



DIAMOND ROSE NL

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Quarterly Report – Second Quarter December 2005

Diamond Rose NL
A.C.N. 075 860 472

31 January 2006

The Board of Diamond Rose NL is pleased to advise the following activity for the quarter ended 31 December 2005.

CORPORATE

On 13 December 2005 the Company completed an agreement that relieved it of the need to pay \$1.8 million to Vageta Pty Ltd under the previously executed Shareholders Agreement. Diamond Rose interest in the Guanaco project remains 35.78% and discussions are continuing to increase this to a majority position.

In furtherance of the Company's stated objectives with respect to the Guanaco Project, the Company has secured the resignation of all previous directors of GRIL except Henry Kinstlinger who has now been joined by three directors of Diamond Rose, the Hon [Justice] Marcus Einfeld AO QC, Pablo Kohen and Laura Rovner. Diamond Rose's interest in GRIL is 73.01%.

During the December Quarter the Company sold its Mitchell Cotts Heavy Medium Separation Plant which was acquired for bulk sampling programmes associated with diamond exploration. As the company is now engaged primarily in gold exploration the plant was surplus to requirements.

9,350,000 unlisted options expired on 31 December 2005.

EXPLORATION ACTIVITIES

Chile

Guanaco Project (35.78% interest)

A programme of works for 2006 has been recommended to continue the site investigations, including to:

- re-evaluate and validate the previous ore resource estimates including the results of drilling programmes;
- test the heap leach piles;
- infill existing drilling in mineralised zones.
- test extensions of known vein structures;
- review the existing mine data for all relevant supplementary geological material; and
- commence regional exploration of the whole tenement area.

The search for a highly qualified project manager for the Guanaco Project continues.

Australia

Bullabulling Project (95% interest)

Prospecting Licences were granted on 21 November 2005.

The Bullabulling Project, located about 60 kilometres west-southwest of the City of Kalgoorlie, is secured by eight Prospecting Licence Applications by Golden Rose Pty Limited, a wholly owned subsidiary of Diamond Rose. The project area tenements cover an area of 1233 hectares (ha) in the gold mining area of Bullabulling, West Australia. Planned work programmes are subject to granting of titles.

Most of the gold mineralisation discovered and mined in the Bullabulling area has been located within near surface laterites. This mineralisation is believed to have been sourced from mineralised shear zones at depth. The known near surface shear zones are characterised by biotite and carbonate alteration with zones of sulphide mineralisation around the quartz veins.

Past exploration has been confined to the weathered rocks of the regolith. No deeper drilling is known to have been done.

Initially Diamond Rose intends to complete a structural interpretation based on detailed low level aeromagnetics and satellite imagery. Follow up will comprise deep scout RC drilling with infill drilling where justified.

Leonora Project (75% interest)

The Leonora Project comprises Exploration Licence Applications E37/728 and E37/729 covering a total area of approximately 414.00 sq km. It is centred about 10 kilometres west of the gold mining town of Leonora in the Mt Margaret Mineral Field of Western Australia.

The project area is located in the Eastern Goldfields Region immediately west of the younger Archaean Norseman – Wiluna greenstone belt succession. This belt hosts many major gold and nickel sulphide deposits including the Sons of Gwalia mine at Leonora with production exceeding 2.5 million ozs of gold.

The southerly extension of the Sons of Gwalia Mine sequence through the easternmost three graticular blocks of Exploration Licence Application E37/728 is covered by current Mining Leases held by other parties. The tenements are underlain by granites and there is limited evidence to suggest that potential exists for significant resource discovery at this stage.

Kookynie Project (95% interest)

Exploration Licences were granted on 16 December 2005, Prospecting Licences are still under application.

The Kookynie Project is located in the North Coolgardie Mineral Field being centred about 45 km southeast of Leonora, Western Australia. It consists of two Exploration Licence Applications E 40/197 and E 40/198 together with four Prospecting Licence Applications P 40/1112 and P 40/1116 to 1118 covering a total area of 10.56 sq km.

Access can be easily gained via the sealed Kookynie-Leonora road and thence by numerous tracks.

The area of and around the project is underlain by rocks of the Norseman-Wiluna Greenstone Belt that hosts many major gold and nickel sulphide deposits.

Previous exploration has identified numerous alluvial and bedrock gold occurrences. In 1997 interpretation detailed aeromagnetic survey of the area was done as well as a structural interpretation based on Landsat TM satellite data imagery. This work has indicated many potential gold targets.

Diamond Rose intends to follow up all identified targets, initially by soil sampling with partial digest analyses with geochemical anomalies being followed up by drilling.



Henry Kinstlinger
Company Secretary

Attribution

Aspects of this report that relate to Mineralisation, Mineral Resources or Ore Reserves are based on information compiled by persons who are Fellows or Members of the Australian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists, and have sufficient relevant experience of the activity undertaken and of the mineralisation style and type of deposit described.

They qualify as Competent Persons as defined in the 1999 Edition of the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves" (JORC Code). A list of the names of the Competent Persons is available upon request. The above statement fairly reflects the reports prepared by these Competent Persons and has been prepared by T V Willsteed, BE [Min], Hons BA FAusIMM as Competent Person for Diamond Rose NL. Mr Willsteed consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.