

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 Corporate Governance Principles and Recommendations as released by the ASX Corporate Governance Council* on 2 August 2007 as the basis for its corporate governance policies.

In viewing this Statement, shareholders are reminded that DiamonEx is in transition from a junior exploration company to emerging diamond producer, 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 not to be applicable 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.

1.1 Companies should establish the functions reserved to the board and those delegated to the senior executives and disclose these functions.

The Company has developed a Statement of Board Functions and a Delegations Policy, which document the respective roles and responsibilities of the Board and senior executives. In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board is collectively responsible for ensuring the success of the Company by:

- supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- ensuring the Company is properly managed by:
 - appointment and removal of the Managing Director, the Chief Financial Officer and the Company Secretary;
 - input into and final approval of management's development of corporate strategy, goals and performance objectives;
 - reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
 - monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
 - to act with honesty, integrity and fairness;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and disposals (including farm-in, farm-out and joint venture agreements);

- approval of budgets;
- approving and monitoring financial and other reporting;
- overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- liaising with the Company's external auditors;
- adopting a formal code of conduct to be followed by the all directors, employees and contractors. The key aspects of this code are:
 - to act with honesty, integrity and fairness;
 - to act in accordance with the law; and
 - the use Company resources and property appropriately; and
- monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Newly appointed directors are provided with formal appointment letters setting out the key terms and conditions regarding their appointment. Similarly senior executives (the Managing Director and Chief Financial Officer) are provided with formal appointment letters making clear the responsibilities of their role, remuneration, appointment term and entitlements on termination.

The Board charter, which includes the Statement of Board Functions, is available on the Diamonex website, in the corporate governance section.

1.2 Companies should disclose the process for evaluating the performance of senior executives.

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 DiamonEx.

Senior executives' performance is reviewed against a range of quantitative and qualitative measures and considers past performance of DiamonEx as well as the executive. Any remuneration reviews also take into account market practice with respect to comparable positions.

The Board reviews the Managing Director's performance and the Managing Director reviews other executives' performance. The results of the Managing Director's performance reviews of senior executives are reported to the Board for information. The performance of senior executives is reviewed on a formal basis annually and this has taken place for 2008 in accordance with the process detailed above.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Structure the board to add value

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The Board of DiamonEx currently comprises of five Directors, two of which are executive directors, Mr Greg King, who is the Chairman and Mr Dan O'Neill, who is the Managing Director and Chief Executive Officer. The remaining three directors, Mr Paul Crawford, Mr David Magang and Mr Don Duncan are non- executive directors. Further details of the Directors such as their qualifications and experience along with their term of office are set out in the Directors' Report.

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 its composition, skill base and effectiveness of the Board.

2.1 A majority of the board should be independent directors.

DiamonEx is not compliant with this Recommendation. As at the date of this report, the Board comprises two executive directors and three non-executive directors, only one of whom (Mr Magang) is independent. 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. Mr Don Duncan is a geologist who has operated his own independent diamond consultancy since 2000 and has also 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.

While determining the independent status of Directors, the Board has considered whether the Director:

- a) holds less than five percent of the voting shares of the Company (in conjunction with their associates); or is an officer of the Company, or otherwise associated directly with a shareholder of more than five percent of the voting shares of the Company;
- b) has within the last three years, been employed in an executive capacity by the Company or another group member;
- c) has within the last three years has been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. In this context, the relationship with the professional adviser or consultant shall be deemed to be material if payments from the Company exceed 10% of the Company's annual expenditure to all professionals and consultants or exceed 10% of the recipient's annual revenue for advisory or consultancy services;
- d) is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer. In this context, the relationship with the supplier or customer shall be deemed to be material if annual payments to or from that supplier or customer exceed 10% of the annual consolidated gross revenue of either the Company or that supplier or customer; and
- e) has a material contractual relationship with the Company or other group member other than as a director of the Company.

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

2.2 The chair should be an independent director.

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

Mr King is the Company's Executive Chairman. He is 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 and is considering appointing a the lead independent director.

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

DiamonEx is compliant with this Recommendation. 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. There is a clear division of responsibilities between the chair and the Chief Executive Officer

2.4 The board should establish a nomination committee.

DiamonEx is not compliant with this Recommendation. The role of the nomination committee has been assumed by the full Board. The size and nature of the Company's activities do not justify the establishment of a nomination committee at this time. The nomination committee will be established as and when the need for such a committee arises.

The Board has a policy and procedure for nominating and appointing new directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, independence, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting. Directors are required to retire and be subject to re-election by shareholders at least every three years.

This procedure can also be found within the Board Charter on the Company's website.

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board meets once a year to informally review its own performance and that of any Committees established. 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 will consider implementing a more formal performance evaluation process once the size and nature of the Company warrant a formal process.

Induction and Education

New directors undergo an induction process in which they are given a full briefing on the Company. Where possible, this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new directors includes:

- details of the role and responsibilities of a director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company ;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all directors are encouraged to undergo continual professional development.

Access to information and Independent Professional Advice

Each director has the right of access to all Company information and to the Company's executives. Further, the Board collectively and each director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code.

The Board requires high standards of conduct and responsibility from Directors and officers. As part of its commitment to recognising the legitimate interest of stakeholders, the Company has developed

a Code of Conduct to guide compliance with legal and other obligations to stakeholders, which include employees, clients, customers, government authorities, creditors and the community. Directors are required to adhere to industry standards in conduct and dealings and promote a culture of honesty, fairness and ethical behaviour into its internal compliance policy and procedures as well as dealing with stakeholders.

The Company is committed to implementing this Code of Conduct. A copy of the Code is given to all contractors and relevant personnel, including directors and each individual is accountable for such compliance.

Any breach of applicable laws, accepted ethical commercial practices or other aspects of the Code of Conduct will result in disciplinary action. Depending on the severity of the breach, such disciplinary action may include reprimand, formal warning, demotion or termination of employment/engagement (as the case may be).

Similar disciplinary action may be taken against any manager who directly approves of such action or has knowledge of the action and does not take appropriate remedial action.

Breach of applicable laws or regulations may also result in prosecution by the appropriate authorities. The Company will not pay, directly or indirectly, any penalties imposed on any personnel as a result of a breach of law or regulation.

Personnel are expected to report any instances of suspected non-compliance and these will be investigated fairly. Individuals who report suspected non-compliance in good faith will be appropriately protected.

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

3.2 Company security trading policy

The Company has a securities trading policy, which is appropriate for a company whose shares are admitted to trading on the ASX. According to this policy, an employee, officer or director, whilst in possession of unpublished market price sensitive information, is subject to three restrictions:

- they must not deal in securities affected by information;
- they must not cause or procure anyone else to deal in those securities; and
- they must not communicate the information to any person if they know or ought to know that the other person will use the information, directly or indirectly, for dealings in securities.

Employees, Officers and Directors are required to advise the Chairman and company secretary of their intentions prior to undertaking any transaction in the Company securities. If an employee, officer or Director is considered to possess unpublished market price sensitive information, they will be precluded from making a security transaction until after the time of public release of that information.

The security trading policy is available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 The board should establish an audit committee.

DiamonEx is not compliant with this Recommendation. 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 Audit Committee will be established as and when the need for such a committee arises and when established, will be structured in accordance with ASX Corporate Governance Recommendations and have a formal charter.

4.2 The structure of the audit committee.

In the absence of an Audit Committee, the Company does not comply with this Recommendation.

4.3 The audit committee has a formal charter.

In the absence of an Audit Committee, the Company does not comply with this Recommendation.

3.3 Reporting on Principle 4

External auditor

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company. Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

The Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board. The Board reviews the performance of the external auditor on an annual basis.

Information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is available on the Company's website.

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 ASX 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.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's shares; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's shares.

Such matters are advised to the ASX immediately they are identified as being material. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on its website in an area accessible by the public.

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

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 policy

The Board respects the rights of its Shareholders and to facilitate the effective exercise of those rights, it 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. The Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company and ask questions regarding the conduct of audit and about the functioning of the Company generally; and
- making it possible for shareholders to receive communication by electronic means.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

6.2 Reporting on Principle 6

The Company's Shareholder Communications Policy and other related material are available on the Company's website.

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, environmental, sustainability, compliance, strategic, ethical conduct, technological, financial reporting market related and operational aspects of the Company's affairs.

The objective of this Risk Management Framework is to:

- ensure the identification of material risks across each of the key risk areas;
- encourage appropriate tolerance of risks across the Company;
- establish procedures to analyse risks within agreed parameters across the Company;
- establish procedures to monitor and manage risk; and
- ensure a risk framework is in place which can react should the risk profile of the business change.

Key components of the Risk Management Framework are:

- identifying and assessing all risks;
- managing, monitoring and wherever possible, mitigating, identified risks;
- reporting periodically and;
- assessing the effectiveness of the risk management framework.

Management meets regularly to discuss material risks and the management of those risks. Management reports to the Board on risk management on a regular basis, including advising of any material changes in the Company's risk profile.

7.2 Report on risk management and internal control system

The Board is responsible for setting the risk philosophy and risk appetite for the Company and approving the overall risk management and internal control system.

Given the size and scale of operations and stage of development of the Company, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of separate Risk Management Committee. Presently, the full Board carries out the functions of a Risk Management Committee.

The Board reviews the management of material business risks and the adequacy of the risk management and internal control framework on a regular basis. Management has reported to the Board on the effectiveness of the management of material business risks.

7.3 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 declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control ; and
- the Company's risk management and internal control system is operating effectively in all material respects in relation to financial reporting risks.

7.4 Reporting on Principle 7

A summary 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: Remunerate fairly and responsibly

8.1 Establishment of a remuneration committee.

DiamonEx is not compliant with this Recommendation. The responsibilities of the Remuneration Committee such as remuneration, recruitment, retention and termination policies and procedures, senior executives' remuneration and incentives, superannuation arrangement and remuneration framework for directors, 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 was undertaken during the year and it confirmed that at this stage in the Company's development a Remuneration Committee is not required.

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.

8.2 Structure of Non-executive and executive director remuneration

The Company clearly distinguishes the form of remuneration for Non-executive Directors and executives. Non-executive Director fees are not linked to company performance however, components of executive remuneration is clearly linked to the achievement of company goals.

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. At present, this maximum aggregate amount is \$100,000. No other form of retirement benefit is paid.

The remuneration policy and setting the terms and conditions for executive directors was developed and approved by non-executive directors. Executive directors receive a base salary, superannuation and fringe benefits. 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.

Further details are available in the Remuneration Report of the Directors' Report.

Any equity based remuneration plans and performance incentives proposed to be granted in future will also be granted only with shareholder approval.

The Company has prohibited the entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration.

8.3 Reporting on Principle 8

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