from the Board, including the implementation of the policies and strategy set by the Board.

2.4 The Board should establish a nomination committee.

DiamonEx is not compliant with this principle. The role of the Nomination Committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment of a committee at this time. The review of the Company's corporate governance practices will consider the need for such a committee.

2.4 Reporting on Principle 2

A statement of Board and management functions, together with a description of the procedure for the selection and appointment of new directors to the board can be found on the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Directors and key executive code of conduct

The Board requires high standards of conduct and responsibility from Directors and has developed a Code of Conduct to guide Directors in the performance of their role. The Board also requires the Executive Directors and consultants, to have high standards as the Company has no employees. Executive Directors are required to adhere to industry standards in conduct and dealings and has built the promotion of a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures.

3.2 Company security trading policy

The Company has a share trading policy that prohibits Directors and officers from trading in the Company's securities when in possession of unpublished market price sensitive information. Directors must notify the Chairman and company secretary when any trade in Company securities occurs.

3.3 Reporting on Principle 3

Details of the Company's code of conduct, share trading policy and other matters relating to the Company's decision making processes are available on the Company website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Chief executive officer (or equivalent) and chief financial officer (or equivalent) sign-off of the financial accounts.

In accordance with the Board's policy, the Managing Director and Company Secretary who undertake the role of CEO and CFO respectively, certified to the Board that the financial statements represent a true and fair view and of the Company's financial position and that they comply with applicable regulatory requirements.

4.2 Establishment of an audit committee.

DiamonEx is not compliant with this principle. The role of the Audit Committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment a committee at this time. The review of the Company's corporate governance practices will consider the need for such a committee.

If an Audit Committee is formed, it will be structured in accordance with best practice recommendations and have a formal charter.

4.3 The structure of the audit committee.

Refer above.

4.4 The audit committee has a formal charter.

Refer above.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Policy for compliance with continuous disclosure

The Board has adopted a policy and rules to ensure the Company complies with its obligations under the continuous disclosure rule 3.1. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

Under this policy, simultaneous disclosure is made to the Botswana Stock Exchange, where the Company's shares are also listed.

5.2 Reporting on Principle 5

Details of the Company's continuous disclosure policy and other related material are available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Communications strategy

The Board has adopted a policy on communication with Shareholders and implemented a set of processes to ensure timely and effective communication with Shareholders and the wider investment community.

6.2 Attendance of Auditor at General Meetings

The Company has requested that appropriate representatives of Robertsons Chartered Accountants, the external auditor, attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Robertsons has agreed to attend the annual general meeting and be available to answer questions.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Policies on risk oversight and management

The Company has developed a framework for risk management and internal compliance and control systems that cover organisational, financial and operational aspects of the Company's affairs. The full Board carries out the functions of a Risk Management Committee. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of separate risk management committee.

7.2 Attestation by Chief executive officer (or equivalent) and chief financial officer (or equivalent)

The Managing Director and Company Secretary, who undertake the role of CEO and CFO respectively, have given written confirmation to the board that:

- the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board: and
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

7.3 Reporting on Principle 7

A description of the Company's risk management policy, internal compliance and control system, together with other related material is available on the Company's website.

PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE

8.1 Evaluation of Board, Directors and management

The Board meets once a year to review its own performance. The Chairman also holds individual discussions with other directors to discuss their performance when appropriate. The non-executive directors are responsible for regularly evaluating the Managing Director's and Executive Chairman's performance. This evaluation is based on the company's business performance and whether strategic objectives are being achieved.

The Board is developing a policy to review the performance of the Board as a whole, Directors and any sub-committees of the Board that may be formed.

PRINCIPLE 9: Remunerate fairly and responsibly

9.1 Remuneration Policy

The Company is committed to remunerating its Executive Directors, Non-executive Directors and future executives in a manner that is market-competitive, consistent with best practice and supporting the interests of shareholders.

Details of the Company's remuneration policy are provided in the accompanying Directors' Report and Financial Statements.

9.2 Establishment of a remuneration committee.

DiamonEx is not compliant with this principle. The role of the Remuneration Committee has been assumed by the full Board. The size and nature of the Company's activities has not justified the establishment a committee at this time. A review of the Company's remuneration policy, currently being undertaken, will consider the need for such a committee.

9.3 Structure of Non-executive Director remuneration

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Non-executive Directors' are remunerated by way of fees, in the form of cash, non-cash benefits, or superannuation contributions. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the Company. No other form of retirement benefit is paid

9.4 Equity-based executive remuneration

There are no equity-based executive remuneration plans operated by the Company.

9.5 Reporting on Principle 9

Details of the Company's remuneration policy is outlined in the Remuneration Report section of the attached Directors' Report, along with the names of the Directors, their qualifications and experience and the term of office held by each Director.

PRINCIPLE 10: **RECOGNISE THE LEGITIMATE INTEREST OF STAKEHOLDERS**

10.1 Establish and disclose a Company code of conduct

DiamonEx is not compliant with this principle. The Board has a primary duty of responsibility to shareholders, but it also recognises that it has responsibilities to other parties. The Company acknowledges that the community expects businesses to be aware of their wider social obligations. The Company has established a Company Code of Conduct.

Details of the Code of Conduct is available on the Company's website.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

DIRECTORS' REPORT

Your directors present their report of the company and its controlled entities for the financial year ended 30 June, 2006.

Directors

The directors of the company at any time during or since the end of the year are listed below. During the year there were 4 meetings of the full board of directors and 5 other matters dealt with by circulating resolutions. The meetings attended by each director were:

DIRECTORS	ELIGIBLE TO ATTEND	ATTENDED
G.M. King	9	9
D.C. O'Neill	9	9
P.A. Crawford	9	9
D. N. Magang	9	9
S. N. Chong	9	9
D. J. Duncan	9	9
P. Chong (alternate to S. N. Chong)	-	-

Directors have been in office since the start of the financial year to the date of this report unless indicated otherwise.

The Company does not have an Audit Committee. The role of the Audit Committee has been assumed by the full Board. The size and nature of the Company's activities does not justify the establishment a committee at this time.

Company Secretary

Paul A. Crawford held the position of company secretary at the end of the financial year. Mr Crawford is a CPA and holds the following qualifications: Bachelor of Business – Accountancy; Master of Financial Management; Graduate Diploma in Business Law; Graduate Diploma in Company Secretarial Practice. Mr Crawford has been company secretary and a director of DiamonEx Limited since its incorporation in 2000.

Principal Activities

The principal activity of the economic entity in the course of the year was mineral exploration. The company and its controlled entities held mineral exploration tenements in Botswana and Australia. The entities' exploration focus is on diamonds. There was no change in the principal activity during the year.

Review of Operations

The entity's consolidated operating loss for the financial year, after applicable income tax was $1,034,873 (2005: $1,258,924). Exploration and evaluation expenditure during the year totalled $1,580,600 (2005: $2,857,620).

The major achievement during the year was the completion of the Martin's Drift mining feasibility study in February 2006. Key elements of this study involved obtaining an independent valuation of a parcel of diamonds from the Martin's Drift kimberlite pipes and the completion of a JORC compliant resource estimation. Other work undertaken was the completion of an Environmental Impact Statement and the identification of suitable bore field for the mine water supply. The Martin's Drift feasibility study demonstrated that the project was sufficiently robust to proceed to construction.

The proposed Martins Drift mine will involve the mining and processing of 1.32 Million tonnes per year of ore for the production of 330,000 carats per year over an 11 year mine life with initial production targeted for the second quarter of 2007. Capital costs are estimated at US$15 million with average cash mining and processing costs of US$9/tonne .These latest operating costs are higher than those estimated in February and reflect increased costs.

As part of the feasibility study SRK Consulting (South Africa) prepared a resource statement for the 5 kimberlite pipes comprising the Martin's Drift project. In its report SRK estimated a JORC compliant Indicated Diamond Resource for the project of 13.5 million tonnes at an average grade of 27.41 cpht, to a depth of 110 metres below surface, based on a +1mm bottom cut-off screen size.

Diamond valuation was carried out by WWW International Diamond Consultants who recommended using a modelled average price for feasibility exercises of US$57 per carat for the K3, K5 and K6 pipes, with high and low values of US$63 per carat and US$48 per carat respectively, assuming a bottom cut-off of 1.0mm square mesh. The recommended average price for the K2 pipe was US$45 per carat, with high and low values of US$50 per carat and US$37 per carat respectively.

Based on these values, the company has estimated the weighted average price of diamonds for the Martin's Drift project to be US$53 per carat using a bottom cut-off of 1mm.

The Government of Botswana granted a Mining Licence over the proposed development, to be known as the Lerala Mine, in September 2006. Negotiations are also well advanced with parties to provide funding for the project.

While activity this year has largely centred on Martin's Drift, with the Project now moving ahead to development, exploration can again focus on finding new diamond resources. In this regard 15 new exploration licences covering 12,000 km^2 adjacent to Martin's Drift were granted to the company (Tuli Project) as were 5 licences in the Jwaneng area.

Recently completed sampling programs and other exploration activities in the Martin's Drift area identified a number of potential kimberlite targets which will be drill tested early in the fourth quarter of 2006.

Exploration of the Tuli Project will commence in earnest in October of this year with the flying of an airborne Spectral Survey which will aid in the delineation of kimberlite pipes in the area.

Financial Position

The net assets of the economic entity have increased by $943,872 during the year to 30 June 2006 to $5,678,606 including cash balances of $3,081,816. This change is primarily attributable to:

(i) Share issues and conversion of options raising $2,518,820;

(ii) Exploration and evaluation expenditure in relation to the Martin's Drift Diamond Project; and

(iii) The receipt of share subscription funds relating to shares issued in July ($2,155,555). These subscriptions were brought to account as a payable at 30 June 2006.

The directors believe that the Group is in a stable financial position and is considering funding options to expand and grow through the development of the Martin's Drift Project and other opportunities.

DIRECTORS' REPORT

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the Company's financial report has been prepared in accordance with those standards. Details of adjustments arising on transition to AIFRS are included in Note 25 to this report.

Dividends

No dividend has been proposed or paid since the start of the year.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

(i) In December 2005 the parent entity issued 1,101,841 shares to institutional investors for cash to raise $198,331;

(ii) In February 2006 the parent entity issued 7,730,619 shares to existing shareholders for cash to raise $1,391,512;

(iii) During the year a total of 4,644,887 options were exercised, resulting in the issue of new shares to raise $928,977; and

(iv) On 30 June 2006 unexercised options totalling 17,139,838 expired.

Future Developments, Prospects and Business Strategies

To further improve the economic entity's asset base and maximise shareholder wealth, the following developments are being pursued:

(i) Assess potential benefits to the economic entity of applying for listing on the Alternative Investment Market (AIM) in London;

(ii) Completion of a funding package to develop the Lerala Mine; and

(iii) It is likely that the parent entity will issue additional shares in the company to fund working capital and mine development costs. The timing, pricing and placement mechanism of this issue is unknown at this time.

Information on Directors

The company's Directors have a strong background in mineral exploration, mining engineering, mine management, finance and accounting, with considerable international experience including Australia, Argentina, China, South East Asia, South Africa, Botswana and Indonesia.

The names and qualifications of current directors are summarised as follows:

Gregory M King	Executive Chairman
Qualifications:	Bachelor of Applied Science – Applied Geology
Experience:	Appointed Chairman 2004. Board member since 2000, 26 years experience in exploration project management.
Interest in Shares:	Founding shareholder and currently holds 9,500,000 ordinary shares.

Information on Directors (continued)

Dennis C O'Neill	Managing Director (Executive)
Qualifications:	Bachelor of Science – Geology
Experience:	Board member since 2000, 28 years experience in exploration project and corporate management.
Interest in Shares:	Founding shareholder and currently holds 5,000,000 ordinary shares.
Paul A Crawford	Director – Non-executive
Qualifications:	Bachelor of Business – Accountancy; CPA; Master of Financial Management; Graduate Diploma in Business Law; Graduate Diploma in Company Secretarial Practice.
Experience:	Board member since 2000, Director Oroplata Limited, 25 years experience in accounting and commercial management, Principal of corporate consultancy firm.
Interest in Shares:	Founding shareholder and currently holds 4,022,100 ordinary shares.
Directorships in Other Listed Companies:	ActivEX Limited
David N Magang	Director – Non-executive
Qualifications:	LLB (Honours), Barrister and Attorney
Experience:	Board member since April 2004, resident of Botswana, member of the Botswana Parliament for 23 years, including 4 years as Minister for Minerals, Energy and Water Affairs.
Interest in Shares:	nil
Shey N Chong	Director – Non-executive
Qualifications:	Bachelor of Science – Mining Engineering, Graduate Diploma in Mining Engineering
Experience:	Appointed to Board August 2004, has many years experience in mining and mineral processing. Director of management company for Jellinbah coal mine in Central Queensland.
Interest in Shares:	Currently holds 4,010,000 ordinary shares.
Donald J Duncan	Director – Non-executive)
Qualifications:	Bachelor of Science (Honours)
Experience:	Appointed to the Board in June 2005. A geologist with over 25 years experience, worldwide in diamond exploration and development.
Interest in Shares :	Currently holds 500,000 ordinary shares.
Paul Chong	Alternate Director representing S N Chong – Non-executive
Qualifications:	Bachelor of Commerce, Graduate Diploma – Applied Finance
Experience:	Appointed to Board August 2004, experience in mine financing.
Interest in Shares:	nil

Remuneration Report

This report details the nature and amount of remuneration for each director and if relevant, the executives receiving the highest remuneration.

The company's remuneration policy seeks to align director and executive objectives with those of shareholders and business, while at the same time, recognising the early development stage of the company and the criticality of funds being utilised to achieve development objectives. The Board believes that the current policy has been appropriate and effective in achieving a balance of objectives.

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company.

The company's policy for determining the nature and amount of remuneration of board members and senior executives of the company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors was developed and approved by non-executive directors. Executive directors receive a base salary, superannuation and fringe benefits. No equity or performance incentives are provided. Superannuation payments consist of the 9% superannuation guarantee contribution. Individuals may elect to salary sacrifice part of their salary to increased payments towards superannuation. No other form of retirement benefit is paid.

Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, directors are encouraged to hold shares in the company.

Formation of a remuneration committee is under review. Its role will be to review the company's remuneration policy, remuneration levels and performance of both executive and non-executive directors. Independent external advice will be sought when required.

The remuneration of each director and specified executive officers of the consolidated entity during the year was as follows:

	Short term benefits		Post Employment		
Key Management Personnel	**Salary & Fees**	**Non-Cash Benefits**	**Benefits Super - annuation**	**Total**	**Performance Related**
	$	$	$	$	%
Gregory M. King	130,505	-	11,745	142,250	-
Dennis C. O'Neill	108,744	23,179	10,327	142,250	-
Paul A. Crawford	-		22,000	22,000	-
David N. Magang	22,000		-	22,000	-
Shay N. Chong	20,183		1,817	22,000	-
Donald J. Duncan	22,000		-	22,000	-
Mark Coetzee	176,399	-	-	176,399	-
	479,831	23,179	45,889	548,899	

The maximum aggregate amount of fees that can be paid to non-executive directors approved by shareholders is currently $100,000.

The employment conditions of the executive chairman, Mr King and the managing director, Mr O'Neill are formalised in contracts of employment. Contracts are for an initial period of 3 years, commencing on 30 March 2004 and subject to renewal at the end of that period. The employment contracts provides for a number of termination options. The company may terminate the contracts without cause at any time, but is required to payout the remaining term of the contract together with accrued entitlements, subject to a minimum payment of $50,000.

Termination payments are not payable on resignation or dismissal for serious misconduct. In the case of serious misconduct, the company can terminate employment at any time.

The employment conditions of Mr Coetzee is formalised in a service contract with DiamonEx (Botswana) Limited, a controlled entity. The contract for service is for an initial period of 1 year, and provides for annual renewal and review of the compensation value. The agreement may be terminated by either party on 1 month notice. No termination payment is payable under the contract.

Subsequent Events

In July 2006 the company issued 10,777,775 shares following the exercise of options. Options on issue in the financial year expired on 30 June 2006. Exercise forms and funds totalling $2,155,555 were received by the company prior to expiry and are shown as share application monies. Refer to Note 14.

Since the end of the financial year the Botswana Government has approved the transfer of a number of prospecting licences from the parent entity to a controlled entity, Diamonex (Botswana) Limited, to comply with legislative requirements in relation to the issue of a mining licence.

Since the end of the financial year the Botswana Government has granted Diamonex (Botswana) Limited a mining licence over the proposed Lerala Mine. The economic entity is currently pursuing funding options to develop the mine.

No other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Environmental Regulations

The company is not subject to any significant environmental regulation under the law of the Commonwealth and a State or Territory.

Under the terms of the mining licence granted by the Botswana Government in relation to the proposed Lerala Mine, the economic entity will be required to operate in accordance with the Government approved Environmental Management Program.

The Directors monitor the economic entity's compliance with environmental regulation under the law of Botswana, in relation to its exploration activities. The Directors are not aware of any compliance breach arising during the year.

Options

At the date of this report, there are no unissued ordinary shares of the company under option.

Indemnifying Directors' and Auditors'

The economic entity has paid premiums to insure each of the directors of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $25,575.

The Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in respect of any person who is or has been an auditor of the Company or a related body corporate during the year and up to the date of this report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of DiamonEx Limited support and where practicable or appropriate have adhered to the ASX Principles of Corporate Governance. The Company's corporate governance statement is contained within this annual report.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Non-audit services consist of fees paid to the auditor of Diamonex (Botswana) Limited, a controlled entity. Services relate to the provision of share registry services to the parent entity in relation to the trading of its shares on the Botswana Stock Exchange and services in relation to Botswana income taxation.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement P1: Professional Independence.

The following fees for non-audit services to PricewaterhouseCoopers, Botswana, the auditor of Diamonex Botswana Ltd during the year ended 30 June 2006:

Share Registry Services in Botswana	$12,967
Income tax return preparation and general advice	$12,954

No fees for non-audit services were paid to Robertsons Chartered Accountants, the lead auditor of Diamonex Limited and its controlled entities.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and is attached to the directors' report.

Signed in accordance with a resolution of the Board of Directors.

G M King
Chairman

D C O'Neill
Managing Director

Signed: 28 September 2006
Brisbane, Queensland

ROBERTSONS
CHARTERED ACCOUNTANTS
A.B.N. 98 477 136 937

Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001

To the Directors of Diamonex Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

(i) no contraventions to the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Diamonex Limited and the entities it controlled during the year.

Robertsons
Chartered Accountants

A W Thomas
Partner

Date: 28 September 2006

Level 4, 127 Creek Street, Brisbane, Qld. 4000, GPO Box 1189, Brisbane, Qld. 4001.
Telephone: (07) 3229 2022 Facsimile: (07) 3229 3277 Email: email@robertsons.net.au

DIAMONEX LIMITED
AND CONTROLLED ENTITIES

ABN 26 091 951 978

INCOME STATEMENT
for the year ended 30 June 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Revenue and other income	2	46,603	80,010	240,714	55,785
Exploration & evaluation expenditure written off		-	(402,056)	-	(114,200)
Administrative expenses		(820,955)	(743,189)	(701,370)	(564,466)
Employee benefit expense		(184,842)	(114,036)	(184,842)	(114,036)
Occupancy expenses		(75,679)	(79,653)	(60,925)	(74,234)
Impairment of available for sale investments		-	-	-	(199,997)
Finance costs		-	-	-	-
Loss before income tax expense	3	(1,034,873)	(1,258,924)	(706,423)	(1,011,148)
Income tax expense	4	-	-	-	-
Loss for the year		(1,034,873)	(1,258,924)	(706,423)	(1,011,148)
Loss attributable to members of the parent entity		(1,034,873)	(1,258,924)	(706,423)	(1,011,148)
Earnings per Share					
Basic earnings per share (cents per share)	7	(1.73)	(2.48)		
Diluted earnings per share (cents per share)	7	(1.70)	(1.51)		
Dividends per share (cents per share)		-	-		

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

BALANCE SHEET
As at 30 June 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT ASSETS					
Cash and cash equivalents	8	3,081,816	936,411	2,985,261	652,662
Trade and other receivables	9	81,440	67,074	3,892,900	2,659,321
Other assets	10	13,794	7,813	13,794	5,306
Total Current Assets		3,177,050	1,011,298	6,891,955	3,317,289
NON-CURRENT ASSETS					
Property, plant and equipment	11	167,484	305,086	138,799	239,492
Financial assets	12	-	-	13	13
Exploration and evaluation asset	13	4,836,765	3,769,875	2,239,924	1,580,953
Total Non-Current Assets		5,004,249	4,074,961	2,378,736	1,820,458
TOTAL ASSETS		8,181,299	5,086,259	9,270,691	5,137,747
CURRENT LIABILITIES					
Trade and other payables	14	2,502,693	351,525	2,475,784	155,237
Total Current Liabilities		2,502,693	351,525	2,475,784	155,237
TOTAL LIABILITIES		2,502,693	351,525	2,475,784	155,237
NET ASSETS		5,678,606	4,734,734	6,794,907	4,982,510
EQUITY					
Issued capital	15	9,340,389	6,821,569	9,340,389	6,821,569
Reserves	16	(540,075)	-	-	-
Accumulated losses		(3,121,708)	(2,086,835)	(2,545,482)	(1,839,059)
TOTAL EQUITY		5,678,606	4,734,734	6,794,907	4,982,510

The accompanying notes form part of these financial statements.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2006

	Note	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
		$	$	$	$
Economic Entity					
Balance at 1 July 2004		4,941,604	(827,911)	-	4,113,693
Shares issued during the period	15	1,879,965	-	-	1,879,965
Loss attributable to members of entity		-	(1,258,924)	-	(1,258,924)
Balance at 30 June 2005		6,821,569	(2,086,835)	-	4,734,734
Shares issued during the period	15	2,518,820	-	-	2,518,820
Loss attributable to members of entity		-	(1,034,873)	-	(1,034,873)
Translation of foreign controlled entities		-	-	(540,075)	(540,075)
Balance at 30 June 2006		9,340,389	(3,121,708)	(540,075)	5,678,606
Parent Entity					
Balance at 1 July 2004		4,941,604	(827,911)	-	4,113,693
Shares issued during the period	15	1,879,965	-	-	1,879,965
Loss attributable to members of entity		-	(1,011,148)	-	(1,011,148)
Balance at 30 June 2005		6,821,569	(1,839,059)	-	4,982,510
Shares issued during the period	15	2,518,820	-	-	2,518,820
Loss attributable to members of entity		-	(706,423)	-	(706,423)
Translation of foreign controlled entities		-	-	-	-
Balance at 30 June 2006		9,340,389	(2,545,482)	-	6,794,907

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 30 June 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(992,905)	(541,247)	(716,624)	(538,111)
Interest received		46,603	79,450	240,714	55,225
Finance costs		-	-	-	-
Net cash provided by (used in) operating activities	17	(946,302)	(461,797)	(475,910)	(482,886)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		-	(140,646)	-	(62,553)
Exploration & evaluation expenditure		(1,580,600)	(2,857,620)	(658,971)	(600,770)
Proceeds from sale of property, plant and equipment		-	2,681	-	2,681
Investment in controlled entity		-	-	-	(8)
Advance to controlled entity		-	-	(1,206,895)	(2,462,290)
Net cash provided by (used in) investing activities		(1,580,600)	(2,995,585)	(1,865,866)	(3,122,940)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		2,518,820	2,000,000	2,518,820	2,000,000
Proceeds from share applications		2,155,555	-	2,155,555	-
Costs associated with share issue		-	(120,035)	-	(120,035)
Net cash provided by (used in) financing activities		4,674,375	1,879,965	4,674,375	1,879,965
Net increase in cash held		2,147,473	(1,577,417)	2,332,599	(1,725,861)
Cash at beginning of financial year		936,411	2,513,828	652,662	2,378,523
Effect of exchange rates on cash holdings in foreign currencies		(2,068)	-	-	-
Cash at end of financial year	8	3,081,816	936,411	2,985,261	652,662

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritive pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Diamonex Limited and controlled entities, together with Diamonex Limited, as an individual parent entity. Diamonex Limited is a listed public company, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian and Botswana Stock Exchanges.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the financial statements and notes of the company and economic entity comply with IFRS.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards :

Diamonex Limited and controlled entities, and Diamonex Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 121: The Effect of Changes in Foreign Exchange Rates, AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. The parent and consolidated entities have adopted the exemptions available under AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 121, AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 25.

Reporting Basis and Conventions:

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Following is a summary of material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

Principles of Consolidation

A controlled entity is any entity Diamonex Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 12 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Property, Plant and Equipment

Each class of plant and equipment is brought to account at cost or fair value, less where applicable, any accumulated depreciation or amortisation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets is depreciated on a straight line basis, over their useful lives to the economic entity, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Plant and Equipment	20% - 30%
Leasehold Improvements	30%

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is recognised as exploration and evaluation assets, measured on the cost basis and classified as an intangible asset. The expenditure incurred is accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Restoration Costs

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration and mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The company currently has no obligation for any restoration costs in relation to discontinued operations, nor is it currently liable for any future restoration costs in relation to current areas of interest. Consequently, no provision for restoration has been deemed necessary.

Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Advances to Controlled Entities

Advances by the company to controlled entities (refer to note 9) are principally contributions towards exploration and evaluation expenditure. The value and recoverability of these amounts is related to the company's policies with regards to exploration and evaluation expenditure as described in note 1. Should the underlying asset values be insufficient to recover the advances, the amounts are reviewed for impairment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available for Sale Investments (Investment in Subsidiaries)

Investments in subsidiaries are recognised in the parent entity as available for sale investments and are measured on the cost basis, as the best indicator of fair value. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets. The expected net cash flows from investments have been discounted to their present value in determining the recoverable amounts.

Foreign Currency Transactions and Balances

Functional and presentation currency:

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies:

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than 3 months, and bank overdrafts.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Issued Capital

Ordinary shares are classified as equity. Transaction costs (net of tax, where the deduction can be utilised) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Where share application monies have been received, but the shares have not been allotted, these monies are shown as a payable in the balance sheet.

Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Tax Office or the Botswana Unified Tax Office. In these circumstances the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST/VAT.

Cash flows are presented in the cash flow statement on a gross basis except for the GST component of investing activities which are disclosed as operating cash flow.

Comparative Figures and Financial Period

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per Share (EPS)

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates – Impairment

The company assess impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where and impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment of assets has been identified for the year ended 30 June 2006.

Key Estimates – Impairment of Exploration and Evaluation Expenditure

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of Exploration and Evaluation assets. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

No carried forward exploration costs were written off during the financial year.

Key Judgements – Carry-forward of Exploration and Evaluation Expenditure

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
NOTE 2: REVENUE AND OTHER INCOME				
Operating activities:				
Interest received from other persons	46,603	79,450	28,758	55,225
Interest received from wholly owned controlled entity	-	-	211,956	-
Non-operating activities:				
Profit on disposal of property, plant & equipment (a)	-	560	-	560
	46,603	80,010	240,714	55,785
(a) Proceeds on disposal	-	2,681	-	2,681
NOTE 3: PROFIT/(LOSS) FOR THE YEAR				
(a) Included in expenses are the following items:				
Capitalised exploration & evaluation expenditure write-off	-	402,056	-	114,200
Depreciation	115,145	104,671	100,693	94,806
Amortisation	3,261	2,634	-	-
Impairment of available for sale investments	-	-	-	199,997
Foreign currency translation losses/(gains)	(11,656)	66,584	74	32
Rental expense on operating leases				
- minimum lease payments	74,042	77,073	59,288	71,654
(b) Significant Expenses				
The following significant expense items are relevant in explaining the financial performance:				
Write-off of capitalised exploration & evaluation expenditure relating to abandoned areas of interest	-	402,056	-	114,200
Impairment of available for sale investment in Lake Exploration Pty Ltd, arising from the write-off of exploration & evaluation expenditure	-	-	-	199,997
NOTE 4: INCOME TAX EXPENSE				
The prima facie tax on loss from ordinary activities is reconciled to the income tax as follows:				
Prima facie tax payable/(benefit) on loss from ordinary activities before income tax at 30% (2005: 30%).	(310,462)	(377,677)	(211,927)	(303,344)
Adjust for tax effect of:				
Tax losses not brought to account	293,046	302,371	210,933	302,557
Non-allowable items	994	75,306	994	787
Effects of different tax on foreign tax losses	16,422	-	-	-
Income tax expense/(benefit) attributable to entity	-	-	-	-

The economic entity has unrecouped unconfirmed carry forward tax losses of approximately $7,875,000 (2005: $5,428,000) comprising unrecouped unconfirmed losses arising in Australia of $4,977,000 (2005: $3,568,000) and in Botswana of $2,898,000 (2005: $1,860,000). The Botswana carry forward losses are quarantined under Australian tax legislation and are only available to be offset against future taxable income derived in Botswana.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 4: INCOME TAX EXPENSE (continued)

Deferred Tax

Balances not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur:

Temporary differences (comprising exploration expenditure and provisions)	442,200	357,265	211,793	357,265
Tax losses	293,046	1,190,259	(239,063)	1,190,259
	735,246	1,547,524	(27,270)	1,547,524

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY

The names of key management personnel of the economic entity who have held office during the financial year are:

Key Management Person	Position
Gregory M. King	Chairman - Executive
Dennis C. O'Neill	Managing Director - Executive
Paul A. Crawford	Director - Non-Executive
David N. Magang	Director - Non-Executive
Shay N. Chong	Director - Non-Executive
Donald J. Duncan	Director - Non-Executive
Paul Chong	Alternate Director for S N Chong
Mark Coetzee	Project Manager - DiamonEx (Botswana) Limited

(a) Policy

The economic entity's policy for determining the nature and amount of compensation of key management of the company is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, relevant employment market conditions and overall performance of the company.

The contracts for service between the company and the managing director and executive chairman are for an initial period of 3 years, and provide for annual review of the compensation value. The service agreements are subject to renewal at the end of the initial period (April 2007). The terms of these service agreements are not expected to change in the immediate future.

The company may terminate the managing director's and executive chairman's contract without cause by giving 3 months notice. If terminated without cause, the managing director and executive chairman is entitled to payment of accrued entitlements, together with the payout of the remaining term of the contract, subject to a minimum payment of $50,000. Termination payments are not payable on resignation or serious misconduct. In the case of serious misconduct the company can terminate employment at any time.

The contract for service between the company and Mr Coetzee is for an initial period of 1 year, and provides for annual review of the compensation value and renewal. The agreement may be terminated by either party on 1 month notice. The terms of this service agreement is not expected to change in the immediate future.

	Economic Entity 2006	Economic Entity 2005	Parent Entity 2006	Parent Entity 2005
	$	$	$	$

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

Company policy is to remunerate non-executive directors at relevant market rates for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

The non-executive directors of the company determine the level of total compensation for each key management personnel. Compensation, other than the grant of options, may be in the form of cash, non-cash benefits or superannuation.

(b) Key Management Personnel Compensation

2006	Short term benefits: Salary & Fees	Short term benefits: Non-Cash Benefits	Post Employment Benefits: Super - annuation	Total
	$	$	$	$
Gregory M. King	130,505	-	11,745	142,250
Dennis C. O'Neill	108,744	23,179	10,327	142,250
Paul A. Crawford	-	-	22,000	22,000
David N. Magang	22,000	-	-	22,000
Shay N. Chong	20,183	-	1,817	22,000
Donald J. Duncan	22,000	-	-	22,000
Mark Coetzee	176,399	-	-	176,399
	479,831	23,179	45,889	548,899

2005	Short term benefits: Salary & Fees	Short term benefits: Non-Cash Benefits	Post Employment Benefits: Super - annuation	Total
	$	$	$	$
Gregory M. King	125,688	-	11,312	137,000
Dennis C. O'Neill	111,928	14,998	10,074	137,000
Paul A. Crawford	12,000	-	-	12,000
David N. Magang	12,000	-	-	12,000
Shay N. Chong	11,000	-	-	11,000
Christoffel J. Dippenaar (resigned June 2005)	10,000	-	-	10,000
Donald J. Duncan (appointed June 2005)	1,000	-	-	1,000
Mark Coetzee	28,404	-	-	28,404
	312,020	14,998	21,386	348,404

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION & EQUITY (continued)

(c) Compensation Options

No options were granted or vested during the current or prior reporting period. No compensation options were held by key management personnel at year end.

(d) Shares Issued on Exercise of Compensation Options

No shares were issued on the exercise of compensation options during the reporting period.

(e) Number of shares held by Key Management Personnel

Key Management Personnel (i)	Balance 1 July 2005	Remun-eration (ii)	Purchased / (Sold)	Balance 30 June 2006
Gregory M King	5,000,000	-	4,500,000	9,500,000
Dennis C O'Neill	4,500,000	-	500,000	5,000,000
Paul A Crawford	1,960,000	-	2,062,100	4,022,100
David N Magang	-	-	-	-
Shay N. Chong	4,010,000	-	-	4,010,000
Donald J. Duncan	500,000	-	-	500,000
Mark Coetzee	-	-	-	-
Total	15,970,000	-	7,062,100	23,032,100

(i) Represents shares held directly, indirectly or beneficially.
(ii) The parent entity does not issue shares as a form of remuneration.

(f) Number of non-compensation options held by Key Management Personnel

Key Management Personnel (i)	Balance 1 July 2005	Remun-eration (ii)	Purchased / (Sold) (iii)	Balance 30 June 2006
Gregory M King	4,500,000	-	(4,500,000)	-
Dennis C O'Neill	4,500,000	-	(4,500,000)	-
Paul A Crawford	2,005,000	-	(2,005,000)	-
David N Magang	-	-	-	-
Shay N. Chong	1,765,700	-	(1,765,700)	-
Donald J. Duncan	-	-	-	-
Mark Coetzee	-	-	-	-
Total	12,770,700	-	(12,770,700)	-

(i) Represents options held directly or indirectly.

(ii) The parent entity does not issue options as a form of remuneration.

(iii) Options expired on 30 June 2006. Figures shown represent options converted or expired.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	13,500	10,000	13,500	10,000
- other services	-	-	-	-
Remuneration of the auditor of Diamonex (Botswana) Ltd for:				
- auditing or reviewing the financial report	7,706	5,973	-	-
- other compliance services	26,942	10,272	-	-

NOTE 7: EARNINGS PER SHARE

The earnings figure used in the calculation of both the basic EPS and the dilutive EPS are the same.

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	59,860,891	50,853,311
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year used in the calculation of diluted EPS	60,971,314	83,420,811

Options to acquire ordinary shares in the parent entity are the only securities considered as potential ordinary shares and included in determination of diluted EPS. All options on issue during the year expired on 30 June 2006.

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,350,841	505,436	1,254,286	221,687
Short-term bank deposits	1,730,975	430,975	1,730,975	430,975
Total cash	3,081,816	936,411	2,985,261	652,662

The effective interest rate on short-term bank deposits was 5.2% (2005: 5.4%). These deposits have an average maturity of 30 days.

NOTE 9: TRADE AND OTHER RECEIVABLES

Current:				
Other Debtors	81,440	67,074	68,484	41,800
Amount receivable from wholly owned controlled entities				
- Unsecured (a)	-	-	3,824,416	2,617,521
Total trade and other receivables	81,440	67,074	3,892,900	2,659,321

(a) Information concerning the effective interest rate is set out in note 23

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 10: OTHER ASSETS				
Current:				
Prepayments	13,794	7,813	13,794	5,306
NOTE 11: PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
At cost	391,119	409,107	344,537	344,537
Accumulated depreciation	(228,666)	(114,911)	(205,738)	(105,045)
Total Plant and equipment	162,453	294,196	138,799	239,492
Leasehold Improvements				
At cost	10,511	13,524	-	-
Accumulated amortisation	(5,480)	(2,634)	-	-
Total Leasehold Improvements	5,031	10,890	-	-
Total Property, Plant and Equipment	167,484	305,086	138,799	239,492

Reconciliation	Economic Entity		Parent Entity	
Reconciliation of the carrying amounts for property, plant and equipment is set out below:	**Plant and Equipment**	**Leasehold Improve.**	**Plant and Equipment**	**Leasehold Improve.**
Balance at the beginning of year	294,196	10,890	239,492	-
Additions	-	-	-	-
Disposals	-	-	-	-
Foreign currency translation movement	(16,598)	(2,598)		
Depreciation and amortisation expense	(115,145)	(3,261)	(100,693)	-
Carrying amount at the end of year	162,453	5,031	138,799	-

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NOTE 12: FINANCIAL ASSETS				
Non-current				
Available for sale investments				
Shares in Unlisted Controlled Entities:				
Lake Exploration Pty Ltd, incorporated in Australia. The parent entity holds 100% (2005: 100%) of the ordinary shares of the entity, carried at recoverable amount	-	-	3	3
Diamonex (Botswana) Ltd, incorporated in Botswana. The parent entity holds 100% (2005: 100%) of the ordinary shares of the entity, carried at cost.	-	-	10	10
Total available for sale investments	-	-	13	13

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 13: EXPLORATION AND EVALUATION ASSET

Exploration and evaluation expenditure carried forward in respect of areas of interest are:

Exploration and evaluation phase - at cost	4,836,765	3,769,875	2,239,924	1,580,953
Movement in exploration and evaluation asset:				
Opening balance - at cost	3,769,875	1,314,311	1,580,953	1,094,383
Capitalised exploration expenditure	1,580,600	2,857,620	658,971	600,770
Written off from abandoned areas of interest	-	(402,056)	-	(114,200)
Foreign currency translation movement	(513,710)	-	-	-
Carrying amount at the end of year	4,836,765	3,769,875	2,239,924	1,580,953

Exploration tenements are registered in the name of the parent entity and Diamonex (Botswana) Limited. Both entities undertake exploration activities.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and development of projects or alternatively through the sale of the areas of interest.

At balance date, application had been made to the Botswana Geological Survey for renewal of two prospecting licences for an additional 2 years. The renewal has been approved since the end of the financial year.

During the financial year, application was made for a mining licence covering the proposed mine development area within the Martin's Drift Diamond Project. The licence has been granted since the end of the financial year.

NOTE 14: TRADE AND OTHER PAYABLES

Current:				
Trade creditors	18,873	190,315	-	-
Sundry creditors and accrued expenses	231,065	154,910	223,029	148,937
Short term employee benefits	97,200	6,300	97,200	6,300
Share application monies received	2,155,555	-	2,155,555	-
Total trade & other payables (unsecured)	2,502,693	351,525	2,475,784	155,237

NOTE 15: ISSUED CAPITAL

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
68,769,014 (2005: 55,291,667) fully paid ordinary shares	9,340,389	6,821,569	9,340,389	6,821,569
Ordinary shares				
Balance at the beginning of the reporting period	6,821,569	4,941,604	6,821,569	4,941,604
Shares issued during the year for cash:				
6,666,667 on 28 February 2005	-	2,000,000	-	2,000,000
2,000 on 11 October 2005	400	-	400	-
1,101,841 on 19 December 2005	198,331	-	198,331	-
2,021,000 on 30 December 2005	404,200	-	404,200	-
7,791,619 on 16 February 2006	1,403,712	-	1,403,712	-
37,000 on 12 March 2006	7,400	-	7,400	-
268,657 on 12 April 2006	53,731	-	53,731	-
247,500 on 22 May 2006	49,500	-	49,500	-
75,000 on 6 June 2006	15,000	-	15,000	-
660,250 on 21 June 2006	132,050	-	132,050	-
1,272,480 on 30 June 2006	254,496	-	254,496	-
Transaction costs relating to share issues	-	(120,035)		(120,035)
Balance at reporting date	9,340,389	6,821,569	9,340,389	6,821,569
	No.	**No.**	**No.**	**No.**
Balance at the beginning of the reporting period	55,291,667	48,625,000	55,291,667	48,625,000
Shares issued during the year:				
28 February 2005	-	6,666,667	-	6,666,667
11 October 2005	2,000	-	2,000	-
19 December 2005	1,101,841	-	1,101,841	-
30 December 2005	2,021,000	-	2,021,000	-
16 February 2006	7,791,619	-	7,791,619	-
12 March 2006	37,000	-	37,000	-
12 April 2006	268,657	-	268,657	-
22 May 2006	247,500	-	247,500	-
6 June 2006	75,000	-	75,000	-
21 June 2006	660,250	-	660,250	-
30 June 2006	1,272,480	-	1,272,480	-
Balance at reporting date	68,769,014	55,291,667	68,769,014	55,291,667

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 15: ISSUED CAPITAL (continued)

Options

No options were granted during the year. At 30 June 2006 no options (2005: 32,567,500) were outstanding. Unexercised options on issue in the previous financial year expired on 30 June 2006.

	No.	No.	No.	No.
Balance at the beginning of the reporting period	32,567,500	32,567,500	32,567,500	32,567,500
Options exercised and shares allotted	(4,644,887)	-	(4,644,887)	-
Options exercised but shares not yet allotted	(10,777,775)		(10,777,775)	
Options expired 30 June 2006	(17,144,838)	-	(17,144,838)	-
Balance at reporting date	-	32,567,500	-	32,567,500

NOTE 16: RESERVES

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 17: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax:

Loss from ordinary activities after income tax	(1,034,873)	(1,258,924)	(706,423)	(1,011,148)
Non-cash flows in profit from ordinary activities:				
Depreciation/Amortisation	118,406	107,305	100,693	94,806
Write-off of exploration & evaluation expenditure	-	402,056	-	114,200
Impairment of investment	-	-	-	199,997
Movement in employee provisions	90,900	620	90,900	620
Gain on disposal of property, plant and equipment	-	(560)	-	(560)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(14,608)	7,208	(26,684)	32,482
(Increase)/Decrease in prepayments	(5,971)	123,743	(8,488)	126,250
(Decrease)/Increase in creditors and accruals	(100,156)	156,755	74,092	(39,533)
Cash flows from operations	(946,302)	(461,797)	(475,910)	(482,886)

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 18: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Controlled Entities

The parent entity's shareholding in the controlled entities is detailed in note 12.

Finance provided to the controlled entities is detailed in note 9.

Directors' transactions with the economic entity

Directors' compensation and equity interests are detailed in Note 5.

During the year, the parent entity paid Cambridge Business & Corporate Services, an entity controlled by Mr Paul Crawford, a director of the company, professional fees of $128,450 (2005: $109,011) for accounting, company secretarial, financial management and other services provided to the entity. The amount owing by the company at 30 June is $18,600 (2005: $25,975).

During the year, the parent entity paid Duncan Geological Services, an entity controlled by Mr Don Duncan, a director of the company, professional fees of $50,919 (2005: $126,713) for consulting geological and field services provided to the entity. No amount was owed by the company at 30 June (2005: nil).

The company is party to a tenancy agreement with ActivEX Limited, a company of which Mr Paul Crawford, a director of the company, is also a director. Total charges of $20,000 (2005: nil) were accrued under this agreement during the year. The tenancy has no fixed term and is on a month to month basis. The amount owing to the company at 30 June is $20,000 (2005: nil).

NOTE 19: COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:

Not later than 1 year	82,500	62,431	82,500	62,431
Later than 1 year but not later than 5 years	-	57,229	-	57,229
Total commitment	82,500	119,660	82,500	119,660

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 4% per annum.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$

NOTE 19: COMMITMENTS (continued)

(b) Exploration Commitments

The economic entity must meet minimum expenditure commitments in relation to granted exploration tenements to maintain those tenements in good standing.

The following commitments exist at balance date but have not been brought to account. If the relevant mineral tenement is relinquished the expenditure commitment also ceases.

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Not later than 1 year	855,744	244,634	698,468	244,634
Later than 1 year but not later than 5 years	1,808,584	167,230	1,638,680	167,230
Total commitment	2,664,328	411,864	2,337,148	411,864

NOTE 20: EVENTS AFTER BALANCE SHEET DATE

In July 2006 the company issued 10,777,775 shares following the exercise of options. Options on issue in the financial year expired on 30 June 2006. Exercise forms and funds totalling $2,155,555 were received by the company prior to expiry and shown as share application monies. Refer to Note 14.

Since the end of the financial year the Botswana Government has approved the transfer of a number of prospecting licences from the parent entity to a controlled entity, Diamonex (Botswana) Limited, to comply with legislative requirements in relation to the issue of a mining licence.

Since the end of the financial year the Botswana Government has granted Diamonex (Botswana) Limited a mining licence over the proposed Lerala Mine. The economic entity is currently pursuing funding options to develop the mine.

This financial report was authorised for issue on 28 September 2006 by the Board of Directors

NOTE 21: COMPANY DETAILS

The registered office and principal place of business is:

Diamonex Limited
Sky Level
301 Coronation Drive
Milton Qld 4064

NOTE 22: SEGMENT REPORTING

The economic entity operates both domestically and internationally, in the mineral exploration industry. The exploration focus is exclusively on diamonds. At balance date the economic entity undertakes exploration activity in Australia through the parent entity, and in Botswana, through the controlled entity.

Primary Reporting: Geographical Segments

	Australia		Botswana		Economic Entity	
	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$
REVENUE						
Revenue	240,714	55,785	(194,111)	24,225	46,603	80,010
Total revenue from ordinary activities	240,714	55,785	(194,111)	24,225	46,603	80,010
RESULT						
Loss from ordinary activities before income tax expense	(778,239)	(959,263)	(256,634)	(299,661)	(1,034,873)	(1,258,924)
Income tax expense	-	-	-	-	-	-
Loss from ordinary activities after income tax expense	(778,239)	(959,263)	(256,634)	(299,661)	(1,034,873)	(1,258,924)
ASSETS						
Segment assets	3,216,111	2,520,216	4,965,188	2,566,043	8,181,299	5,086,259
LIABILITIES						
Segment liabilities	2,475,784	155,237	26,909	196,288	2,502,693	351,525
OTHER						
Acquisitions of non-current Segment assets	-	62,553	1,580,600	2,935,713	1,580,600	2,998,266
Depreciation & amortisation of Segment assets	100,693	94,806	17,713	12,499	118,406	107,305
Other non-cash Segment expenses	90,900	114,820	-	287,856	90,900	402,676

There were no transfers between segments reflected in the revenues, expenses or result above. The pricing of any intersegment transactions is based on market values.

Secondary Reporting: Business Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of Non-Current Segment Assets	
	2006	2005	2006	2005	2006	2005
Business Segments	$	$	$	$	$	$
Mineral Exploration	46,603	80,010	8,181,299	5,086,259	1,580,600	2,998,266

NOTE 23: FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The main purpose of non-derivative financial instruments is to provide finance for group operations.

Treasury Risk

A finance committee consisting of key management of the group meet on a regular basis to analyse exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk and liquidity risk. These risks are managed through monitoring of forecast cashflows, interest rates, economic conditions and ensuring adequate funds are available.

(b) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2006 %	2005 %	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Financial Assets:								
Cash & cash equivalents	5.20%	5.40%	3,079,960	931,564	1,856	4,847	3,081,816	936,411
Receivables	-	-	-	-	81,440	67,074	81,440	67,074
Total Financial Assets			3,079,960	931,564	83,296	71,921	3,163,256	1,003,485
Financial Liabilities:								
Trade & other payables	-	-	-	-	2,502,693	351,525	2,502,693	351,525
Total Financial Liabilities			-	-	2,502,693	351,525	2,502,693	351,525

(c) Net Fair Values

No financial assets or liabilities are readily traded on organised markets in a standardised form.

Financial assets where the carrying amount exceeds net fair values have not been written down, as the economic entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and notes to the financial statements. Fair values are materially in line with carrying values.

Note 24: CHANGE IN ACCOUNTING POLICY

(a) The group has adopted the following Accounting Standards for application on or after 1 July 2005:
AASB 132: Financial Instruments: Disclosure and Presentation; and
AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has resulted in no material differences in the recognition and measurement of the group's financial instruments. The group has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this Standard. As such, previous Australian Accounting Standards have been applied to comparative information.

(b) The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Affected standards	Nature of change to accounting policy	Application date*	Application date for the Company
2005-1	AASB 139: Financial Instruments Recognition and Measurement	No expected change to accounting policy required. Therefore no expected impact	1 Jan 2006	1 July 2006
2005-5	AASB 1: First-time adoption of AIFRS AASB 139: Financial Instruments Recognition and Measurement	No expected change to accounting policy required. Therefore no expected impact	1 Jan 2006	1 July 2006
2005-10	AASB 132 Financial Instruments: Disclosures and Presentation; AASB 101 Presentation of Financial Statements; AASB 114 Segment Reporting; AASB 117 Leases; AASB 133 Earnings per Share. AASB 139 Financial Instruments: Recognition and Measurement; AASB 1 First-time Adoption of AIFRS; AASB 4 Insurance Contracts AASB 1023 General Insurance Contracts; and AASB 1038 Life Insurance Contracts.	No expected change to accounting policy required. Therefore no expected impact	1 Jan 2007	1 July 2007
New Standard	AASB 7 Financial Instruments: Disclosures	No expected change to accounting policy required. Therefore no expected impact	1 Jan 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the table.

The following amendments are not currently applicable to the Company and therefore have no expected impact:

NOTE 24: CHANGE IN ACCOUNTING POLICY (continued)

AASB Amendment	Affected standards
2004-3	AASB 1 First-time adoption of AIFRS; AASB 101 Presentation of Financial Statements; and AASB 124 Related Party Disclosures.
New Standard	AASB 119 Employee Benefits
New Standard	UIG 4 Determining whether an Arrangement contains a Lease
New Standard	UIG 5 Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds
New Standard	UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
New Standard	UIG 8 Scope of AASB 2
New Standard	UIG 9 Reassessment of Embedded Derivatives
2005-4	AASB 1023 General Insurance Contracts; AASB 1038 Life Insurance Contracts: AASB 139 Financial Instruments: Recognition and Measurement; AASB 132 Financial Instruments: Disclosure and Presentation; AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.
2005-6	AASB 3 Business Combinations
2005-9	AASB 4 Insurance Contracts AASB 1023 General Insurance Contracts AASB 139 Financial Instruments: Recognition and Measurement; AASB 132 Financial Instruments: Disclosure and Presentation.
2006-1	AASB 121 The Effects of Changes in Foreign Exchange Rates

NOTE 25: FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

No adjustments were required to be made to total equity and profit after tax as reported under Australian Accounting Standards (AGAAP) following the adoption of Australian equivalents to IFRS.

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance of the company and economic entity for the year ended on that date;

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

G M King Chairman	D C O'Neill Managing Director

Dated this: 28th day of September 2006

ROBERTSONS
CHARTERED ACCOUNTANTS
A.B.N. 98 477 136 937

INDEPENDENT AUDIT REPORT
TO MEMBERS OF DIAMONEX LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Diamonex Limited (the company) and the consolidated entity, for the financial year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

Level 4, 127 Creek Street, Brisbane, Qld. 4000, GPO Box 1189, Brisbane, Qld. 4001.
Telephone: (07) 3229 2022 Facsimile: (07) 3229 3277 Email: email@robertsons.net.au

INDEPENDENT AUDIT REPORT
TO MEMBERS OF DIAMONEX LIMITED (continued)

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as attached to the financial report has not changed at the date of providing our audit opinion.

Audit Opinion

In our opinion:

1. The financial report of Diamonex Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Robertsons

Robertsons
Chartered Accountants

A W Thomas
Partner

Brisbane
Date: 29 September 2006

DIAMONEX LIMITED
AND CONTROLLED ENTITIES
ABN 26 091 951 978

ASX INFORMATION

Following is additional information required by the Australian Stock Exchange Limited and not disclosed elsewhere in this report.

1. Shareholding:

The following information is provided as at 26 September 2006.

Distribution of Shareholders Number

Category Number (Size of Holding)	Number
1 - 1,000	107
1,001 - 5,000	161
5,001 - 10,000	127
10,001 - 100,000	429
100,001 - and over	92
	916

The number of shareholdings held in less than marketable parcels is 168.

Twenty Largest Holders - Ordinary Shares

		Number of Shares Held	% of Total Issued Capital
1	Gregory Mark King	9,500,000	11.94%
2	Westpac Custodian Nominees Limited	5,810,000	7.30%
3	Dennis Charles O'neill	4,750,000	5.97%
4	Zashvin Pty Ltd	3,610,000	4.54%
5	Kuratyn Pty Ltd <Crawford Family A/C>	2,337,170	2.94%
6	Barclays Botswana Nominees (Pty) Ltd Re:IAM 030/14	2,179,418	2.74%
7	Barclays Botswana Nominees (Pty) Ltd Re:FAM BPOPF	1,775,859	2.23%
8	Stanbic Nominees Botswana (Pty) Ltd Re:BIFM BPOPF	1,647,254	2.07%
9	Rupert J. McCammon	1,607,338	2.02%
10	Cramm Nominees Pty Limited	1,384,500	1.74%
11	Zirco Capital Inc	1,375,000	1.73%
12	Stanbic Nominees Botswana (Pty) Ltd Re:BIFM	1,339,306	1.68%
13	Martin Broome	1,235,000	1.55%
14	Michelle Truesdale	1,120,000	1.41%
15	National Nominees Limited	916,551	1.15%
16	Private Asset Management Nominees	821,405	1.03%
17	John Michael Moore <The Mike Moore S/F A/C>	815,697	1.03%
18	Lex Mason & Georgette Mason	806,657	1.01%
19	Peter Flaskas & Dianne Margaret Flaskas<The Flaskas Super Fund A/C>	700,000	0.88%
20	Paul Anthony Crawford & Robyn Lynelle Crawford <Kuratyn Superannuation A/C>	693,230	0.87%
		44,424,385	55.85%

ASX INFORMATION

The names of the substantial shareholders listed in the company's register as at 26 September 2006 are:

Shareholder	Number of Shares Held	% of Issued Capital
Gregory Mark King	9,500,000	11.94%
Westpac Custodian Nominees Limited	5,810,000	7.30%
Dennis Charles O'neill	4,750,000	5.97%

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

There are no voting rights attaching to the Options, but voting rights as detailed above will attach to the ordinary shares issued when the Options are exercised.

2. Registers of securities are held at the following address:

Australia:	ASX Perpetual Registries Level 22 300 Queen Street Brisbane Qld 4000 Australia	Botswana:	PricewaterhouseCoopers Plot 50371 Fairground Office Park Gaborone Botswana

3. Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

Quotation has also been granted for all the ordinary shares of the company on the Venture Capital Board of the Botswana Stock Exchange.

4. Restricted Securities

The company has no restricted securities.

5. Use of Cash and Convertible assets

During the period from admission to the official list of the Australian Stock Exchange to 30 June 2006, the company has used cash and assets readily convertible to cash in a manner consistent with its business activities. The company is involved in mineral exploration in Botswana.

6. **Schedule of Tenements**

Tenement Name	Tenement Number	Area Km^2	DiamonEx Interest	Date of Grant
Botswana				
Martin's Drift	PL 86/2002	12.60	100%	1 April 2006
Project Diamond	PL 87/2002	58.72	100%	1 April 2006
Tswapong	PL 39/2003	225.90	100%	1 July 2003
	PL 40/2003	313.40	100%	1 July 2003
Tuli Block	PL 06/2006	822.80	100%	1 April 2006
	PL 07/2006	718.20	100%	1 April 2006
	PL 08/2006	774.00	100%	1 April 2006
	PL 09/2006	499.00	100%	1 April 2006
	PL 10/2006	638.00	100%	1 April 2006
	PL 11/2006	534.00	100%	1 April 2006
	PL 12/2006	843.30	100%	1 April 2006
	PL 13/2006	633.40	100%	1 April 2006
	PL 14/2006	247.50	100%	1 April 2006
	PL 21/2006	744.00	100%	1 April 2006
	PL 22/2006	733.40	100%	1 April 2006
	PL 23/2006	726.20	100%	1 April 2006
	PL 24/2006	842.90	100%	1 April 2006
	PL 25/2006	855.80	100%	1 April 2006
	PL 26/2006	711.30	100%	1 April 2006
	PL 27/2006	847.40	100%	1 April 2006
	PL 28/2006	744.40	100%	1 April 2006
	PL 29/2006	467.00	100%	1 April 2006
Jwaneng	PL 15/2006	822.30	100%	1 April 2006
	PL 16/2006	564.00	100%	1 April 2006
	PL 17/2006	118.50	100%	1 April 2006
	PL 19/2006	825.50	100%	1 April 2006
	PL 20/2006	684.80	100%	1 April 2006
Australia				
Jugoing, NSW	EL 6595	6 units	100%	12 July 2006

corporate directory

Directors

EXECUTIVE CHAIRMAN
Gregory M King

MANAGING DIRECTOR
Dennis C O'Neill

NON-EXECUTIVE DIRECTORS
Paul A Crawford
David N Magang
Donald J Duncan
Shey N Chong

Company Secretary

Paul A Crawford

Stock Exchange Listing

ASX - **DON**
BSE - **Diamonex**

Registered Office

Sky Level
301 Coronation Drive
Milton Qld 4064
Australia

TELEPHONE +61 (0) 7 3369 6399
FACSIMILE +61 (0) 7 3369 6077
EMAIL diamonex@diamonex.com.au

Postal Address

Australia	Botswana
PO Box 1357 Milton QLD 4064 Australia	Private Bag RB 351#128 Broadhurst Gaborone Botswana

Share Registry

Australia	Botswana
Link Market Services Level 21Plot 50371 300 Queen St Brisbane QLD 4000	PricewaterhouseCooper Plot 50371 Fairground Office Park Gaborone Botswana

Solicitors to the Company

Australia	Botswana
Hemming + Hart Level 2 307 Queen Street Brisbane QLD 4000 Australia	Armstrongs Level 5 Barclays House Gaborone Botswana

Auditor

Australia	Botswana
Robertsons Chartered Accountants Level 4, 127 Creek Street Brisbane QLD 4000 Australia	PricewaterhouseCoopers Plot 50371 Fairground Office Park Gaborone Botswana

*www.**diamonex**.com.au*

DIAMONEX
Limited

DIAMONEX LIMITED
Sky Level
Riverfront on Coronation
301 Coronation Drive
Milton QLD 4064
Australia

Telephone: (07) 3369 6399
Facsimile: (07) 3369 6077

ANNUAL REPORT 2006