



DIAMOND ROSE NL

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Company Announcement Office
Australian Stock Exchange Limited

Diamond Rose Funding

Diamond Rose is pleased to advise that it has received funding from its largest shareholder on the following terms:

1. Funding is in the form of a loan advance of \$540,000 pending the issue of 12,558,140 Fully Paid shares at an issue price of 4.3 cents. The loan will be partially secured by a charge over the Company.
2. The funds have been provided in this form so that they are available for use by the Company pending the issue of securities.
3. Shareholder approval for the share issue will be sought at the Company's AGM, following which the Company will apply for quotation of the shares.
4. The loan attracts no interest prior to the AGM. Thereafter the loan attracts interest at the Westpac Indicator Lending Rate commencing 3 days after the AGM.

Shareholder approval will also be sought for the issue of 23,255,814 Fully Paid shares at an issue price of 4.3 cents in consideration of a \$1 million advance provided to the Company on 18 May 2005.

In addition to the above, the Company is contemplating a rights issue to further secure the Company's financial position. Once the details of the rights issue have been finalised, a further announcement will be made to ASX.

Guanaco Mining Company Loan

As previously advised, the Company has advanced \$5,213,169 by way of a loan to Guanaco Mining Company (**GMC**) of which \$1,389,077 is repayable at call (the balance is due on 9 March 2008).

The loan funds provided to GMC by the Company are for the purpose of advancing the Company's interest in the Guanaco Project. The Board is of the view that a call for the return of available loan funds at this time would diminish the funds available to GMC to conduct the programs currently in progress and planned and would further necessitate GMC's need to access further monies to fund the operations and work program. In these circumstances, the Company would be required to participate in such funding, which would counter the cash benefit to the Company of a call against the loan at this time.

The Company has made regular and informed announcements to the market with respect to the program currently underway at Guanaco.

The Board is of the view that the Company's immediate cash requirement is better addressed through a share placement as detailed above.

The Board is satisfied that the Company's immediate cash requirements are being met.

Henry Kinstlinger
Company Secretary