



DIAMOND ROSE NL

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DRILLHOLE EXPLORATION PROGRAM - SECOND STAGE

Diamond Rose has been advised that the second stage drilling programme at the Guanaco gold-silver-copper project has commenced. The Company has a 35.78% interest in the project.

The program is based on the results from the previous exploration programs conducted during 2005 and March to May 2006. The objective of the new campaign is to extend the recognized zones of mineralization and to upgrade inferred resources present in the Cachinalito Structure, by infill drilling. A heap leaching evaluation drillhole program will be carried out to re-evaluate the previous heap-leaching stockpile.

The total program considers approximately 10,000 meters of Reverse Circulation (RC) drilling. Refer to the project plan attached to this report and to drill location sections in previous exploration reports.

Harris y Compania Ltda, a Chilean drilling contractor, will conduct again the drilling program whilst Geanalitica will conduct sample preparation and analysis. The international laboratory Actlabs will undertake independent check analysis of a percentage of the samples.

A total of 1,300 meters in 12 holes are proposed in the **Cachinalito Structure**, in order to extend the mineralization to the east. Additionally, the extension of mineralization between coordinates 444000 and 444150 above 2,650 meters elevation will be confirmed.

Recomendation	East	North	Azimuth	Dip	Length
Cach-1	444000	7223766.5	180	60	80
Cach-2	444000	7223769.5	180	70	110
Cach-3	444050	7223779.0	180	61	80
Cach-4	444050	7223794.5	180	62	110
Cach-5	444075	7223797.0	180	62	120
Cach-6	444100	7223795.5	180	61	100
Cach-7	444100	7223760.5	180	65	110
Cach-8	444100	7223809.0	180	62	150
Cach-9	444125	7223797.0	180	65	110
Cach-10	444450	7223740.0	0	61	110
Cach-11	444450	7223731.0	0	62	140
Cach-12	444475	7223740.0	0	60	110
Total					1330

Table # 1: Drillholes recommended in the Cachinalito area.

Nine holes will be drilled in the **Cachinalito Oeste** structure on the western side of the Soledad claims as follows:

Recomendation	East	North	Azimuth	Dip	Length
CachW-1	443475	7223601	180	62	180
CachW-2	443450	7223592	180	63	150
CachW-3	443425	7223608	180	62	170
CachW-4	443425	7223570	180	62	180
CachW-5	443400	7223605	180	62	170
CachW-6	443475	7223580	180	62	150
CachW-7	443350	7223596	180	62	170
CachW-8	443375	7223596	180	62	170
CachW-9	443325	7223590	180	62	170
Total					1510

Table # 2: Drillholes recommended in the Cachinalito West area.

A drillhole program in the eastern portion of the **Perseverancia Open Pit** is planned. A total of 1,230 meters in 17 holes are being considered and the objective is to confirm the presence of a parallel structure recognized by old drillholes and not included in the old mine plan.

Recomendation	East	North	Elevation	Azimuth	Dip	Length
PER-01	446325	7223055	2714.63	0	-60	50
PER-02	446350	7223052	2714.72	0	-60	65
PER-03	446375	7223064	2714.99	0	-60	50
PER-04	446400	7223075	2715.32	0	-60	35
PER-05	446400	7223062	2714.88	0	-60	60
PER-06	446425	7223042	2716.41	0	-60	80
PER-07	446425	7223025	2716.02	0	-60	110
PER-08	446450	7223031	2717.45	0	-60	90
PER-09	446450	7223014	2718.36	0	-60	115
PER-10	446475	7223020	2716.43	0	-60	100
PER-11	446500	7223038	2716.28	0	-60	60
PER-12	446500	7223021	2716.62	0	-60	90
PER-13	446525	7223039	2714.39	0	-60	50
PER-14	446525	7223022	2715.1	0	-60	80
PER-15	446550	7223032	2711.83	0	-60	50
PER-16	446550	7223014	2710.35	0	-60	75
PER-17	446575	7223025	2707.18	0	-60	70
TOTAL						1230

Table # 3: Drillholes recommended in the Perseverancia Pit area.

Additionally, 4 holes will be drilled in the deepest part of the Perseverancia Open Pit. These holes will confirm the remaining resources in the base of the Open Pit, previously recognized by trenching methods.

The review of data related to the geological re-interpretation of the district has identified new potential resources that will be investigated. A preliminary drillhole program is designed to look for favourable areas where anomalies have been identified.

The new zones that will be incorporated into this program are:

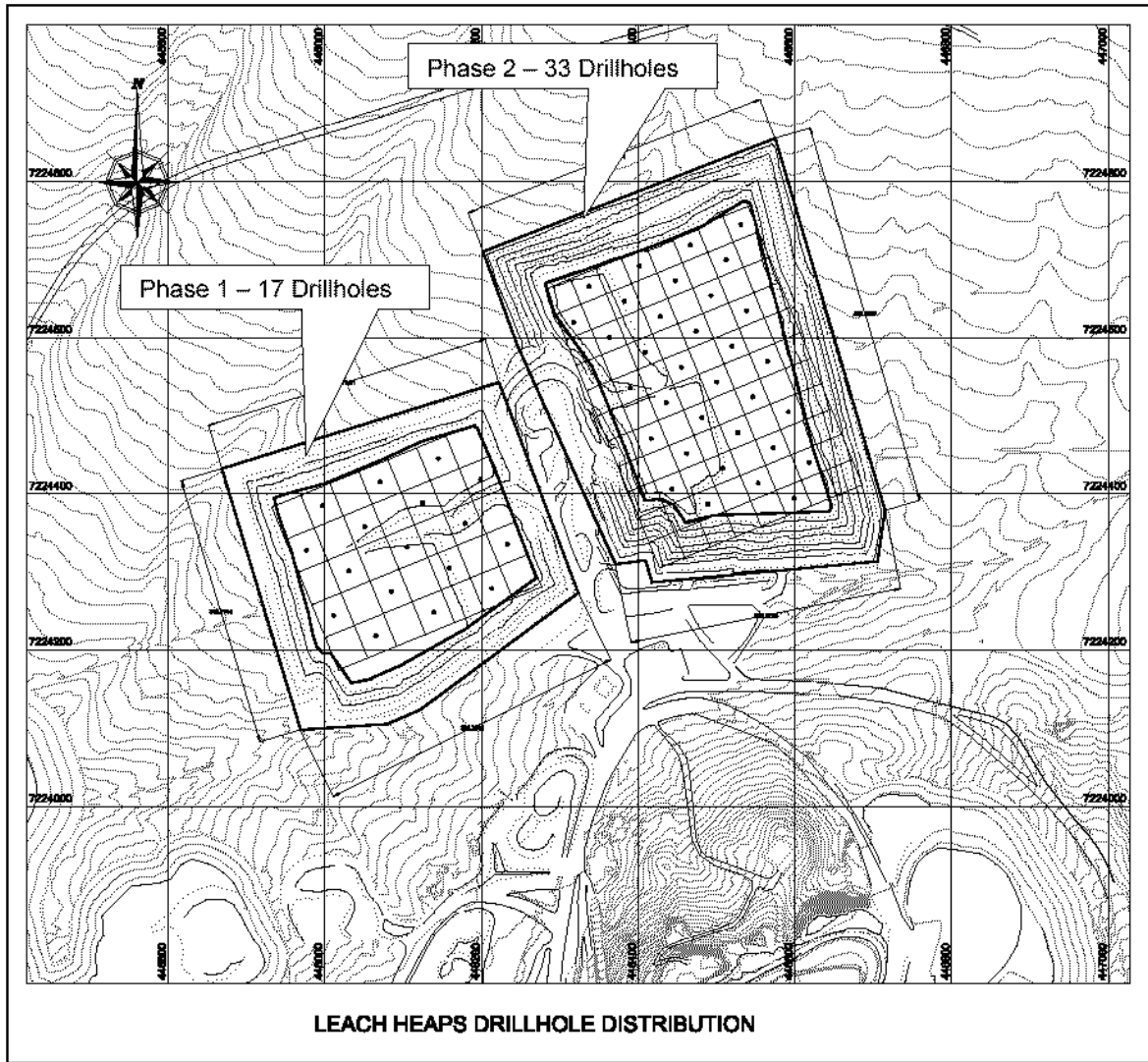
In the **Cerro Guanaquito** sector, located to the west of **Cerro Estrella**, 9 holes are planned to check the continuity of mineralization at depth, recognized by small miners in 4 parallel veins. The high gold grade values found in surface sampling in the **Marcelina Vein** are between 7 to 50 gr/t Au.

A total of 6 drillholes are planned to test the continuity of mineralization in the **Beatriz Structure**. This vein was mined by small miners using underground methods for an extension of 100 meters. There is surface evidence of the lateral extension.

The **Salvadora Structure** is located northwest of the Cachinalito and Beatriz Structures and represents a parallel system to the east north east mineralized axis. Approximately 15 holes are planned for this area to check the continuity of the old mined structures or discovery of new and blind parallel structures.

Holes drilled in the **Chilena structure** do not show clear results. Using a new interpretation, 3 new holes have been designed to extend the mineralization of this structure to the east.

An investigation program for remaining gold resources in the **Leach Heaps** operated by the former operator owners of the Guanaco Mine has been defined. There is evidence of the presence of poorly leached sections in the two heaps located at the project and these represent a source of recovery of resources. Sonic Drillhole equipment provided by Boart Longyear Company will be used in the drilling program, which has given excellent results in terms of sample recoveries in similar programs. The program considers drilling 50 holes distributed in both heaps. The figure represents a draft with the most probable drillhole locations.

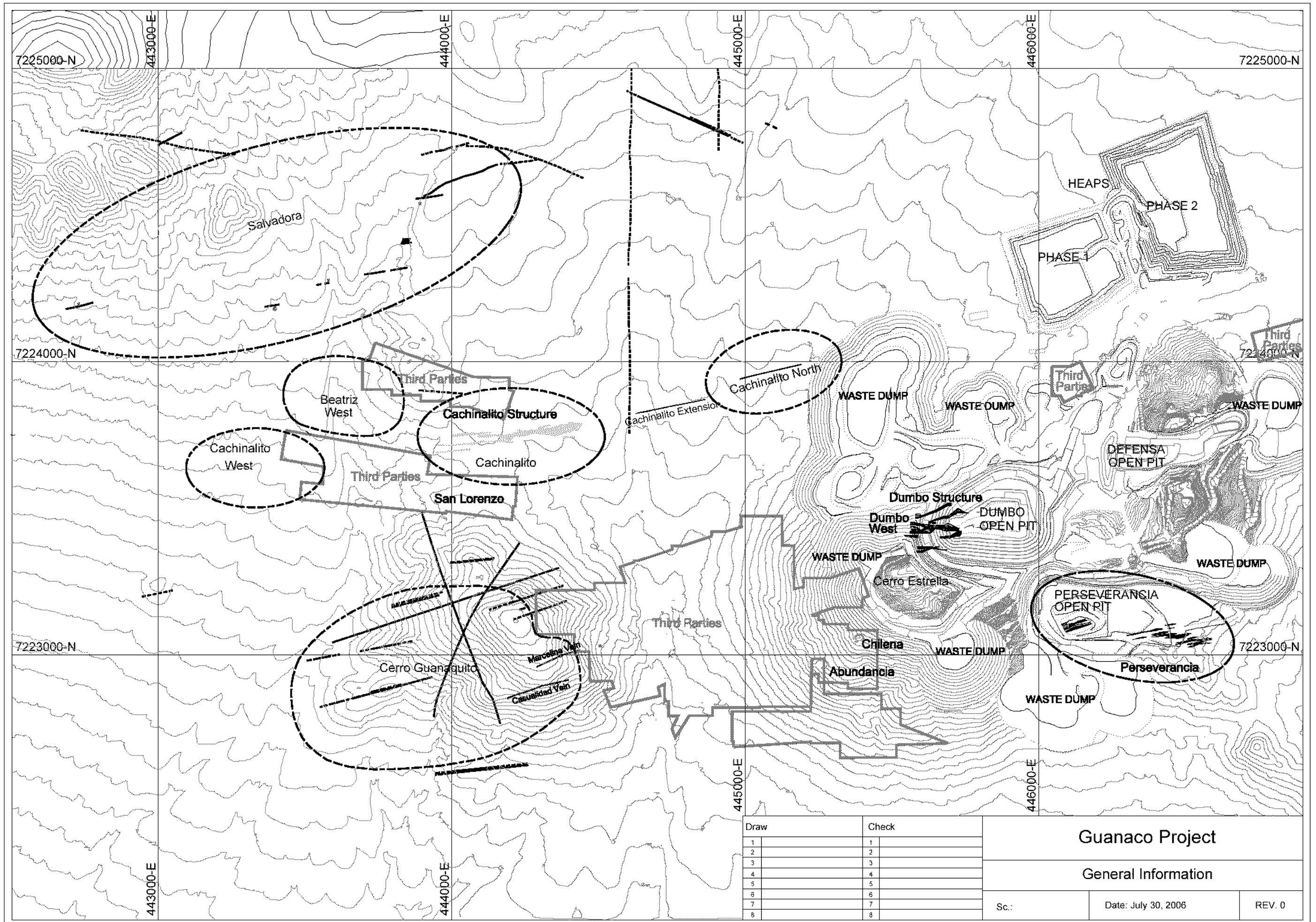


Henry Kinstlinger
Company Secretary

DECLARATION

This information is considered exploration information in the terms required by the JORC Code standards for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.

The statement on the Diamond Rose Chilean Project has been based on program reports prepared by the professional exploration staff and consulting geologists of Guanaco Mining Company. The statement fairly reflects the results reported by Guanaco Mining Company and has been prepared by T V Willsteed, Consulting Mining Engineer and Supervising Consultant, BE[Min] Hons, BA CP[Min] FAusIMM MMICA MSME, as Competent Person for Diamond Rose NL. Mr Willsteed consents to the inclusion on this report of the matters stated based on the information provided in the form and context in which it appears.



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Guanaco Project		
General Information		
Sc.:	Date: July 30, 2006	REV. 0