DiamonEx Limited

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ASX ANNOUNCEMENT
AUSTRALIAN SECURITIES EXCHANGE

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2007

- **Production at Lerala diamond mine on schedule to commence early 2008**
- **DiamonEx listed on AIM**

Construction at the Lerala diamond mine in eastern Botswana advanced towards proposed production in early 2008. Lerala, 100% owned by DiamonEx Limited (DiamonEx, the Company), has an established 3.7 million carat diamond resource and is scheduled to produce an average of 330,000 carats per year for 10 years.

On 29 October 2007, DiamonEx was listed on the Alternative Investment Market (AIM) in London.

Lerala Diamond Mine (DiamonEx 100%)

Construction of the project continued during the quarter and is entering the final stages.

The foundations of the processing plant and other civil works are 90% completed.

All but 2% of the structural steel has been fabricated, and the structural and mechanical erection on site is more than 35% completed.

Design work still outstanding is limited to certain pumps, pipe supports and conveyor trestles.

Close attention is now being given to the manufacture and installation of conveyors and piping in order to maintain the completion and production schedules.

The electrical generators are due to be installed by year's end.

Work on the water bores, pumps, pipes and holding dam proceeded during the quarter; water supply should commence by year's end.

Strata Mining, the experienced mining company engaged as the Lerala mining contractor, has been involved in the water supply and other infrastructure. Mining is due to commence in the current quarter, with first ore to provide a stockpile for commissioning in the lead-up to production.

Initial production is scheduled to commence in early calendar 2008. Full production will be achieved with the use of special equipment, the High Pressure Grinding Roller Crusher (HPGR), designed to increase diamond recoveries.

Delivery of the HPGR has been fast tracked so that it can be installed and commissioned earlier than anticipated.

Currently the HPGR is expected to be delivered during February with installation to be completed by mid March. Commissioning of the HPGR is expected toward the end of March.

With the earlier arrival of the HPGR the plant commissioning process is now under detailed review as instead of the staged commissioning build up awaiting the arrival of the HPGR(Tertiary crushing circuit) as currently planned it maybe more efficient to complete full commissioning during March.

However this will not affect full diamond production being attained during May 2008.

DMS (left), Secondary Crusher (centre) & Scrubber (right),

Thickener (left), DMS (right)

Exploration

Martin's Drift Prospecting Licence (Diamonex 100%)

The company is actively exploring four Prospecting Licences covering 350sq km surrounding the Lerala Mining Licence.

Four areas of positive grain recoveries from previous sampling have been identified and sampled (namely Area 2, Area 3, Area 5 and Area 6). A total of 421 samples were collected and concentrated.

All concentrate samples from Areas 2, 3 and 5 were sorted or examined for kimberlitic grains. Only one kimberlitic garnet from Area 5 was recovered. From Area 6, 104 samples out of a total of 176 have been sorted to date and no kimberlitic grains recovered. Sample sorting in this area has been suspended until strip sampling sorting is completed.

Strip sampling was also initiated in an area south of K002, where previous 50m follow-up sampling by De Beers returned some kimberlitic garnets. Twelve strip lines, at 100m apart and a sampling interval of 10m along strips, were completed. A total of 4,150 strip samples were collected .Sorting work is underway at the Gaborone sorting laboratory. Trenching has already commenced in areas of high grain counts.

Spectral survey anomalies that have been followed up to date have not shown kimberlitic characteristics.

Tuli Project (Diamonex 100%)

Sampling work is yet to commence over the airborne spectral targets defined earlier in the year.

Funding

Final funding arrangements to take the Lerala project into production were announced in July 2007 and summarised in the previous quarterly report on 31 July 2007.

As part of the arrangements, on 20 August 2007, a meeting of DiamonEx shareholders approved a placement of approximately A$7.1 million to international investors through London-based broker Fox-Davies Capital Limited.

Major global resource investment house J P Morgan Asset Management became the largest shareholder in DiamonEx when it acquired 13 million shares, representing 9.9% of the company's issued capital, for an investment of A$4 million, as part of the placement.

Corporate

On 29 October 2007, DiamonEx was listed on the Alternative Investment Market (AIM) in London. The listing is intended to broaden DiamonEx's shareholder base, offering investors in the UK and European markets easier access to the Company's securities. The Company has appointed Australian-based RFC Corporate Finance Ltd as its Nominated Adviser and Fox-Davies Capital Limited as its broker in relation to the AIM listing. DiamonEx's ordinary shares will continue to be listed on the Australian Stock Exchange (ASX) and the Botswana Stock Exchange (BSE).

Outlook for the December 2007 quarter

Construction of the Lerala diamond mining project will continue towards completion, with mining due to commence during the quarter ahead of first production in early 2008.

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

DIAMONEX LIMITED

ABN	Quarter ended ("current quarter")
26 091 951 978	**30 SEPTEMBER 2007**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation	(208)	(208)
	(b) development	(5,070)	(5,070)
	(c) production		
	(d) administration	(801)	(801)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	44	44
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(6,035)	(6,035)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a)prospects		
	(b)equity investments		
	(c) other fixed assets	(72)	(72)
1.9	Proceeds from sale of: (a)prospects		
	(b)equity investments		
	(c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
	Net investing cash flows	(72)	(72)
1.13	Total operating and investing cash flows (carried forward)	(6,107)	(6,107)

1.13	Total operating and investing cash flows (brought forward)	(6,107)	(6,107)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7,216,246	7,216,246
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	9,260,000	9,260,000
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(488)	(488)
	Net financing cash flows	15,988	15,988
	Net increase (decrease) in cash held	9,881	9,881
1.20	Cash at beginning of quarter/year to date	878	878
1.21	Exchange rate adjustments to item 1.20	(7)	(7)
1.22	**Cash at end of quarter**	10,752	10,752

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

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	184
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

nil

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

nil

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	190
4.2	Development	8,200
	Total	8,390

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,560	878
5.2	Deposits at call	9,012	
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	10,752	878

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	131,391,075	131,391,075		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	23,278,212	23,278,212	31 cents	31 cents
7.5	**+Convertible debt securities** *(description)*	Convertible bonds issued in Botswana. Up to 10% of the bonds are convertible into ordinary shares of the Company at BPW1.83 on 3 September 2011.			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	50,000	Nil (Note 1)	BWP1,000 AUD185	BWP1,000 AUD185
7.7	**Options** *(description and conversion factor)*	2,000,000	nil	*Exercise price* 35 cents	*Expiry date* 28 December 2011
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Note 1: Application will be made to the Botswana Stock Exchange for listing of these securities.

Compliance statement

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

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

Sign here: .... Date: 31 October 2007
(Director/Company secretary)

Print name: Paul Crawford

Notes

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

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

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

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

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

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