

DIAMONEX LIMITED

ABN 26 091 951 978

Sky Level
301 Coronation Drive
Milton Qld 4064
Australia

Telephone: +61 7 3369-6399
Facsimile: +61 7 3369-6077
e-mail:
diamonex@diamonex.com.au

Postal Address:
PO Box 1357
Milton Qld 4064

ASX ANNOUNCEMENTS

AUSTRALIAN STOCK EXCHANGE

31 October 2006

QUARTERLY ACTIVITY REPORT

FOR THE QUARTER ENDED 30 SEPTEMBER 2006

Lerala Diamond Mine

- **Mining Licence granted for proposed Lerala Diamond Mine**
- **Negotiations to provide funding for mine development well advanced**

Exploration

- **Positive results received from heavy mineral sampling and geochemical soil sampling programmes at Martin's Drift**
 - **Kimberlite indicator minerals recovered**
 - **Drilling of geochemical targets planned**
- **Contract awarded for a 2000km² Airborne Spectral Imaging survey at Martin's Drift and Tuli Prospecting Licences**
- **AIM Admission planned**

LERALA DIAMOND MINE (DiamonEx 100%)

In September the Government of Botswana granted a Mining Licence, ML 2006/29L to DiamonEx Botswana Limited (100% DiamonEx Limited) for the company's planned new 330,000 carat per year diamond mine at Lerala in eastern Botswana.

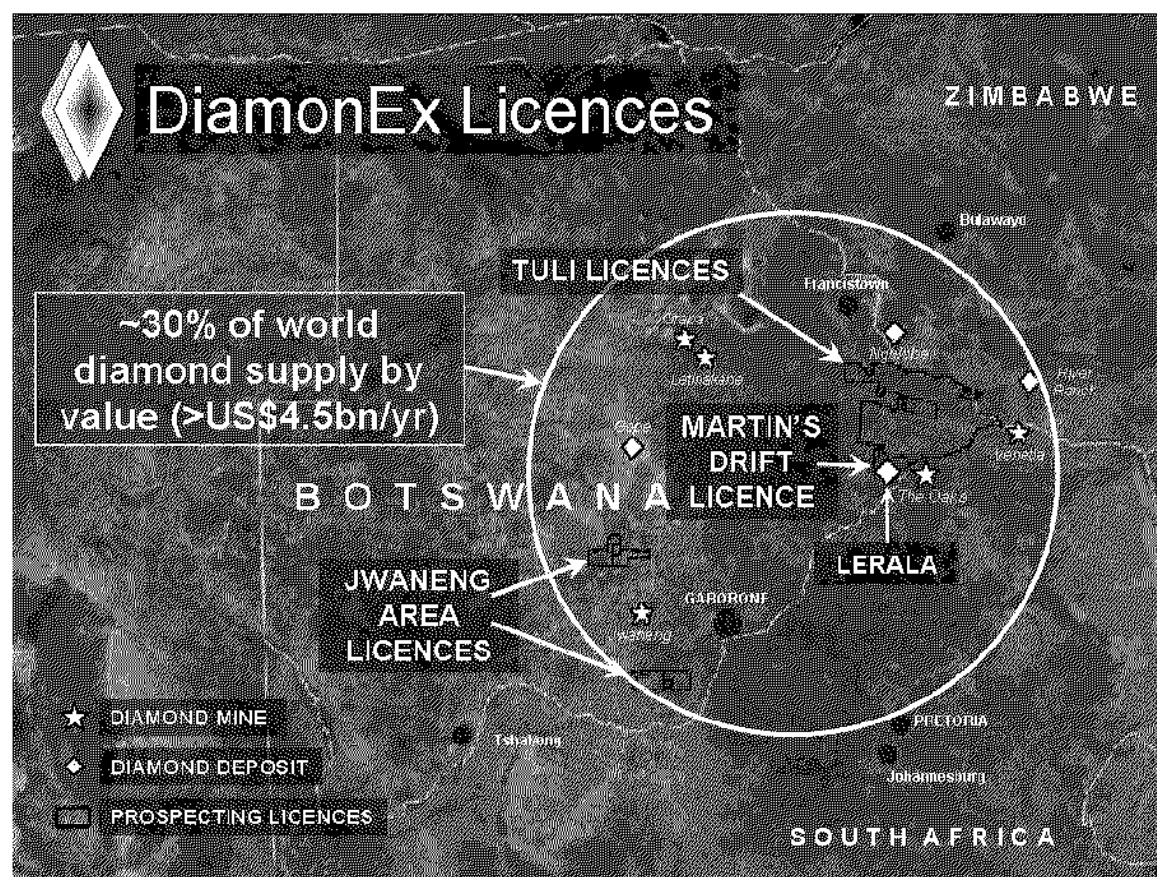
The new 15 year Mining Licence covers an area of 21.86 km² within the Martin's Drift Diamond Project area. Unlike its stakes in other diamond projects in Botswana, the Government will not take equity in the mine.

The project lies within an area of eastern Botswana and adjoining South Africa that produces approximately 30% of the world's diamonds by value (over US\$4.5 billion).

A favourable feasibility study into the project completed by Promet Engineers Africa earlier this year confirmed Lerala as a low cost / high cashflow operation.

DiamonEx is proceeding with the development of Lerala subject to financing being completed. Negotiations to provide funding for mine development are well advanced. Initial development at Lerala will be funded from existing cash reserves.

DiamonEx expects to employ 233 persons directly with an additional 60 persons through a security contractor, providing much needed growth and income opportunities to the rural community and areas surrounding the mine's location.



The 350km² Martin's Drift Prospecting Licence area surrounds the company's Lerala Mining Licence.

The results of heavy mineral and geochemical soil sampling programmes which were conducted over PL's 86 and 87/2002 and 39 and 40/2003 during the March quarter have identified a number of targets prospective for kimberlites.

Drill testing of 10 targets defined from the geochemical sampling programme is scheduled to commence in November.

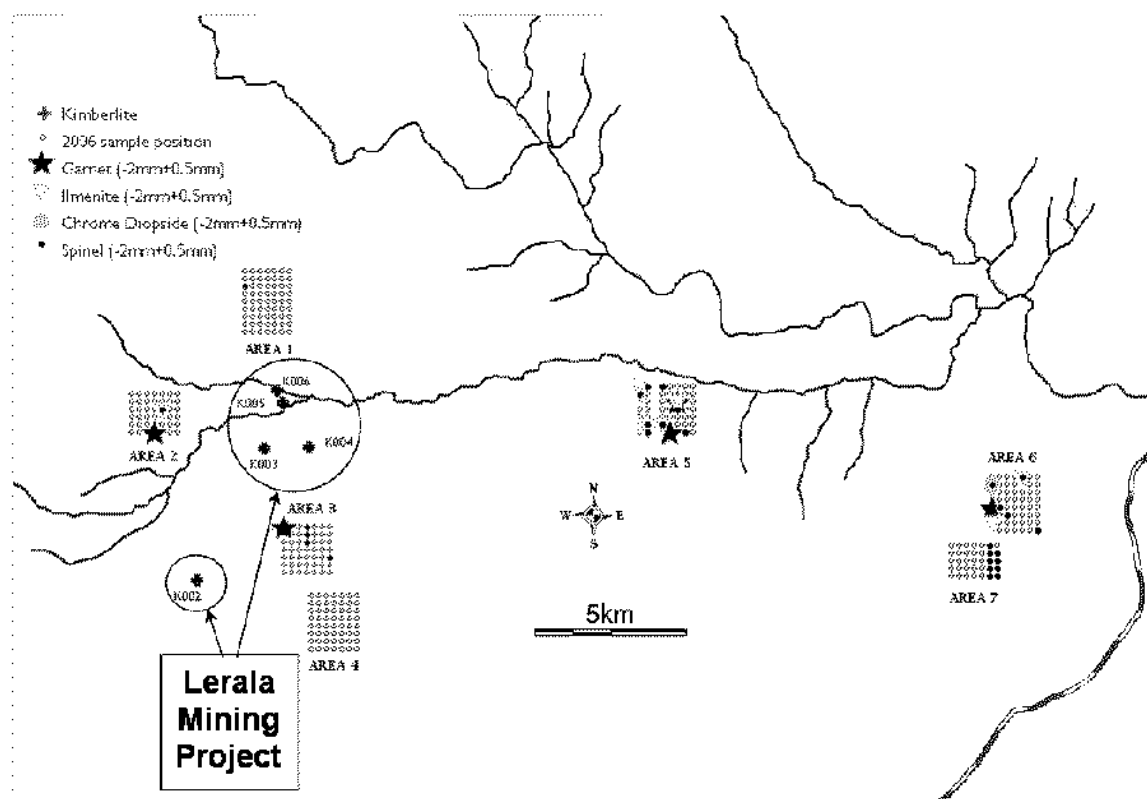
The heavy mineral sampling programme targeted seven high priority targets where kimberlite indicator minerals had been recovered by previous explorers. The mineral occurrences had not been followed up.

A total of 382 samples were collected over the seven areas on a wide 200 metre square grid and split into three size fractions - 2mm<1mm, 1mm<0.5mm and 0.5mm<0.3mm. During the quarter results were received for the visual recovery and surface texture examination of the two larger size fractions. The smallest size fraction has not yet been examined.]

Results from the heavy mineral sampling programme to date include:

- Recovery of several G9 and G10 garnets in samples 10-20 kilometres from the nearest known kimberlite
- Surface textures of the garnets and accompanying ilmenites indicate nearby sources

The large geographical separations of the various areas from the known kimberlites and the presence of kimberlite indicator mineral surface features suggesting limited transport distances for the various grains argues strongly for there being as yet undiscovered kimberlites close or in two, possibly three, of the sampled areas. Additional work is planned to locate these bodies within the ensuing six months.



Exploration targets - location of indicator minerals recovered to date

Airborne Spectral Imaging Survey

DiamonEx is planning to complete Airborne Spectral Imaging Surveys of the Martin's Drift Tuli Prospecting Licences aimed at locating weathered kimberlites. The contract for this work has been awarded to C-Vista Corporation.

The survey is scheduled to commence in the December quarter once permitting has been completed.

CORPORATE

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 investment opportunities offered by projects in Africa.

For further information, contact:

Dan O'Neill (Managing Director)

+61 7 33696399 (Office)
+61 7 33696077 (Fax)
+61 407596942 (Mobile)
diamonex@diamonex.com.au (Email)

Greg King (Chairman)

+61 7 33696399 (Office)
+61 7 33696077 (Fax)
+61 411473730 (Mobile)
diamonex@diamonex.com.au (Email)