NOTICE OF ANNUAL GENERAL MEETING
DIAMONEX LIMITED
ABN 26 091 951 978

Notice is given that the Annual General Meeting of shareholders of DiamonEx Limited will be held at Sky Level, 301 Coronation Drive Milton, Queensland, Australia on Thursday 30 November 2006, at 4:00 p.m.

Ordinary Business:

To receive and consider the financial report of the company and economic entity, and the reports of the directors and auditor for the year ended 30 June 2006.

To consider and if thought fit, to pass the following resolution as a non-binding resolution:

1. **Directors' Remuneration Report**

   That the Directors' Remuneration Report for the year ended 30 June 2006 be adopted.

To consider and if thought fit, to pass, with or without amendment, the following resolutions as ordinary resolutions:

2. **Re-election of Mr. G M King**

   That Mr G M King, a director of the company, retires by rotation in accordance with provisions of the Constitution and being eligible for re-election, be re-elected as a director of the company.

3. **Re-election of Mr. D N Magang**

   That Mr D N Magang, a director of the company, retires by rotation in accordance with provisions of the Constitution and being eligible for re-election, be re-elected a director of the company.

4. **Appointment of Auditor**

   That in accordance with section 327D(2) of the Corporations Act, the Company immediately appoint Robertsons Audit & Assurance Pty Ltd as auditor of the Company.

5. **Mandate to Issue up to 25 million Shares**

   That in accordance with Listing Rule 7.1 of the Australian Stock Exchange Listing Rules, and for all other purposes, the Directors be authorised, at their discretion, to allot and issue of to 25 million fully paid ordinary shares in the capital of the company, at an issue price determined by the Board, being at least 80% of the average market price of the ordinary shares in the company calculated over the last 5 days on which sales were recorded before the date on which the issue is made and otherwise on the terms set out in these Explanatory Notes.

6. **Grant of Shares to Mr D N Magang – Non-Executive Director**

   That for the purposes of Listing Rule 10.11 of the Australian Stock Exchange Ltd and Chapter 2E of the Corporations Act and all other purposes shareholders approve the issue to Mr D N Magang, a Non-Executive Director of the Company, of 500,000 fully paid ordinary shares in the Company on the terms set out in the attached Explanatory Notes.

7. **Grant of Performance Options to Mr G M King – Executive Chairman**

   That for the purposes of Listing Rule 10.11 of the Australian Stock Exchange Ltd and Chapter 2E of the Corporations Act and all other purposes shareholders approve the issue to Mr G M King a Director of the Company, of 1,000,000 options to subscribe for fully paid ordinary shares in the Company on the terms set out in the attached Explanatory Notes.

8. **Grant of Performance Options to Mr D C O'Neill - Managing Director**

   That for the purposes of Listing Rule 10.11 of the Australian Stock Exchange Ltd and Chapter 2E of the Corporations Act and all other purposes shareholders approve the issue to Mr D C O'Neill, a Director of the Company, of 1,000,000 options to subscribe for fully paid ordinary shares in the Company on the terms set out in the attached Explanatory Notes.

By Order of the Board

Paul Crawford

Company Secretary

Appointment of proxies

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in their stead. A proxy need not be a member of the company, but should be a natural person over the age of 18 years. Forms of proxy must be lodged at the registered office of the company or received by the company's share registrar, Link Market Services Limited not less than 48 hours prior to the meeting. A form of proxy is attached.

Voting Exclusion Statement

The company will disregard any votes cast on Resolution 5 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

The company will disregard any votes cast on Resolution 6, 7 & 8 by:

- Messrs Magang, King and O'Neill; and
- an associate of Messrs Magang, King and O'Neill.

However the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy from; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Notes

Annual Financial Report

The financial report of the company for the year ended 30 June 2006, comprising the financial statements, notes, directors' report and auditors report, was included in the 2006 Annual Report of the company, which was distributed to shareholders along with this Notice of Annual General Meeting.

Time will be allowed during the annual general meeting for consideration and questions by shareholders of the financial report and associated directors' and auditor reports.

Resolution 1, to adopt the Directors' Remuneration Report is a non-binding resolution providing an advisory vote from shareholders.

The Corporation Act requires all listed companies to present their remuneration report for each financial year for adoption by shareholders at the company's annual general meeting. The report can be found as a separately identified "Remuneration Report" within the Directors' Report section of the company's 2006 Annual Report.

The vote on this resolution is advisory only and does not bind the directors or company. Time will be allowed during the annual general meeting for consideration and questions by shareholders of the Remuneration Report.

Resolution 2, to re-elect Mr King is an ordinary resolution, requiring the support of a majority of the votes cast by shareholders.

The constitution of the company requires that one third of the directors, other than a managing director, must retire by rotation at each annual general meeting of the company. Mr King therefore retires at the forthcoming annual general meeting in accordance with the Constitution and being eligible, has offered himself for re-election.

Mr King was a founding director of the company and is Executive Chairman of the company. He is a geologist with over 25 years' experience and, holds a Bachelor of Applied Science degree in Applied Geology. Mr King has worked for numerous Australian and international companies on a wide range of commodities including gold, platinum, base metals, beach sands and industrial minerals. He was a founding director of the Company, appointed in March 2000 and assumed the role of Chairman in January 2004. Mr King has previously been involved in the formation and management of other ASX listed companies.

The Directors, with Mr King abstaining, recommend that shareholders approve this resolution.

Resolution 3, to elect Mr Magang is an ordinary resolution, requiring the support of a majority of the votes cast by shareholders.

The constitution of the company requires that one third of the directors, other than a managing director, must retire by rotation at each annual general meeting of the company. Mr Magang therefore retires at the forthcoming annual general meeting in accordance with the Constitution and being eligible, has offered himself for re-election.

Mr Magang is a citizen of the Republic of Botswana and has practised as a Barrister and Attorney since 1970 and was appointed to the Board in April 2004. He was a member of the Botswana Parliament for 23 years from 1979 to

2002. From 1985 to 2001 Mr Magang held a number of Ministerial portfolios in the Botswana Government, including Minister for Minerals, Energy and Water Affairs from 1994 to1998. In 1999 he was awarded the Presidential Order of Honour. Mr Magang is prominent in business in Botswana having undertaken significant development initiatives.

The Directors with, Mr Magang abstaining, recommend that shareholders approve this resolution.

Resolution 4, to appoint an auditor of the Company is an ordinary resolution, requiring the support of a majority of the votes cast by shareholders.

The Federal Government Corporations Law Economic Reform Program ('CLERP") enacted in 2004 allows for auditors to incorporate as an authorised audit company.

The company's existing auditor, Robertsons Chartered Accountants (RCA), have undertaken this incorporation process and have Australian Securities and Investment Commission (ASIC) approval to conduct future audits in the authorised audit company entity Robertsons Audit &Assurance Pty Ltd (RAA). Consequently, RCA/RAA approached the company seeking to move the audit from RCA to RAA.

The Board supports the move of auditor from RCA to RAA, as it is in effect an administrative matter only. The statutory duties and responsibilities of the auditor do not change. The Board reviewed the matter and is satisfied that the interests of shareholders are maintained.

ASIC requires that any such move be approved by shareholders at an AGM.

The Directors recommend that shareholders approve this resolution.

Resolution 5, to mandate the issue of up to 25 million shares is an ordinary resolution, requiring the support of a majority of the votes cast by shareholders.

This resolution seeks shareholder approval to issue up to 25 million shares at an issue price of at least 80% of market price within 3 months after the date of the annual general meeting. Listing Rule 7.1 limits the number of equity securities which a company may issue in any 12 month period without shareholder approval, subject to certain exceptions. The maximum limit is 15% of the total number of fully paid ordinary securities on issue at the beginning of any 12 month period, plus the number of fully paid ordinary securities issued with the approval of shareholders, or under one of the exceptions to Listing Rule 7.1, during the previous 12 months.

If shareholders approve this resolution, the effect is that the 25 million shares proposed to be issued under the mandate will be excluded from the calculation of equity securities permitted to be issued under the annual 15% limit.

In accordance with the disclosure requirements of ASX Listing Rule 7.3 the following information is provided:

(i) The maximum number of shares the company will allot and issue is 25,000,000 fully paid ordinary shares;

(ii) The allotment and issue of shares may be made progressively within 3 months after the date of the meeting to consider the resolution;

(iii) The issue price of the shares will be that determined by the Board, being at least 80% of the average market price of the ordinary shares in the company calculated over the last 5 days on which sales were recorded before the date on which the issue is made;

(iv) The allottees are unknown at the present time and will be at the discretion of the Directors;

(v) The proposed shares will rank pari passu with existing full paid ordinary shares on issue; and

(vi) Funds raised through any share issue undertaken will be used to continue the development of the company's Lerala Mine, pending finalisation of a funding package; continue exploration; pursue development initiatives and for working capital requirements.

The offer or invitation in relation to the issue of shares contemplated under this resolution, are intended to be by way of offers that do not need disclosure under section 708 of the Corporations Act 2001 and consequently would be excluded from the requirement to prepare a disclosure document under the Corporations Act. However, if in the event the offer(s) to subscribe for fully paid ordinary shares, subject to this mandate, cannot be satisfied under section 708 of the Corporations Act, then the company may elect to prepare a disclosure document and lodge and register if required, the disclosure document with the Australian Securities and Investments Commission under Part 6D 2 to the Corporations Act. If this occurs the company will make an appropriate announcement to the Australian Stock Exchange and the Botswana Stock Exchange advising of such a requirement.

Assuming this resolution is passed and the full mandate is placed, the company's issued capital will increase from 79,546,788 shares to 104,546,788 shares.

The Directors unanimously recommend that shareholders approve this resolution.

Resolution 6 seeks shareholder approval for the grant of 500,000 shares to Mr Magang, a non-executive director of the company.

The grant of the shares to Mr Magang is in recognition of his efforts in contribution to the activities of the company in Botswana during the exploration and evaluation phase of the company's Martin's Drift Diamond Project, culminating in the grant of a mining licence to develop the Lerala Diamond Mine. The effort contributed extends beyond that expected of a non-executive director and the remuneration received in that capacity.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of a financial benefit falls within one of the nominated exceptions to the provisions; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Magang is a related party by virtue of the fact that he is a director of the Company and the offer of shares by the Company constitutes the giving of a financial benefit.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed issue of shares by the Company to Mr Magang:

(c) Mr Magang is a related party of the Company to whom the proposed Resolution would permit the financial benefits to be given.

(d) The nature of the financial benefit to be given to Mr Magang is the issue of 500,000 shares.

(e) As at the date of these Explanatory Notes, the issued capital of the Company is 79,546,788 shares. Assuming Resolution 6 is approved by shareholders, Mr Magang will hold 500,000 shares in the issued capital of the company. Mr Magang does not currently hold shares in the company.

(g) The total annual remuneration of Mr Magang is $22,000.

(h) Assuming Resolution 6 is approved by shareholders, the shares will be issued at a price equal to the volume weighted average price of the company's shares on the Australian Stock Exchange, over the five trading days prior to the date of the annual general meeting.

(i) The highest trading price of the shares of the Company in the last 12 months was 29 cents. The lowest trading price in the last 12 months was 18.5 cents. The most recent closing price as at the date of these Explanatory Notes was 22 cents per share.

(j) The shares will be granted to Mr Magang for no consideration and therefore no funds will be raised by the issue of the shares to Mr Magang.

(k) Other than the information set out in these Explanatory Notes the Company believes there is no other information that would be reasonably required by shareholders in order to decide whether it is in the best interests of the Company to pass this Resolution.

ASX Listing Rules

ASX Listing Rule 10.11 prohibits the issue of securities to a director of a company unless the approval of the shareholders of the company is obtained. Listing Rule 7.1 broadly prohibits a company from issuing more than 15% of its shares in any twelve month period. Pursuant to Listing Rule 7.2 (Exception 14), if shareholder approval is given under Listing Rule 10.11, further approval is not required for the purposes of Listing Rule 7.1.

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to shareholders in relation to Resolution 6:

(a) The Company will issue 500,000 shares to Mr Magang.

(b) The shares are issued to Mr Magang for no consideration and, therefore, no funds will be raised by the issue of these shares.

(c) The shares will be issued to Mr Magang on a date which is not more than one month after the date of the General Meeting, the subject of these Explanatory Notes.

(d) The Company acknowledges that the issue of securities to non-executive directors is not in accordance with recommendation 9.3 of the ASX Principles of Good Corporate Governance and Best Practice

Recommendations. Despite the Recommendations the Company considers it appropriate to issue these shares in recognition of the services provided by Mr Magang

The majority of Directors, with Mr Magang abstaining, recommend that shareholders approve this resolution.

Resolutions 7 and 8 inclusive seek shareholder approval for the grant of an aggregate total of 2,000,000 options by the Company to Messrs King & O'Neill (the Recipient Directors).

The grant of the options to the Recipient Directors is intended to act as a strong incentive to align the interests of the Directors' with the Company's strategic plan focusing on seeking improved performance, the growth of the Company and better returns for shareholders.

Key details of the options to be granted to the Recipient Directors are set out below:

Recipient Director	Number	Offer Price	Exercise Price	Vesting date	Expiry Date
Mr King Mr O'Neill	1,000,000 1,000,000	No consideration is payable by the Recipient Directors	35 cents 35 cents	Within 30 days of shareholder approval	5 years from date of grant

A summary of the terms and conditions of the options is set out in Schedule 1 to the Explanatory Notes.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of a financial benefit falls within one of the nominated exceptions to the provisions; or

(b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, the Recipient Directors are related party by virtue of the fact that they are directors of the Company and the grant of options by the Company constitutes the giving of a financial benefit.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act, the following information is provided to shareholders to allow them to assess the proposed grant of options by the Company to the Recipient Directors:

(c) The Recipient Directors are related party of the Company to whom the proposed Resolutions would permit the financial benefits to be given.

(d) The nature of the financial benefit to be given to Mr King is the grant of 1,000,000 options.

(e) The nature of the financial benefit to be given to Mr O'Neill is 1,000,000 options.

(f) As at the date of these Explanatory Notes, the issued capital of the Company is 79,546,788 shares. The table below sets out the issued capital of the Company should the Recipient Directors exercise all of their options and no other securities are issued by the Company in the meantime.

Description	**Shares**
Existing Shares on issue	79,546,788
Additional shares issued if Resolution 6 is approved	500,000
Options proposed to be issued to Recipient Directors	2,000,000
Maximum number of shares on issue following exercise of all options by Recipient Directors	82,046,788

If shareholders approve the grant of options to the Recipient Directors, the exercise of the options by the Recipient Directors will result in a dilution of all other shareholders' holdings in the Company of approximately 2.5%.

Assuming Resolutions 7 and 8 are approved by shareholders, the Recipient Directors will be entitled to the following securities in the Company, subject to satisfaction of the conditions relating to the exercise of the options and subsequent exercise of the options by the Recipient Directors:

Recipient Director	No. of Shares issued following exercise of all options	Shares currently held by Recipient Directors	Total Shares held after exercise of all options

Mr King	1,000,000	9,500,000	10,500,000
Mr O'Neill	1,000,000	5,000,000	6,000,000

(g) Details of the current annual remuneration of the Recipient Directors are as follows:

Recipient Director	Salary/ Fees
Mr King	$200,000 per anum
Mr O'Neill	$200,000 per anum

(h) The Recipient Directors do not wish to make a recommendation in relation to Resolutions 7 and 8 as each has a financial interest in the outcome of those Resolutions.

(i) The highest trading price of the shares of the Company in the last 12 months was 29 cents. The lowest trading price in the last 12 months was 18.5 cents. The most recent closing price as at the date of these Explanatory Notes was 22 cents per share.

(j) The options will be granted to the Recipient Directors for no consideration and therefore no funds will be raised by the grant of the options to the Recipient Directors. Any funds raised from time to time due to the exercise of any options will be used as the Board sees fit.

(k) Other than the information set out in these Explanatory Notes the Company believes there is no other information that would be reasonably required by shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 7 and 8.

Details Concerning Valuation of Executive options

The options to be granted to the Recipient Directors will not be quoted on the ASX and as such have no actual market value.

An indicative valuation for the options to be granted to the Recipient Directors is as follows:

Recipient Director	Exercise Price	Value per option	Number of options	Total Value
Mr King	35 cents	5.08 cents	1,000,000	$50,800
Mr O'Neill	35 cents	5.08 cents	1,000,000	$50,800
Total			2,000,000	$101,600

The valuation was made using the Binomial Option Valuation Model on the basis of the following assumptions regarding the various inputs that comprise the valuation model:

- The shares of the Company are quoted and remain quoted on the ASX for the life of the options.
- As at the date of these Explanatory Notes, the Company has not forecast any future dividend payments. For the purposes of this valuation it has been assumed that the Company's projected annual dividend yield is nil.
- A volatility factor of 33.4% was assumed based on the volatility of the company's share price since admission to the Official List of the Australian Stock Exchange in March 2004.
- A risk free rate of 5.75% which is the 5 year Commonwealth Treasury Bond as at 10 October 2006.

ASX Listing Rules

ASX Listing Rule 10.11 prohibits the issue of securities to a director of a company unless the approval of the shareholders of the company is obtained. Listing Rule 7.1 broadly prohibits a company from issuing more than 15% of its shares in any twelve month period. Pursuant to Listing Rule 7.2 (Exception 14), if shareholder approval is given under Listing Rule 10.11, further approval is not required for the purposes of Listing Rule 7.1.

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to shareholders in relation to Resolutions 7 and 8:

(a) The Company will grant up to 2,000,000 options to the Recipient Directors. If all options are exercised by the Recipient Directors, the Recipient Directors will be entitled to 2,000,000 shares.

(b) The options are granted to each of the Recipient Directors for no consideration and, therefore, no funds will be raised by the grant of the options to the Recipient Directors. Any funds raised from time to time due to the exercise of any options will be used as the Board sees fit.

(c) For details of the exercise prices and expiry dates of the options please refer to above.

(d) The options will be granted to the Recipient Directors on a date which is not more than one month after the date of the General Meeting the subject of these Explanatory Notes.

(e) For details of the indicative valuations of the options, please refer above.

(f) The terms and conditions of the options to be issued to the Recipient Directors are set out in Schedule 1 to these Explanatory Notes.

The majority of Directors, with Messrs King and O'Neill abstaining, recommend that shareholders approve this resolution.

SCHEDULE 1 - Terms and Conditions of options

1. Each option allows the option holder to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue.
2. Options will be issued free.
3. The options may be exercised at any time after their issue.
4. The options may be exercised wholly or in part by notice in writing to the Company received at any time during the exercise period together with a cheque for the exercise price and the option certificate (if any).
5. The exercise price of options will be thirty-five (35) cents each.
6. If, prior to the expiry date of the options, a person ceases to be a director, officer, employee or senior consultant to the Company for any reason other than retirement at age 60 or more (or such earlier date as the Board may permit), permanent disability, redundancy or death, the options held by that person (or nominee) must be exercised within one month thereafter or they will automatically lapse.
7. If a person dies, the options held by that person will be exercisable by that person's legal representative. Options cannot be transferred other than to the legal personal representative of a deceased optionholder.
8. The Company will not apply for official quotation of any options.
9. Shares issued as a result of the exercise of options will rank equally with the Company's issued shares at the time.
10. Optionholders may only participate in new issues of securities by first exercising their options. If there is a bonus issue to the holders of shares, the number of shares over which an option is exercisable will be increased by the number of shares which the optionholder would have received if the option had been exercised before the record date for the bonus issue.
11. Optionholders have no entitlement or right to any variation in the option exercise price or to the number of underlying securities over which the option can be exercised.
12. If there is a reorganisation of the issued capital of the Company, unexercised options will be reorganised in accordance with the Listing Rules.