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BSE ANNOUNCEMENTS BOTSWANA STOCK EXCHANGE

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DIAMONEX GRANTED MINING LICENCE FOR MARTIN'S DRIFT DIAMOND PROJECT, BOTSWANA

- **New mine will be known as Lerala Diamond Mine**
- **Project proceeding to construction**
- **Diamond production of 330.000 carats per year to commence September quarter 2007**
- **Initial funding from company reserves; further funding planned**
- **AIM admission planned**
- **Strong price growth outlook for diamonds**

The Government of Botswana has 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 biggest diamond producing country in the world by value.

Announcing the Mining Licence today, DiamonEx Managing Director, Dan O'Neill, said: "This is an important step in lifting DiamonEx into the ranks of world diamond producers.

"The company will now proceed to quickly finalise project funding and commence mine construction. Diamond production is now scheduled to commence in the September quarter 2007.

"Initial development at Lerala will be funded from existing cash reserves. Further funding is planned and is expected to include both debt and equity.

"Mine design work is being carried out by South Africa based mining and exploration consultants MinXcon (Pty) Ltd.

"The detailed processing plant designs are being undertaken by ProMet Engineers Africa, who completed the conceptual designs for the processing plant.

"All major equipment has been selected including crushers, screens, and the dense media, x-ray and grease belt recovery equipment.

"Mining at Lerala will be contracted out. Tender documentation has been completed and tenders will be closing in mid October 2006. Construction is scheduled to commence in early January 2007.

“Wellfield Consulting Services who completed the initial water supply design have been appointed to complete the final water supply design.”

“Lerala Diamond Mine expects to employ 250 people both directly and through contracts.”

Low cost project, rapid payback

Mr O’Neill said that the Lerala Diamond Mine would:

- be a low cost open cut mining operation with a simple, proven processing route
- be a project with robust economics and rapid capital payback
- have low capital cost - US\$15 million, assuming contract mining
- generate high operating cashflow - US\$100 million over 10 years on revenue of US\$230 million at forecast diamond prices.

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).

In the past year DiamonEx has increased the resource at Lerala by 23% to approximately 3.7 million carats. “Considerable potential exists to further increase the total resource at depth in the existing pipes and through planned exploration which is focusing on several priority targets close to the existing project,” Mr O’Neill said.

DiamonEx has also recently been granted 23 prospecting tenements covering a total area of 12,400 km² contiguous with the Martin’s Drift Diamond Project area and extending north and east. The tenements lie within the prospective Limpopo Mobile Belt which hosts several diamond deposits including the licensed area.

Demand for diamonds increasing as world production declines

Mr O’Neill said that the proposed development of the Lerala Mine coincided with a strong market outlook for diamonds, as interest from prospective customers seeking to secure the total output from the proposed mine confirmed.

“Prices of rough diamonds are expected to increase considerably due to increased demand, particularly from China, India and the Middle East, combined with a shortfall in supply as stockpiles are exhausted and world mine output declines,” he said.

“The average price of rough diamonds rose by more than 60% from 2003 to 2005 and is expected to increase by a further 30% over the next five to six years if major discoveries are not made.”

Alternative Investment Market Admission

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. It is anticipated that this should be completed by the end of this year.

“AIM admission is expected to raise the company’s profile and increase share liquidity 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,” Mr O’Neill said.

“It will also provide access to capital markets for funding of future growth.”

Diamonex Limited



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DiamonEx is a Brisbane-based specialist diamond company planning to develop a diamond mine based on established resources within the Martin’s Drift Diamond Project in Botswana, within an area that produces 35% of the world’s diamonds by value.