



DIAMOND ROSE NL

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4 August 2006

Mr Nicholas Ong
Senior Adviser, Issuers (Perth)
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

By Facsimile: 08 9221 2020

Dear Sir

RE: APPENDIX 5B REVIEW

We refer to your letter dated 2 August 2006 regarding the Company's Appendix 5B for the quarter ended 30 June 2006 and respond to it in the order of the matters raised:

1. The Appendix 5B reflects cash movements in the June quarter. During the quarter, the Company reduced the size of its executive staff; cash expended in the subsequent quarter will reduce accordingly. A representative of the Company's largest shareholder has joined the Company's board and the Company is confident that it will continue to have their support (they have provided over \$8.8 million to date to the Company).
2. Expenditure is expected to remain constant and other than through an envisaged placement of securities will be funded through cash flow. The Company has outstanding to it the amount of \$5,213,169 by way of a loan to Guanaco Mining Company of which \$1,389,077 is repayable at call (the balance is due on 9 March 2008).
3. The Company is currently reviewing a number of financing alternatives to fund its business objectives. These include capital raising, loan repayment and joint venture opportunities.
4. The Company confirms that it is in compliance with ASX Listing Rules 3.1.
5. The Company confirms that it is in compliance with ASX Listing Rules 12.2.

Yours faithfully

Henry Kinstlinger
Company Secretary



ASX
AUSTRALIAN STOCK EXCHANGE

Australian Stock Exchange Limited
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2 August 2006

Henry Kinstlinger
Company Secretary
Diamond Rose NL
Suite 201, Terrace Towers
80 William Street
Woolloomooloo NSW 2011

Facsimile: (02) 9380 7972

Dear Henry

Diamond Rose NL (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 30 June 2006, released to Australian Stock Exchange Limited ("ASX") on 28 July 2006, (the "Appendix 5B").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Net negative operating cash flows for the quarter of \$191,000.
3. Cash at end of quarter of \$222,000.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5.00 p.m. W.S.T. today.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please contact me on 9224 0017.

Yours sincerely,

Nicholas Ong
Senior Adviser, Issuers (Perth)