DIAMOND ROSE NL

AND ITS CONTROLLED ENTITIES

ABN 30 075 860 472

ANNUAL REPORT

2006

DIAMOND ROSE NL
ACN 075 860 472

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DIAMOND ROSE NL
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VICE-CHAIRMAN'S LETTER

Dear Shareholders,

The Directors present Diamond Rose NL's Annual Report for the year ended 30 June 2006.

The year has seen considerable work undertaken at the Guanaco project in Chile, with the results confirming the confidence the Company has shown in the project.

Staff appointments at Guanaco have been made to ensure that the Company can fast track exploration and capitalise on the promising results to date. Australian projects have been reviewed and rationalised during the year.

We trust that further progress will translate to growth for the Company and ultimately shareholder success.

We acknowledge the continued support shown to the Company by its major shareholder who continues to support the Company and shares our commitment to see the Company develop into a successful producer.

Yours sincerely

T. J. Willsteed

Terence Willsteed
Vice-Chairman

DIAMOND ROSE NL
ACN 075 860 472

CORPORATE DIRECTORY

Directors:	The Hon Marcus Einfeld – Chairperson and Non Executive Director Terence Willsteed - Non Executive Director Pablo Vergara del Carril – Non Executive Director
Company Secretary:	Henry Kinstlinger
Consultant Geologists:	Keith Fox Bsc (Hons) MAusIMM MIMMM Peter Temby Ass DipGeol. MAIG
Mining Consultant:	Heath Sandercock B Eng (Min) MAusIMM MMICA
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Auditors:	PKF
Share Registry:	Corporate Registry Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: (02) 8234 5000 Facsimile: (02) 8234 5050
Principal Bankers:	National Australia Bank
Solicitors:	Steinepreis Paganin, Perth George Mallos, Sydney
Stock Exchange:	Australian Stock Exchange Ltd Exchange Plaza 2 The Esplanade Perth WA 6000
Quotation:	Shares in Diamond Rose NL are quoted on the Australian Stock Exchange as code "DRN"
Place of Incorporation:	Western Australia

REVIEW OF PROJECTS

GUANACO PROJECT - CHILE - 35.78% INTEREST

Background

In January 2003 Diamond Rose obtained, through its subsidiary Golden Rose International Limited (**GRIL**), an option to acquire the Guanaco gold-copper project in Chile from subsidiaries of Kinross Gold Corporation (**Guanaco Project**). At a general meeting of the Company held on 14 March 2003, the Shareholders approved the acquisition by the Company of an interest in the Guanaco Project.

Guanaco Capital Holding Corporation (**GCH**) (an entity under the effective control of Eduardo Elsztain, a prominent South American fund manager) agreed to provide funds to complete the purchase. The agreement to fund the acquisition was conditional on GCH holding title in the Guanaco Project pending an equitable distribution of equity being concluded and also on Diamond Rose managing the project on terms and conditions to be agreed upon.

The Guanaco Project was acquired from Compañía Minera Kinam Guanaco and Kinam de Chile Limited (wholly owned subsidiaries of Kinross Gold Corporation) by a company that is currently wholly owned by Guanaco Mining Company Ltd (GMC).

In July 2003, a binding international arbitration determined that GCH should hold 51% of the equity in the Guanaco Project in return for an initial investment of US$1,100,000 plus an additional US$900,000 expenditure on the Guanaco Project. Currently GMC is owned 51% by GCH and 49% by GRIL. Diamond Rose has a 73.01% interest in GRIL and, accordingly, the Diamond Rose effective interest in the Guanaco Project is approximately 35.78%.

In December 2005, GCH increased its interest in GMC through the acquisition of the minority interests in GRIL (26.99%). GCH's current interest in the Guanaco Project, excluding its flow through interest arising from its holding in the Company, is approximately 64.22%.

History

The Guanaco District is situated on the western edge of the main Chilean porphyry copper belt approximately midway between Escondida to the north and El Salvador to the south. The Guanaco property is located 200 kilometres (km) southeast of Antofagasta and about 50 km east of the Pan American highway.

The Guanaco region has produced in excess of 2 million ounces (ozs) of gold (Au) since first discovery. After discovery in 1878, intense exploitation occurred between 1886 and 1939. Guanaco is reported to have produced 9.3 tonnes (t) Au in 1938 and 3.7 t Au in 1939 and a total of 30 t Au to the mid 1980's. Copper is recorded as mined between 1928 and 1930, although no production details are available.

The Guanaco mine is 40 km from Meridian Gold's El Penon gold mine which has produced 320,000 ozs of Au annually at a cost of less than US$50 per oz. Guanaco is also 80 km from BHP Billiton's Escondida mine, which produces 1.2 million t of copper (Cu) annually and is one of the world's largest copper mines.

In 1991 Amax Gold Inc optioned the property and established a mineable reserve of 11.5 million t at 1.77 gram per tonne (g/t) Au. Open pit mining commenced in early 1993 along with conventional heap leaching and a Merrill Crowe recovery plant. In 1997 the operation was put into care and maintenance due to low gold prices and poor metallurgical recoveries related to copper in the ore. Average gold grades from production at the time of closure were stated to be between 3 g/t and 4 g/t. In 1999 Kinross Gold acquired Amax and the property was taken over by its local subsidiary Kinam Guanaco. GRIL executed an option purchase agreement to acquire the property from Kinross in September 2002. The option was finally exercised in March 2003. The Guanaco Project covers 150 square kilometres (sq km) of concessions, which exclude the Soledad claims, adjacent to the Guanaco mine, as well as a few other minor third-party properties.

In September 2005 the final advance royalty payment of US$3 million was paid to the Chilean National Mining Company, Empressa Nacional de Mineria (ENAMI). This payment completed the acquisition of the Guanaco Project by GMC.

Current Status

The Guanaco mine is currently under care and maintenance.

Three open pit mines were operated by Amax:

- Dumbo and Defensa open pits exploiting the Dumbo Defensa vein structure; and

- Perseverancia pit exploiting the Chilena vein structure.

Substantial assets exist including:

- crushing plant;
- heap leach piles containing 11 million t at 0.7 g/t Au;
- heap leach processing plant and equipment including a Merrill Crowe recovery plant;
- administration block, laboratory, warehouse, maintenance facilities and an accommodation complex.
- mobile equipment; and
- substantial exploration data and past production records.

Mineralisation and Resources

Over the 150 sq km concession there are numerous gold and copper mineralisation targets. Drilling, trenching, rock and soil sampling, remote sensing techniques and various geophysical methods have contributed a large amount of available information on the mineralisation, as have access to the open pit excavations developed by prior owners and the underground workings of the adjacent Soledad mining operation. Most of the gold production has come from less than one-third of the known 3.5 km mineralized strike length of the Dumbo-Defensa vein system. The Dumbo-Defensa system is flanked by at least 10 other sub-parallel gold bearing structures.

During late 1999 and early 2000 a wide spaced drilling programme identified the Cachinalito mineralisation. On the eastern flank of the Cachinalito system an identified vein system has resource potential.

Drilling undertaken by Amax and Kinross identified potential for underground mineable mineralisation at the following locations:

- Dumbo, between the west wall of the pit and the Soledad property boundary;
- Cachinalito, to the east of existing access and mined out stopes on the Soledad property; and
- Chilena, again between the Soledad property where the vein has apparently been mined and the Perseverancia open pit.

A number of deep holes below the Dumbo and Perseverancia pits have indicated a wide zone of enargite rich copper-gold mineralisation. An Amax estimate of this mineralised zone quoted an inferred resource of 42 million t grading 0.84% Cu and 0.6g/t Au to 150 metre (m) depth below these two pits. This mineralisation was stated to be open to expansion in both strike directions and to depth.

Based on the records of the previous mining and processing operation, the heap leach piles were estimated to contain about 11 million t of 0.7g/t Au and previous test work suggests that a proportion of this gold may be economically recovered.

Manager Appointed

Mr Stabro Kasaneva has been appointed Exploration Manager over the Guanaco Programme following a six month engagement as independent consultant.

Mr Kasaneva graduated as a geologist from the Universidad Católica del Norte, Antofagasta, Chile in 1988 and has extensive experience in the mining industry, having previously held positions with Meridian Gold Inc, Compañia Minera Mantos De Oro, Codelco Chile, Inversiones Mineras Del Inca among other leading exploration and mining operations.

At Meridian since January 1999, Mr Kasaneva progressed from Senior Geologist to Exploration Manager and Business Development Manager evaluating multiple business opportunities in Canada, USA, Mexico, Central America, Venezuela, Peru, Uruguay, Argentina, Ecuador and Chile. He was instrumental in the discovery of the Dorada and Fortuna veins in the El Penon area.

Site Programme

During the year ended 30 June 2005, exploration and evaluation activities were undertaken from which an estimation of the resources was performed for the mineralised zones. These studies indicated additional tonnages of low-grade mineralisation (<1 g/t Au) and an increase in the Chilena vein resource potential.

A section of the Cachinalito deposit was drilled with reverse circulation (RC) and diamond core holes, for 3445m. Resource estimates for this section of the Cachinalito mineralised zone, for gold cut-off grades from 0.5 g/t to 3.0 g/t showed a resources range of 624,000 t at 2.63 g/t to 115,000 t at 8.96 g/t, classified as Inferred Resources.

The conclusions drawn from the estimation were that:

- The average drill hole spacing in the deposit is inadequate to map both the continuity and geometric complexity of the gold bearing structures.
- Additional drilling will be required to define the geological and structural controls on the mineralisation as well as to provide adequate data to enable subsequent resource estimates to be classified as indicated or better.

A programme was 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.

During the year ended 30 June 2006, stage one of the new program was undertaken focused on revision of the known sectors of Dumbo Oeste (western extension of the mineralization mined in the Dumbo Pit), Chilena and Abundancia (eastern extension of the related structures mined at surface and underground in adjacent operations), Cachinalito (eastern extension of the structure mined in adjacent underground operations) to confirm the resources defined in successive exploration programs in this structure and San Lorenzo Structure (exploration of the eastern extension of the mineralization mined in adjacent underground operations).

The program followed a reinterpretation of the geology of the district, based on re-logging the drill holes previously completed in the area. Consultants were engaged to better understand the district geology and the distribution of the different types of hydrothermal alteration.

Harris y Compania Ltda, a Chilean drilling contractor, have conducted the drilling program whilst Geoanalitica conducted sample preparation and analysis. The international laboratory Actlabs carried out independent check analysis of a proportion of the samples.

Exploration Progress and Highlights

A total of 13,035 metres were drilled over 74 holes and results confirm continuity and with high gold grades recorded from some intercepts in the Cachinalito and Dumbo Oeste Structures.

- The extension of the Cachinalito structure was confirmed along strike for approximately 1.6 km and is still open along strike and depth.
- The results on the Dumbo Oeste structure confirm the continuity of more than 150 metres of gold, silver and copper mineralization in the west face of the Dumbo open pit.
- The San Lorenzo Structure was intercepted and there is still interest in exploring this structure in its eastern extension.

Tabulations listing the drill hole locations and assay records have been presented in previous reports to Shareholders. These results and maps illustrating the drillhole data and mineralisation have been released and are available on the Company's website at www.diamondrose.com.au. The following summarises the results of the programme.

Cachinalito

Thirty-two RC drillholes were completed for a total of 4751 metres.

In the Cachinalito area, the occurrence of mineralisation is controlled by the presence of dacitic porphyry that intrudes into rhyolitic tuff levels. In the long section, a mineralised area can be observed extending toward the east. A new high-grade mineralized area occurs.

Cachinalito structure

The distribution of mineralisation is exclusively restricted to the presence of the dacitic porphyry, so the follow-up to this structure should be directed to this lithology, both to the east and to the west. Besides the Cachinalito Structure, there are several sub-parallel structures with variable extension and widths that form a system with N80°E orientation. These structures represent an interesting potential since they are not totally enclosed and they are relatively near the main area. In addition, a new high grade area was recognized which is still not totally defined.

The copper content is lower than 500 ppm, which would improve the gold recovery with normal cyanide consumption.

Cachinalito Extension and Cachinalito Norte

In both sectors, 10 exploration holes were drilled totalling 1898 metres, of which 928 were drilled in the Cachinalito Extension (5 drillholes) and 970 metres were completed in Cachinalito Norte. The results of these drillholes have shown that there is continuity of the Cachinalito structure toward the east, showing anomalous values higher than 1 g/t Au, and grades of economic interest.

A variation was detected in the lithological type that hosts the intercepts with mineralisation, which corresponds to lithic and pumice tuff. The intercepts obtained confirm the continuity of the Cachinalito system toward the east which mostly presents low copper contents. The intercepts return both values of economic interest and sub-economic values. However, the widths of economic grades are narrow and limited. The existence of continuous mineralisation areas is still to be defined and its current potential is moderate to low.

Cachinalito Oeste

In the sector located to the west of Minera Soledad, four holes were drilled totalling 680 metres. The results show that there is continuity from the mineralisation to the west of the Minera Soledad tenement which is open both in vertical and horizontal extension.

The continuity of the mineralisation of the Cachinalito structure presents similar characteristics to those of Cachinalito (several sub-parallel structures and low copper content). The intercepts obtained in this sector have widths and grades that show high potential. The distribution of mineralisation is still open toward the west and in vertical direction. The priority and the potential of this sector are moderate to high.

Dumbo Oeste

At Dumbo Oeste, 11 drillholes were completed for 2336 metres to the west of the Dumbo Open Pit. The distribution of mineralisation is mainly associated with rhyolitic pumice tuff with strong silicification, where most of the quartz structures are better developed. There were no relevant intercepts in the overlying lithic and pumice tuff levels. These drill assays show a continuity of mineralisation of the Dumbo mineralisation toward the west of the open pit for at least 150 metres , with some high gold grades associated with copper content in excess of 1%.

As in the case of Cachinalito, the mineralisation is distributed in several sub-parallel structures that follow the mineralized corridor previously mined in the Dumbo Open Pit. This corridor extends for at least 150 metres to the west of the old open pit. The distribution of grades in this area presents a variability that hinders its interpretation for the generation of a more continuous and wider grade shell. Although there are high grade intercepts (more than 8 g/t Au), they are relatively narrow and/or are accompanied with copper contents of more than 1%. The abrasive character of the rock causes difficulties while drilling.

Chilena

In the Chilena Structure sector, 9 holes were drilled totalling 1914 metres. The priority of exploration in this structure has changed because a previous drill hole indicated an important mineralized area which when compared with new hole whose trajectory through the same point, shows an area of waste only. However, in several of the drillholes completed in the Chilena sector, intercepts with grades of economic interest were recorded. A re-study of this structure will be carried out using the information obtained in the current program.

The geological pattern indicated for the structure has not been corroborated by the completed drillholes. The analysis for this sector gave some intercepts with economic values, but they are not necessarily related to the projection of the Chilena structure. These intercepts are not totally defined.

Abundancia

Four holes for 576 metres were drilled in the Abundancia sector in order to intercept the projection of this structure to the east of Minera Soledad.

The results do not indicate that the Abundancia Structure has high potential.

The drillholes completed in this sector gave negative results, which prevented definition of the continuity of this structure. The evidence of the continuity of Abundancia toward the east is given by the interception of underground work from the neighbouring property.

San Lorenzo

In this sector, 4 holes were drilled totalling 880 metres. The results indicate that although the structure was intercepted, grades are sub-economic.

The San Lorenzo structure still has a high priority in the reconnaissance of this district. Historically, the oreshoot mined by Minera Soledad in this structure gave high grade gold. Future campaigns will continue to investigate the gold distribution in San Lorenzo. The drillholes completed in the projection of San Lorenzo intercepted quartz structures, which returned sub-economic grades. There exists a possibility of a change in the orientation of the structure, which could be located more to the north of the originally estimated location closer to Cachinalito.

Twin Holes

During the campaign, 3 additional holes were drilled using reverse circulation drilling to compare the results obtained in diamond drillholes completed in the 2004-05 campaign.

The results indicate that the diamond drillholes have not recognized the grade of the structure appropriately because of the lower volume of samples obtained, which is a critical factor in high sulphidation epithermal deposits where the distribution of grades is more erratic and a higher variability is present.

The comparison between the diamond drillholes and the reverse circulation favours the latter for recognizing mineralised areas and defining grades.

Stage Two Program

A follow up program consisting of a planned 10,000 meters of RC drilling commenced in August 2006 with the objective to extend the recognized zones of mineralization and to upgrade inferred resources present in the Cachinalito and Dumbo West Structures by infill drilling. Additionally, new zones are included in the exploration program such as Marcelina, Beatriz and Salvadora Structures (refer project map) and a heap leaching evaluation drillhole program to re-evaluate the previous heap-leaching stockpile.

Results at the date of this report have been released and show:

- A new ore shoot in Cachinalito Oeste Structure has been discovered. The preliminary results received are indicating strike continuity for greater than 180 meters in this area. Currently, an extension of the program is planned in this sector and an infill drillhole campaign is being defined.
- A high gold grade zone with an important width has been confirmed in the Cachinalito Structure.
- The holes drilled in the Perseverancia Structure are showing an interesting continuity and the possibility to establish new open pitable resources.

Immediate extensions to the programme are being considered to follow-up and to confirm these results. It is expected that following this program resource estimation will be progressed and mine development and investigations commenced.

AUSTRALIAN PROJECTS

Broadbents Project, [90% interest]

The Broadbents Project is located 200 kilometres [km] north of the town of Southern Cross in the Yilgarn Mineral Field of Western Australia and comprises Mining Lease application M77/869 covering a total area of 64 hectares [ha].

On site investigation indicates that the precise locations of the Broadbents tenement corner pegs are not known. Mining Lease M77/869 will not be granted until its boundaries can be surveyed.

Partial digest soil samples were collected over a 20 ha area of the Broadbents area as plotted on the Western Australian Department of Industry and Resources Tendex System, which has recorded an incorrect location. Analyses yielded only background values.

Further investigation of this tenement would involve surveying of its boundaries, sampling the correct tenement area and analysing the samples collected. A review of historical data suggests that the anomalous area (one gram of gold per tonne or more) has dimensions of approximately 40 metres [m] by 40m. Although this tenement may be attractive to prospectors it does not have Company exploration potential. Further expenditure cannot be justified and consequently its relinquishment will be considered.

Bullabulling Project, [95% interest]

The Bullabulling Project is located about 60 km west-southwest of the City of Kalgoorlie-Boulder in the Eastern Goldfields Province of Western Australia. The project comprises 8 granted Prospecting Licences covering a total area of 1,233 ha in the historical Bullabulling gold mining area.

Gold exploration was done by various explorers during the period 1980 to 1998 and limited activity has extended to the present time. This work was mainly concentrated on extensive RAB (rotary airblast) and aircore drilling with the objective of delineating deposits of supergene gold within the weathered rock profile (the regolith). More than 3 million t with an average grade of about one gram of gold per tonne have been treated by heap leach methods. The main workings and treatment facilities were located a short distance west of Prospecting Licences P15/4514, P15/4515 and P15/4516. This southern tenement group extends south-north and straddles the Great Eastern Highway that connects Perth to Kalgoorlie.

Available records suggest that no significant drilling has been done to investigate the potential for primary fresh rock (sub-regolith) gold mineralisation at Bullabulling.

During the second half of the 2005-2006 year exploration by the Company comprised:

- geological structural interpretation of satellite imagery that resulted in identification of a major shear zone in the tenement group;
- the locations of access tracks and the collection of reconnaissance soil lag samples along a 1,800m traverse.

The results of this program have indicated a significant anomaly. The analytical results indicate that background gold values range between 2ppb (parts per billion). and 6ppb. The anomaly has a peak of more than 300ppb (0.34). These results are considered to be highly significant.

Vegetation in the project area is dense and limited clearing of narrow low environmental impact winding access tracks will be necessary.

Exploration of the Bullabulling Project is an ongoing project. Extensive additional soil lag sampling is planned for the southern tenement group. Soil lag sampling is also planned to investigate an interpreted shear zone in the northern tenement group P15/4518, P15/4519, P15/4520, P15/4521and P15/4522. Anomalies will require follow-up by inclined reverse circulation (RC) hole drilling.

Kookynie Project, [95% interest]

The Kookynie Project is located about 45 km south east of the town of Leonora in the Eastern Goldfields Province. It comprises two Exploration Licence applications E40/197 and E40/198 together with four Prospecting Licence applications P40/1112 and P40/1116 to P40/1118 covering a total area of 10.56 square kilometers [sq km]. Access can be gained from the sealed Kookynie-Leonora road.

Previous exploration activity has been concentrated on the search for regolith (weathered rock) hosted near surface small gold deposits.

The interpretation of both aeromagnetic data and Landsat TM satellite imagery in 1997 resulted in identification of numerous potential targets. Follow-up reconnaissance soil lag sampling is planned in order to assign priorities as a precursor to more detailed sampling with possible follow-up by RC drilling.

Leonora Project, [75% interest]

The Leonora Project is located about 10 km west of the historical mining town of Leonora in the Eastern Goldfields Region of Western Australia. The Leonora Project camprises Exploration Licences E37/728 and E37/729 covering a total area of 414.0 sq km.

In the opinion of the Company's consultants the potential for discovery of significant gold or base metal deposits is limited and the future of this holding is therefore being reviewed.

Raeside Project, [75% interest]

The Raeside Project comprises Exploration Licence application E37/736 covering a total area of about 210 sq km and is centred approximately 60km west-northwest of the historical gold mining town of Leonora and lies within the Eastern Goldfields Province of Western Australia.

Following a re-evaluation of all available data the Company's consultants have advised that continuation of exploration work on this tenement should be reviewed. The recent discovery of nickel sulphide mineralisation hosted by north-south trending ultramafics well to the north of E37/736 could be of significance.

Hann Project, [100 Interest]

The Company has applied for two exploration licences (E80/2782 - 2783) covering 388 sq km, located 350 km northeast of Derby.

Promising kimberlitic indicator minerals and some diamonds have been located within the Hann application. The area has structural similarities with the area in which the Aries kimberlite pipe occurs, which is about 50 km to the southwest.

Exploration over these areas to determine commercial potential is being planned in preparation of the grant of the application licences.

Rocklea Project, [100% interest]

Rocklea Project comprises Exploration Licence Application E04/832 covering a total area of approximately 207 sq km and is located in the West Pilbara Mineral Field of Western Australia.

The project area covers the southern half of the Archaean Rocklea Dome. The exposed rocks in the central part of this structure comprise very old granites and greenstones. These rocks are overlain by interbedded basaltic and sedimentary rocks of the Fortescue Group.

The most significant previous work done within and adjacent to the project area was iron ore exploration by Hamersley Exploration Pty Limited ("Hamersley") within and adjacent to the northeastern part of current Exploration Licence E47/952.

Numerous outcrops of limonite material straddle the Hardy River to the immediate north of the Rocklea Station Homestead. The largest mesa-form occurrence, referred to as the "Southern Deposit" was first scout drilled in 1974. Seven hammer percussion holes were completed with 113 one metre samples being assayed. In 1978 a further 12 percussion holes totaling 419m were drilled on three west-northwest orientated cross lines.

An indicated ore reserve was quoted at that time of 31 million t grading 53.3% iron, 8.3% silica, 2.1% aluminium and 0.03% phosphorous with a loss on ignition of 11.4%. This quoted reserve is not compliant with the requirements of the JORC code.

About 60% of the southern limonite deposit lies within E47/952. Hamersley commented that the composition of this deposit might render it favourable for mixing with other Pilbara iron ores.

The Company is negotiating with a Joint Venture partner with the necessary infrastructure in the Pilbara regarding the Company's iron ore resources.

Mount Jerusalem, [relinquished]

The Mount Jerusalem diamond project, NSW is located in northeastern NSW near Mullumbimby.

Sampling programs were carried out by the Company during 2005 to evaluate the potential of the project. Concentrates from mini bulk sampling recovered concentrates that contain a broad range of garnets. The garnet compositions in the samples from Mt Jerusalem confirm non-diamondiferous eclogite II facies rocks at depth. This indicates capture of high pressure rocks at depth by volcanic activity, and further sampling could locate the volcanic sources.

The lack of diamonds in sampling by the Company in the tenement area suggested that eventually a full-scale bulk sampling method would be the only viable follow-up method to search for the possible rare diamonds, and this very expensive exploration methodology was not viable compared with very low chance of success.

This, combined with uncertainties regarding previous joint venture agreement arrangements and land access restrictions, determined that the project be relinquished. Final reports and tenement obligations were completed to the satisfaction of the Department of Mineral Resources.

DECLARATION

Aspects of this report on the Diamond Rose projects 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 2004 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.

DIRECTORS' REPORT

Your Directors are pleased to present the following report for the financial year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Economic Entity during the course of the financial year were diamond, gold and base metal exploration

The Company is a company limited by shares and incorporated and domiciled in Australia.

Detailed information on the Company's operations during the year ended 30 June 2006 has been released in the Company's announcements and reports to the Australian Stock Exchange and is available for review on the Company's website at www.diamondrose.com.au.

REVIEW AND RESULTS OF OPERATIONS

Operating Results and Dividends

The Economic Entity's net profit attributable to members for the year ended 30 June 2006, was $912,343 (2005: (loss) $3,269,927).

No dividends of the Parent Entity or any entity of the Economic Entity have been paid or declared or recommended since the end of the preceding financial year. The Board does not recommend the payment of a dividend in respect of the reporting period.

Financial Position

The net assets of the Economic Entity have increased by $912,343 from 30 June 2005 to $5,935,199. This increase was primarily a result of settlement of the Deed of Termination and Release dated 13 December 2005, which terminated the Company's agreement to pay Vageta Pty Ltd the sum of $1.8 million in instalments through to October 2009 and is accounted for as income in the Company's accounts.

The Company has the support of major international institutions and persons including Mr. Eduardo Elsztain of Argentina and Messrs. Edgar Bronfman and Michael Steinhardt of the United States of America.

The directors believe the Company is in a position to maintain its current operations.

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Economic Entity occurred during the financial year:

In September 2005 the final advance royalty payment of US$3 million was paid to the Chilean National Mining Company, Empressa Nacional de Mineria (ENAMI). This payment completed the acquisition of the Guanaco Project by GMC.

On 21 November 2005 prospecting licences were granted with respect to the Company's Australian Bullabulling project.

On 28 November 2005 Terence Willsteed was appointed vice-chairman of the Company.

During the half-year to 31 December 2005 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.

On 13 December 2005 the Company concluded an agreement with Vageta Pty Ltd [a company owned by the Feldman family] to terminate the company's agreement to pay, by instalments through to October 2009, $1.8 million in settlement of any possible claims by former directors of the Company, or by Vageta, Australian Gemstone Mining Pty Ltd or associated parties. This adjustment was reflected in the Company's accounts at 31 December 2005.

On 16 December 2005 exploration licences were granted with respect to the Company's Australian Kookynie project.

On 31 January 2006 9,350,000 options to acquire fully paid shares expired.

In February 2006 the Company applied for exploration licences covering the Hann Project in WA Australia.

On 22 February 2006 the Company clarified the notifiable interests of directors stating that "no current director has or ever has had a relevant interest in the shares held beneficially for Global Gold SA."

In March 2006 an extensive drilling program commenced at the Company's Chilean Guanaco project.

On 12 March 2006, directors Pablo Kohen and Laura Rovner resigned as directors of the Company.

In May 2006 Mr Pablo Vergara del Carril and Mr Mark Schabas were appointed directors of the Company. Mr Schabas subsequently resigned. Mr Stabro Kasaneva was appointed Exploration Manager over the Guanaco Project following a six month engagement as independent consultant.

In June 2006 the Company released the results of the Chilean Guanaco drilling program. 13,035 metres were drilled over 74 holes and results confirmed continuity, with high gold grades recorded from some intercepts in the Cachinalito and Dumbo Oeste Structures. The extension of the Cachinalito structure was confirmed along strike for approximately 1.6 km and is still open along strike and depth; and results on the Dumbo Oeste structure confirmed the continuity of more than 150 metres of gold, silver and copper mineralization in the west face of the Dumbo open pit.

On 7 June 2006 226,663 fully paid shares were issued upon exercise of 4 cent options.

On 9 June 2006 19,250,000 options to acquire fully paid shares expired.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the Company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 3 to the financial statements.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Economic Entity will continue to focus on precious mineral exploration activities with an emphasis on gold and base metals.

Change of Name

The Company's primary objectives have changed from diamond and gemstone exploration to one predominantly focused on gold exploration, both locally and overseas. Your Board proposes to recommend to shareholders that the name of the Company be changed as soon as possible to Austral Gold Limited which more accurately identifies the objectives of the Company.

Shareholder Communication

Your Board is developing a shareholder communication policy which will include an upgrading of the Company's website and regular newsletters to shareholders that will keep shareholders and the market abreast of the Company's activities and developments.

Fundraising

As the Company's exploration programs develop there will inevitably be a need for further funds. The Company is contemplating a rights issue to further secure the Company's financial position.

Acquisitions

The Guanaco Project in Chile represents the Company's most prospective exploration project with the Company holding an indirect interest of 35.78%. It is proposed to convert this to a direct interest in Guanaco Mining Company through an in specie distribution of equity held by Golden Rose International Limited (GRIL) to its shareholders.

Further Likely Developments

Further information about likely developments in the operations of the Economic Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Economic Entity.

EVENTS SUBSEQUENT TO BALANCE DATE

In August 2006 the Company received funding from its largest shareholder on the following terms:

a. Funding 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 is partially secured by a charge over the Company.

b. The funds have been provided in this form so that they are available for use by the Company pending the issue of securities.

c. 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.

d. 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.

Other than disclosed there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations, or the state of affairs of the Economic Entity, in future financial years.

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The Economic Entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its exploration activities.

In Australia the Economic Entity's mining exploration operations are primarily concentrated in Western Australia. There are significant environmental regulations under the Western Australian Mining Act 1978 and Environmental Protection Act 1986. Licence requirements relating to waste disposal, water and air pollution exist in relation to mining activities.

The Directors are not aware of any significant breaches during the period covered by this report.

DIRECTORS AND OFFICERS

The Directors and Officers of the Company at any time during or since the end of the financial year are/were:

Name and Qualifications	Experience and Special Responsibilities
Current Officers	
The Hon Marcus Einfeld AO QC (Non-Executive Director)	The Hon Marcus Einfeld is a former Justice of the Federal Court of Australia, and the Supreme Courts of New South Wales, Western Australia, and the Australian Capital Territory. Prior to his appointment as a Judge, Mr Einfeld practised as a Queens [Senior] Counsel, for 10 years and was a practising barrister for 25 years. He has advised some of Australia's largest companies and appeared in many of Australia's most famous cases across a broad range of subject matters including commercial law, corporations law, industrial law and workplace relations, compensation and personal injury and criminal law (including major corporate frauds). Mr Einfeld has also advised and appeared in cases involving company mergers and takeovers, corporate malfeasance, workplace relations and industrial disputes and major corporate and contractual disputes. He is or has been Chairman or Board member of a number of companies including Australian companies NEST Nominees Pty Limited and NRMA Foundation Ltd, UK subsidiaries Hampden Asia Pacific Pty Limited and Axiom Asia Pacific Pty Limited, and the South African company Banket Quin Pte Ltd. Mr Einfeld regularly advises and lectures company boards and executives and universities on corporate governance, ethics, and social responsibility. Appointed 9 March 2005 Mr Einfeld is director of Strathfield Group Limited (appointed 23 November 2005) and International Concert Attractions Ltd (appointed 26 April 2006).

Name and Qualifications	Experience and Special Responsibilities
Terence V. Willsteed BE(MIN) HONS BA FAUSIMM MSME MMICA (Non-Executive Director)	Mr Willsteed is a mining engineer who has, since 1973, been the principal of consulting mining engineers Terence Willsteed & Associates. His forty-year career in the mining industry has included senior line operational and engineering positions with Zinc Corporation, Mt Isa Mines Ltd and Consolidated Goldfields Ltd. In his consulting experience Mr Willsteed has been involved in the assessment and development of a wide range of mineral, coal and oil shale projects, and has participated in the management of developing and operating mineral projects both in Australia and internationally. He holds a Bachelor of Engineering [Mining] Honours and Bachelor of Arts from The University of Queensland. Appointed 9 March 2005 Mr Willsteed is a director of Climax Mining Ltd (appointed April 1996), European Gas Limited (appointed 26 November 2002); Goldsearch Limited (appointed 20 July 2004); and International Ferro Metals Limited (appointed September 2005).
Pablo Vergara del Carril (Non-Executive Director)	Mr Vergara del Carril is a lawyer and is professor of Postgraduate Degrees for Capital Markets, Contracts, Corporate Law and Business Law at the Argentine Catholic University. Appointed 18 May 2006 Mr Vergara del Carril is a director of Banco Hipotecario (a listed company, named the best Latin American Bank in 2004 by Latin Finance), Milkaut S.A. (an Argentine leading dairy company), Nuevas Fronteras (owner of the Intercontinental Hotel in Buenos Aires) and Emprendimiento Recoleta S.A. (owner of the Buenos Aires Design Shopping Center). Mr Vergara del Carril is director of Guanaco Mining Company Limited and Guanaco Capital Holding Corp.
Henry Kinstlinger (Company Secretary)	Mr Kinstlinger has been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations for the past fifteen years. He has worked with the Company since 1997 and as Company Secretary since 1999.
Former directors	
Laura Rovner (Former Executive Director)	Appointed 9 March 2005 – Resigned 12 May 2006
Pablo Kohen (Former Executive Director)	Appointed 9 March 2005 – Resigned 12 May 2006
Mark Schabas (Former Non-Executive Director)	Appointed 18 May 2006 – Resigned 25 May 2006

DIRECTORS MEETINGS

The number of Directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Economic Entity during the financial year are:

	Directors' meetings		Audit Committee meetings		Remuneration Committee meeting	
Director	**A**	**B**	**A**	**B**	**A**	**B**
The Hon Marcus Einfeld	13	13	1	1	1	1
Terence Willsteed	13	13	1	1	1	1
Pablo Vergara del Carril	2	2	*	*	1	1

Director	Directors' meetings		Audit Committee meetings		Remuneration Committee meeting	
	A	B	A	B	A	B
Laura Rovner	9	10	*	*	1	1
Pablo Kohen	1	10	1	1	1	1
Mark Schabas	1	1	*	*	*	*

A - Number of meetings attended.

B - Reflects the number of meetings held during the time the director held office during the year.

* - Not a member of this committee

OPTIONS

During or since the end of the financial year, the Company has not granted options over unissued ordinary shares to any Director.

UNISSUED SHARES UNDER OPTION

At the date of this report unissued ordinary shares of the Company under option, all of which have vested are:

Grant Date	Expiry Date	Exercise Price	Number under Option
14 October 2004	14 October 2009	4 cents	8,773,337
11 December 2002	30 November 2007	12 cents	23,000,000
20 June 2002	20 June 2007	20 cents	11,122,850
11 December 2002	30 November 2007	20 cents	44,245,110
14 October 2004	14 October 2009	20 cents	27,732,040
		Total	**114,873,337**

Shares issued during or since the end of the year as a result of the exercise of options

Number of shares issued: 226,663

Amount paid on each share $0.04

INDEMNIFICATION OF OFFICERS

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

INTERESTS OF DIRECTORS

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Direct shares	Indirect shares	Options
The Hon Marcus Einfeld	Nil	Nil	Nil
Terence Willsteed	Nil	Nil	Nil
Pablo Vergara del Carril*	Nil	Nil	Nil

* Pablo Vergara del Carril is a director of GCH, the sole shareholder of Global Gold (formerly Nileman Zone SA) which holds 257,893,301 shares and 90,560,038 options.

REMUNERATION REPORT

Remuneration Policy

The Economic Entity has a Remuneration Policy which aims to ensure remuneration packages of Board Members and senior executives properly reflect the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining, and motivating people of the highest quality.

To give effect to this policy the Economic Entity reviews available information which measures the remuneration levels in the various labour markets in which it competes. The expectation of the Economic Entity is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Executives are entitled to participate in the employee share and option arrangements. No shares or options were issued to executives during the year ended 30 June 2006.

There is no performance-based component to executive remuneration.

Details of Remuneration for Year Ended 30 June 2006

Details of the nature and amount of each major element of the emoluments of each director and senior executive of the Company are:

2006

Key Management Personnel	Salary and Fees $	Options issued $	Superannuation $	Total $
Non-Executive				
Terence Willsteed	60,000	-	-	60,000
The Hon Marcus Einfeld	120,000	-	-	120,000
Pablo Vergara del Carril	-	-	-	-
Total	**180,000**	-	-	**180,000**

Former directors

The following were directors of the Company during the financial year ending 30 June 2006.

Key Management Personnel	Salary and Fees $	Options issued $	Superannuation $	Total $
Non-Executive				
Mark Schabas	-	-	-	-
Executive				
Laura Rovner	97,477	-	9,026	106,503
Pablo Kohen	95,603	-	8,342	103,945
Total	**193,080**	-	**17,368**	**210,448**

2005

Key Management Personnel	Salary and Fees $	Options issued $	Superannuation $	Total $
Non-Executive				
Terence Willsteed	60,000	-	-	60,000
The Hon Marcus Einfeld	40,000	-	-	40,000
Pablo Vergara del Carril	-	-	-	-
Total	**100,000**	-	-	**100,000**

Former directors

Key Management Personnel	Salary and Fees $	Options issued $	Superannuation $	Total $
Non-Executive				
Mark Schabas	-	-	-	-

Key Management Personnel	Salary and Fees $	Options issued $	Superannuation $	Total $
Executive				
Laura Rovner	34,551	-	3,087	37,638
Pablo Kohen	31,409	-	2,806	34,215
Total	**65,960**	-	**5,893**	**71,853**

Employment contracts

The employment contracts for executive Directors were not for any fixed term.

Mr H Kinstlinger is the Company Secretary and provided corporate, commercial and marketing services to the Company. He has received fees of $154,581 during the financial year ended 30 June 2006. In 2005 Sydney Talmudical College Association (STCA) provided these services to the Company (2005: $203,500). The contract with STCA was terminated on 9 March 2005. Mr Kinstlinger's services are provided under a contract with the Company which concludes 31 March 2007.

PROCEEDINGS ON BEHALF OF COMPANY

Other than stated below, no person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was party to an action before the Mining Warden in Western Australia in an application for forfeiture of Exploration Licences 80/3048 to 80/3051. On 18 May 2006 the Warden made orders against the Company in the amount of $8,000.

NON-AUDIT SERVICES

The following amounts were paid or are payable for non-audit services provided by:

PKF Taxation advice and other technical assistance $10,685.

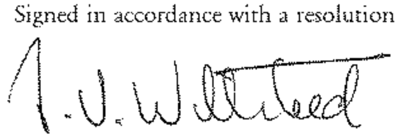
The Directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are satisfied that the provision of the non-audit services did not compromise the auditor independence requirements of the Corporations Act because the decision as to whether or not to accept the advice provided was made by management of the Company.

AUDITORS INDEPENDENCE DECLARATION

The lead auditors' independence declaration for the year ended 30 June 2006 has been received and can be found on page 15.

Signed in accordance with a resolution of the directors.



Terence Willsteed
Vice-Chairman

Sydney, 29 September 2006

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 2004 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 CP[Min] FAusIMM MMICA MSME 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.

PKF

Chartered Accountants
& Business Advisers

AUDITORS' INDEPENDENCE DECLARATION

To: The Directors
Diamond Rose NL

As lead engagement partner for the audit of Diamond Rose NL for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

Bruce Gordon
Partner

Sydney
Dated: 29 September 2006

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CONSOLIDATED INCOME STATEMENT

DIAMOND ROSE NL AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
Continuing operations		$	$	$	$
Revenue	4	270,737	121,852	270,737	121,852
Income from Deed of Termination and Release		1,820,000		1,820,000	
Depreciation expense	5	(4,185)	(30,257)	(4,185)	(30,257)
Compensation for cancellation of management agreement		-	(517,015)	-	(517,015)
Exploration and evaluation expenditure	5	(230,940)	(1,831,041)	(163,986)	(61,228)
Finance costs	5	(307,789)	(91,051)	(307,789)	(91,051)
Impairment of loans and receivables		-	-	(66,957)	410,007
Impairment of non-current investments		-	-	-	(1,244,326)
Reversal of provision for impairment of investment in associate		-	411,573	-	-
Loan forgiveness to controlled entity		-	-	-	(525,487)
Administration expenses		(635,480)	(927,108)	(629,267)	(890,265)
Share of net losses of associate using the equity method		-	(411,573)	-	-
Profit/(loss) before income tax		**912,343**	**(3,274,620)**	**918,553**	**(2,827,770)**
Income tax benefit	7	-	-	-	-
Profit/(loss) for the year		**912,343**	**(3,274,620)**	**918,553**	**(2,827,770)**
Loss attributable to minority equity interest		-	4,693	-	-
Profit/(loss) attributable to members of the Parent Entity		**912,343**	**(3,269,927)**	**918,553**	**(2,827,770)**
Earnings/(loss) per share (cents per share):					
- Basic earnings/(loss) per share	8	0.32	(1.12)		
- Diluted earnings/(loss) per share		0.32	(1.12)		

The above Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

DIAMOND ROSE NL AND ITS CONTROLLED ENTITIES

AS AT 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	223,650	1,603,794	223,266	1,603,238
Trade and other receivables	11	24,165	17,714	43,155	17,714
TOTAL CURRENT ASSETS		247,815	1,621,508	266,421	1,620,952
NON-CURRENT ASSETS					
Trade and other receivables	11	5,232,443	5,140,336	5,232,443	5,642,038
Financial assets	12	-	-	913,906	467,625
Intangible assets	13	467,621	467,621	-	-
Plant and equipment	14	9,805	27,461	9,805	27,461
Exploration and evaluation expenditure	15	26,532	197,784	7,539	138,791
TOTAL NON-CURRENT ASSETS		5,736,401	5,833,202	6,163,693	6,275,915
TOTAL ASSETS		5,984,216	7,454,710	6,430,114	7,896,867
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	49,017	680,921	46,548	680,921
Short-term borrowings	17	-	240,000	-	240,000
TOTAL CURRENT LIABILITIES		49,017	920,921	46,548	920,921
NON- CURRENT LIABILITIES					
Trade and other payables	16	-	1,200,000	-	1,200,000
Long-term borrowings	17	-	320,000	-	320,000
TOTAL NON-CURRENT LIABILITIES		-	1,520,000	-	1,520,000
TOTAL LIABILITIES		49,017	2,440,921	46,548	2,440,921
NET ASSETS		5,935,199	5,013,789	6,383,566	5,455,946
EQUITY					
Issued capital	18	37,281,992	37,272,925	37,281,992	37,272,925
Equity - share capital pending issue	18	1,000,000	1,000,000	1,000,000	1,000,000
Accumulated losses	20	(32,346,793)	(33,259,136)	(31,898,426)	(32,816,979)
Minority equity interest	21	-	-	-	-
TOTAL EQUITY		5,935,199	5,013,789	6,383,566	5,455,946

The above Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DIAMOND ROSE NL AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Issued capital	Equity - share capital pending issue	Accumulated losses	Total
		$	$	$	$
Economic Entity					
Balance at 1 July 2004		29,463,644	-	(29,989,209)	(525,565)
Loss attributable to members of Parent Entity		-	-	(3,269,927)	(3,269,927)
Shares issued during the year		7,809,281	-	-	7,809,281
Advance by GCH in consideration of a later issue			1,000,000	-	1,000,000
Balance at 30 June 2005		37,272,925	1,000,000	(33,259,136)	5,013,789
Loss attributable to members of Parent Entity		-	-	912,343	912,343
Shares issued during the year		9,067	-	-	9,067
Balance at 30 June 2006		37,281,992	1,000,000	(32,346,793)	5,935,199
Parent Entity					
Balance at 1 July 2004		29,463,644	-	(29,989,209)	(525,565)
Loss attributable to members of Parent Entity			-	(2,827,770)	(2,827,770)
Shares issued during the year		7,809,281	-	-	7,809,281
Advance by GCH in consideration of a later issue		-	1,000,000	-	1,000,000
Balance at 30 June 2005		37,272,925	1,000,000	(32,816,979)	5,455,946
Loss attributable to members of Parent Entity		-	-	918,553	918,553
Shares issued during the year		9,067	-	-	9,067
Balance at 30 June 2006		37,281,992	1,000,000	(31,898,426)	6,383,566

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

DIAMOND ROSE NL AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Cash flows from operating activities					
Payments to suppliers and employees		(1,410,817)	(561,954)	(1,407,071)	(568,335)
Finance costs		(34,874)	(69,808)	(34,874)	(69,808)
Net cash used in operating activities	28	**(1,445,691)**	**(631,762)**	**(1,441,945)**	**(638,143)**
Cash flows from investing activities					
Proceeds from sale of plant and equipment		97,958	-	97,958	-
Interest received		31,497	4,054	31,497	4,054
Purchase of investment		-	(467,621)	-	(467,621)
Purchase of plant and equipment		-	(17,865)	-	(17,865)
Payments for exploration and evaluation expenditure		(72,975)	(67,360)	(46,021)	(61,392)
Loans to associate		-	(4,773,209)	-	(4,773,209)
Loans to controlled entities		-	-	(30,528)	-
Repayment of related party loans		-	(1,286,467)	-	(1,286,467)
Net cash provided by/(used in) investing activities		**56,480**	**(6,608,468)**	**52,906**	**(6,602,500)**
Cash flows from financing activities					
Proceeds from issue of shares		9,067	7,809,283	9,067	7,809,283
Irrevocable capital contribution on account of a future issue of equity securities		-	1,000,000	-	1,000,000
Net cash provided by financing activities		**9,067**	**8,809,283**	**9,067**	**8,809,283**
Net increase/(decrease) in cash held		(1,380,144)	1,569,053	(1,379,972)	1,568,640
Cash at beginning of financial year		1,603,794	34,741	1,603,238	34,598
Cash at end of financial year	10	223,650	1,603,794	223,266	1,603,238

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
DIAMOND ROSE NL AND ITS CONTROLLED ENTITIES
FOR THE YEAR ENDED 30 JUNE 2005

1. Corporate information

The financial report of Diamond Rose NL (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 29 September 2006.

Diamond Rose NL is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange. Diamond Rose NL has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The nature of the operations and principal activities of the Group are described in the Directors' Report

2. Summary of accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards. Urgent Issues Group Consensus Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial report of Diamond Rose NL and controlled entities, and Diamond Rose NL as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Economic Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards. Urgent Issues Group Consensus Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial report has been prepared on a historical cost basis, except for certain financial assets and liabilities which are stated at fair value.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

In accordance with requirements of AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, adjustments to the Parent Entity and Economic Entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Diamond Rose NL to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The Company has however elected to adopt the exemption available under AASB 1 from having to apply AASB 132: *Financial Instruments: Disclosure and Presentation*, and AASB 139: *Financial Instruments: Recognition and Measurement* to the comparative period. AASB 2 *Share-Based Payments* is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005. The Company has taken the exemption available under AASB 1 not to restate previous acquisitions of associates in accordance with AASB 128 *Investments in Associates.*

Reconciliations of the transitions from previous Australian GAAP to AIFRS have been included in Note 3 to this report.

(b) Statement of compliance

Diamond Rose NL believes that certain Accounting Standards that have recently been issued or amended but are not yet effective may have relevance to the Company for future reporting periods. These standards have not been adopted for the annual reporting period ending 30th June 2006:

AASB Amendment	Affected Standard(s)	Application date of standard*	Application date for Group
2005-1	AASB139: *Financial Instruments: Recognition and Measurement*	1 January 2006	1 July 2006
2005-5	AASB 1: *First-time adoption of AIFRS*, AASB 139: *Financial Instruments: Recognition and Measurement*	1 January 2006	1 July 2006
2005-6	AASB 3: *Business Combinations*	1 January 2006	1 July 2006
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentations of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS*, AASB 4: *Insurance Contracts*, *AASB 1023: General Insurance Contracts* and AASB 1038: *Life Insurance Contracts*	1 January 2007	1 July 2007
New standard	AASB 7 *Financial Instruments: Disclosures*	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not believed to be applicable to the Group and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023: *General Insurance Contracts*
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 1: *First-time adoption of AIFRS*, AASB 1023: *General Insurance Contracts* and AASB 1028: *Life Insurance Contracts*
2005-9	AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, AASB 139: *Financial Instruments: Recognition and Measurement* and AASB 132: *Financial Instruments: Disclosure and Presentation*
2005-12	AASB 1038: *Life Insurance Contracts* and AASB 1023: *General Insurance Contracts*
2005-13	AAS 25: *Financial Reporting by Superannuation Plans*

Accounting Policies

(a) Basis of consolidation

A controlled entity is any entity Diamond Rose NL has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 26 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Associates

Associates are those entities over which the Economic Entity exercises significant influence, which are nether a subsidiary or a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of changes in equity.

The financial statements of associates are prepared for the same reporting period as the parent company using consistent accounting policies.

The Economic Entity's equity accounted share of the associates net profit or loss is recognised in the consolidated income statement from the date significant influence commences until the date significant influence ceases.

(b) Revenue recognition

Revenue from the sale of goods is recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the Company.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sale of non-current assets

The net gain on sale of non-current assets is included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part an item of the expense.

Receivables and payables in the balance sheets are shown inclusive of GST.

Cash flows are presented in the cash flow statements on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates of the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Joint ventures

Expenditure incurred in relation to earning the Economic Entity's beneficial interest under Joint Venture agreements are carried forward to the extent that management consider that it is probable that future economic benefits will eventuate and can be measured reliably.

Where these benefits cannot be measured reliably, these costs are fully provided for in the financial period.

(g) Investments

Controlled entities

Investments in controlled entities are carried in the Parent Entity's financial statements at the lower of cost and recoverable amount.

Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting, as explained in note 2c.

(h) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of plant and equipment have limited useful lives and are depreciated on a straight line basis over their estimated useful lives.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation rate used for plant and equipment is between 10% - 20%.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset of cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(i) Translation of foreign currency items

Both the functional and presentation currency of Diamond Rose NL and its Australian subsidiaries is Australian dollars ($).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Exchange differences are recognised as revenues or expenses in net profit or loss in the period in which exchange rates change except for qualifying assets and hedge transactions.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The functional currency of the Company's associate company Guanaco Mining Company Limited is United States dollars (US$).

(j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions; and
- other short-term highly liquid investments with original maturities of three month or less, and bank overdrafts.

(k) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates, or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of any deferred income tax assets recognised is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly to equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

For the purposes of income tax, Diamond Rose NL and its controlled entities do not form a tax consolidated group. The individual companies lodge tax returns independently of each other.

(l) Acquisition of assets

All assets acquired are recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Where there is an acquisition of a group of assets the cost of acquisition is apportioned in proportion to the fair value of the assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(m) Trade and other receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Interest bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(q) Leases

Lease payments for operating leases, where all the risks and benefits remain with the lessor, are recognised as an expense in the income statement on a straight line basis over the lease term.

(r) Operating cycle

An operating cycle of 12 months has been used as the basis for identifying current assets and current liabilities in the balance sheets.

(s) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. In assessing value in use, the estimated future cash flows discounted to their present value using a pre-tax discount rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(t) Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Borrowing costs

Borrowing costs are recognised as an expense when incurred and capitalised for qualifying assets. There were no costs or fees capitalised on amounts borrowed during the period.

(x) Employee leave benefits

Wages and salaries, annual leave and sick leave

Liabilities for employees' entitlements to wages and salaries, annual leave and other employee entitlements expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Superannuation

The Company contributes to an employee superannuation fund. Contributions made by the Company are legally enforceable. Contributions are made in accordance with the requirements of the Superannuation Guarantee Legislation.

(y) Going concern

The Company and its controlled entities derived a profit of $912,343 for the year ended 30 June 2006. Included in non-current assets are amounts due from Guanaco Mining Company Limited amounting to $5,232,443 and, in addition, goodwill relating to the Guanaco Mining project of $467,621.

The on going viability of the Economic Entity and the recoverability of its non-current assets is dependent on the success of the project. The Directors believe that the project will be ultimately successful and that the non-current assets are included in the Financial Report at their recoverable amount.

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure exploration commitments and to repay liabilities and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Economic Entity will be able to fund future operations through equity raising, and sale or joint venturing of interests held in mineral tenements and projects.

At the date of this report other sources of funds are being sought to fund future working capital requirements of the Company.

The Directors believe that they will be successful in raising sufficient funds to ensure that the Company can continue to meet its debts as and when they become due and payable. However, If additional funds are not raised, the going concern basis may not be appropriate with the result that the company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the Financial Report. No allowance for such circumstances has been made in the Financial Report.

(z) Comparative figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3 Impact of adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity

Reconciliation of equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004	Effect of Transition to AIFRS	AIFRS at 1 July 2004
		$	$	$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		34,741	-	34,741
Trade and other receivables		12,038	-	12,038
TOTAL CURRENT ASSETS		46,779	-	46,779
NON-CURRENT ASSETS				
Trade and other receivables		688,833	-	688,833
Plant and equipment		39,853	-	39,853
Exploration and evaluation expenditure		1,976,226	-	1,976,226
TOTAL NON-CURRENT ASSETS		2,704,912	-	2,704,912
TOTAL ASSETS		2,751,691	-	2,751,691
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		1,394,222	-	1,394,222
TOTAL CURRENT LIABILITIES		1,394,222	-	1,394,222
NON- CURRENT LIABILITIES				
Long-term borrowings		1,883,034	-	1,883,034
TOTAL NON-CURRENT LIABILITIES		1,883,034	-	1,883,034
TOTAL LIABILITIES		3,277,256	-	3,277,256
NET ASSETS		(525,565)	-	(525,565)
EQUITY				
Issued capital		29,463,644	-	29,463,644
Equity - share capital pending issue				
Accumulated losses	3a	(30,440,827)	451,618	(29,989,209)
Minority equity interest		-	-	-
Reserves	3b	451,618	(451,618)	-
TOTAL EQUITY		(525,565)	-	(525,565)

	Note	Previous GAAP at 30 June 2005	Effect of Transition to AIFRS	AIFRS at 30 June 2005
		$	$	$
Economic Entity				
Reconciliation of equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,603,794	-	1,603,794
Trade and other receivables		17,714	-	17,714
TOTAL CURRENT ASSETS		1,621,508		1,621,508
NON-CURRENT ASSETS				
Trade and other receivables		5,140,336	-	5,140,336
Intangible assets	3c	432,549	35,072	467,621
Plant and equipment		27,461	-	27,461
Exploration and evaluation expenditure		197,784	-	197,784
TOTAL NON-CURRENT ASSETS		5,798,130	35,072	5,833,202
TOTAL ASSETS		7,419,638	35,072	7,454,710
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		680,921	-	680,921
Short-term borrowings		240,000	-	240,000
TOTAL CURRENT LIABILITIES		920,921	-	920,921
NON- CURRENT LIABILITIES				
Trade and other payables		1,200,000	-	1,200,000
Long-term borrowings		320,000	-	320,000
TOTAL NON-CURRENT LIABILITIES		1,520,000	-	1,520,000
TOTAL LIABILITIES		2,440,921	-	2,440,921
NET ASSETS		4,978,717	35,072	5,013,789
EQUITY				
Issued capital		37,272,925	-	37,272,925
Equity - share capital pending issue		1,000,000	-	1,000,000
Accumulated losses	3a	(33,745,826)	486,690	(33,259,136)
Minority equity interest				
Reserves	3b	451,618	(451,618)	-
TOTAL EQUITY		4,978,717	35,072	5,013,789

	Note	Previous GAAP 2005	Effect of Transition to AIFRS 2005	AIFRS 2005
		$	$	$
Economic Entity				
Reconciliation of Loss for 2005				
Revenue		121,852	-	121,852
Depreciation and amortisation expense		(65,329)	35,072	(30,257)
Compensation for cancellation of management agreement		(517,015)	-	(517,015)
Exploration and evaluation expenditure		(1,831,041)	-	(1,831,041)
Finance costs		(91,051)	-	(91,051)
Reversal of provision for diminution of investment in associate		411,573	-	411,573
Administration expenses		(927,108)	-	(927,108)
Share of net loss of associate using the equity method		(411,573)	-	(411,573)
Loss before income tax		(3,309,692)	35,072	(3,274,620)
Income tax benefit		-	-	-
Loss for the year		(3,309,692)	35,072	(3,274,620)
Loss attributable to minority equity interest		4,693	-	4,693
Loss attributable to members of the Parent Entity		(3,304,999)	35,072	(3,269,927)

Parent Entity

There was no AIFRS impact on the Parent Entity from 1 July 2004 to 30 June 2005.

Tax effect

No tax effect arose as a result of the above adjustments.

Economic Entity

		30 June 2005	1 July 2004
		$	$
	Adjustments to accumulated losses comprise:		
(a)	Reversal of capital reserves	451,618	451,618
	Reversal of goodwill previously amortised	35,072	-
		486,690	451,618

(b) Under AGAAP the capital reserve was recognised in order to represent the issue of capital in a controlled entity in excess of the underlying value of these shares at date of issue. Such reserves are not recognised under AIFRS.

(c) Under AGAAP goodwill was amortised over its useful life (not exceeding 20 years). Under AASB 136 *Impairment of Assets* amortisation is not provided against indefinite life assets, which are instead reviewed on an on-going basis for indications of impairment.

		Economic Entity		Company	
		2006 $	2005 $	2006 $	2005 $
4	**Revenue**				
	From operating activities				
	Interest revenue from:				
	Associated company	147,455	117,798	147,455	117,798
	Other parties	31,497	4,054	31,497	4,054
	Non-operating activities				
	- Gain on disposal of plant and equipment	90,785	-	90,785	-
	- Other	1,000	-	1,000	-
		270,737	121,852	270,737	121,852
5	**Profit/(loss) before income tax**				
(a)	***Expenses***				
	Depreciation of plant and equipment	4,185	30,257	4,185	30,257
	Finance costs:				-
	- ultimate parent company	-	63,361	-	63,361
	- related parties	-	21,243	-	21,243
	- discount on issue of financial assets	294,158	-	294,158	-
	- other interest	13,631	6,447	13,631	6,447
		307,789	91,051	307,789	91,051
	Exploration and evaluation expenditure	230,940	1,831,041	163,986	61,228
	Rental expense on operating leases - minimum lease payments	66,419	24,181	66,419	24,181
(b)	***Revenue and Net Gains***				
	Foreign currency translation gain	225,523	229,789	225,523	229,789
(c)	***Individually significant items included in loss from ordinary activities before income tax***				
	Provision for bad and doubtful debts - ultimate parent undertaking	-	141,662	-	141,662
	Impairment of loans	-	-	66,957	-
6	**Auditors' remuneration**				
	Remuneration of the auditor of the Parent Entity for:				
	- auditing or reviewing the financial reports	87,753	44,890	87,753	44,890
	- other services/taxation	10,685	7,825	10,685	7,825
		98,438	52,715	98,438	52,715

		Economic Entity		Company	
		2006 $	2005 $	2006 $	2005 $
7	**Income tax benefit**				
(a)	The major components of income tax expense/(benefit) are:				
	Income Statement				
	Current income tax	-	-	-	-
	Deferred income tax	-	-	-	-
		-	-	-	-
(b)	A reconciliation between tax expense/(benefit) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
	Prima facie income tax expense/(benefit) calculated at 30% (2005:30%)on the profit/(loss) from ordinary activities	273,703	(992,908)	275,566	(848,331)
	Non-allowable expenditure	-	-	20,087	530,944
	Deferred tax assets not brought to account	(273,703)	992,908	(295,653)	317,387
	Total income tax expense/(benefit)	-	-	-	-
	Tax losses carried forward	4,781,383	5,693,726	3,929,037	4,914,547

The Directors are of the view that there is insufficient probability that the parent entity and its subsidiaries will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

The potential deferred tax asset will only be obtained if:

i. The relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be realised by another company in the Economic Entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

ii. The relevant company and/or Economic Entity continues to comply with the conditions for deductibility imposed by the law; and

iii. No changes in tax legislation adversely affect the Company and/or the Economic Entity in realising the benefit.

8 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.
The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Economic Entity	
	2006 $	2005 $
Earnings reconciliation		
Net profit/(loss)	912,343	(3,274,620)
Net loss attributable to outside equity interests		4,693
Basic and diluted earnings	912,343	(3,269,927)
	2006 Number	**2005 Number**
Weighted average number of shares used as the denominator		
Number for basic earnings per share	404,205,825	291,927,535
Number for diluted earnings per share	404,602,254	291,927,535
Basic profit/(loss) per ordinary share (cents per share)	0.32¢	(1.12)¢
Basic and diluted profit/(loss) per ordinary share (cents per share)	0.32¢	(1.12)¢

9 Segment information

Business segments

The Economic Entity operates in one business segment being precious mineral exploration.

Geographical segments

The Economic Entity's operations are conducted primarily in Australia. At 30 June 2006 the Company holds a significant interest in Guanaco Mining Company, the owner of the Guanaco Project in Chile.

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
10 Cash and cash equivalents				
Cash at bank an in hand	123,650	452,535	123,266	451,979
Short-term bank deposits	100,000	1,151,259	100,000	1,151,259
	223,650	1,603,794	223,266	1,603,238
The effective interest rate on short-term bank deposits was 5.2% (2005: 5.52%); these deposits have an average maturity of 30 days.				

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
11 Trade and other receivables				
Current				
Advances	10,650	5,396	10,650	5,396
Other debtors	13,515	12,318	13,515	12,318
Amounts receivable from controlled entities	-	-	85,947	-
Provision for impairment of amounts receivable from controlled entities	-	-	(66,957)	-
	24,165	17,714	43,155	17,714

Loans to controlled entities are unsecured, interest free and with no fixed repayment terms and were used to fund exploration expenditure in those entities.

The amount receivable from controlled entities is dependent on the successful development and exploitation of the areas of interest or alternatively, by their sale. The provision for impairment has been made by the Parent Entity so that the amount receivable from Golden Rose Limited is equal to the net asset value of that controlled entity.

Non current				
Amounts receivable from:				
Ultimate parent entity	-	141,662	-	141,662
Less: provision for impairment - ultimate parent entity	-	(141,662)	-	(141,662)
Associated entities	5,232,443	5,290,336	5,232,443	5,290,336
Less: provision for impairment - associated entities	-	(150,000)	-	(150,000)
Controlled entities	-	-	-	501,702
	5,232,443	5,140,336	5,232,443	5,642,038

Included in loans due from associated entities is a loan of $5,232,443 (2005: $5,290,336). The loan is unsecured. Interest is payable on the principal amount of the loan at a rate of 3%. $1,302,328 is for no fixed term, the balance is due on 9 March 2008.

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
12 Financial assets				
Non-current				
Shares in controlled entities	-	-	467,623	467,623
Investments in controlled entities	-	-	446,283	-
Shares in associates (Note 24)	-	-	-	2
		-	913,906	467,625

Shares in controlled entities comprise fully paid ordinary shares and all shares are unquoted. These companies are wholly owned by Diamond Rose NL.

Investments in controlled entities represent loans from the parent entity that have been reclassified as Investments in Subsidiaries where the recoverability of the loans from the parent entity to the subsidiaries is dependant on the successful realisation of mining assets held by the subsidiary and its associate. The Directors believe this will be achieved through either the commercial development of mining assets or the sale to a third party.

	Economic Entity 2006 $	Economic Entity 2005 $	Company 2006 $	Company 2005 $

13 Intangible assets

	Economic Entity 2006 $	Economic Entity 2005 $	Company 2006 $	Company 2005 $
Goodwill - at cost	467,621	467,621	-	-

Goodwill has been capitalised at cost. This intangible asset has been classed as an indefinite life asset. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount

14 Plant and equipment

	Economic Entity 2006 $	Economic Entity 2005 $	Company 2006 $	Company 2005 $
Plant and equipment - at cost	12,755	432,240	12,755	432,240
Accumulated depreciation	(2,950)	(404,779)	(2,950)	(404,779)
	9,805	27,461	9,805	27,461
Movements in carrying value				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
Plant and equipment				
Carrying amount at beginning of year	27,461	39,853	27,461	39,853
Additions	-	17,865	-	17,865
Disposals	(13,471)		(13,471)	
Depreciation	(4,185)	(30,257)	(4,185)	(30,257)
Carrying amount at end of year	9,805	27,461	9,805	27,461

15 Exploration and evaluation expenditure

	Economic Entity 2006 $	Economic Entity 2005 $	Company 2006 $	Company 2005 $
Costs carried forward in respect of areas of interest in:				
Exploration and/or evaluation phase	26,532	3,681,414	7,539	3,622,421
Provision for diminution	-	(3,483,630)	-	(3,483,630)
	26,532	197,784	7,539	138,791

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploration or sale of the respective areas.

16 Trade and other payables

	Economic Entity 2006 $	Economic Entity 2005 $	Company 2006 $	Company 2005 $
Current				
Trade creditors and accruals	49,017	59,678	46,548	59,678
Amount due to related party	-	621,243	-	621,243
	49,017	680,921	46,548	680,921
Non-Current				
Amount due to related party	-	1,200,000	-	1,200,000

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

17 Borrowings

	Economic Entity 2006 $	Economic Entity 2005 $	Company 2006 $	Company 2005 $
Current				
Amount due to related entity (unsecured)	-	240,000	-	240,000
Non current				
Amount due to related entities (unsecured)	-	320,000	-	320,000
	-	320,000	-	320,000

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
18 Issued capital				
404,418,205 (2005: 404,191,542) fully paid ordinary shares	37,281,992	37,272,925	37,281,992	37,272,925
Equity – share capital pending issue				
Advance by GCH in consideration of a later issue of securities +	1,000,000	1,000,000	1,000,000	1,000,000

Movement in ordinary shares on issue

	2006 No.	2005 No.	2006 No.	2005 No.
Ordinary Shares ++				
Balance at the beginning of the year	404,191,542	208,959,502	404,191,542	208,959,502
Shares issued during the year				
14 Oct 2004	-	27,732,040	-	27,732,040
17 Jan 2005	-	76,500,000	-	76,500,000
10 Mar 2005	-	91,000,000	-	91,000,000
7 June 2006	226,663	-	226,663	-
Balance at end of year	404,418,205	404,191,542	404,418,205	404,191,542

	2006 $	2005 $	2006 $	2005 $
Ordinary Shares ++				
Balance at the beginning of the year	37,272,925	29,463,644	37,272,925	29,463,644
Shares issued during the year				
14 Oct 2004	-	1,109,281	-	1,109,281
17 Jan 2005	-	3,060,000	-	3,060,000
10 Mar 2005	-	3,640,000	-	3,640,000
7 June 2006	9,067	-	9,067	-
	37,281,992	37,272,925	37,281,992	37,272,925

\+ On 18 May 2005, GCH advanced $1,000,000 to the Company for its exclusive use, in consideration of a later issue of 23,255,814 securities.

++ Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

In accordance with corporations legislation the shares have no par value.

	2006 Number of options	2005 Number of options
19 Unlisted options		
Balance at beginning of year	143,700,000	179,235,920
Issued during the year	-	55,464,080
Exercised during the year	(226,663)	(91,000,000)
Lapsed during the year	(28,600,000)	-
Balance at end of the year	114,873,337	143,700,000

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
20 Accumulated losses				
Accumulated losses at beginning of year	(33,259,136)	(29,989,209)	(32,816,979)	(29,989,209)
Net profit/(loss)	912,343	(3,269,927)	918,553	(2,827,770)
Accumulated losses at end of year	(32,346,793)	(33,259,136)	(31,898,426)	(32,816,979)
21 Minority equity interests				
Minority equity interests in controlled entities comprise:				
Interest in share capital	217,468	217,468	-	-
Losses attributable to minority interest	(217,468)	(217,468)	-	-
Total minority equity interests	-	-	-	-

22 Financial risk management objectives and policies

(a) Credit risk exposure

The maximum credit risk exposure of financial assets is represented by the carrying amounts of assets recognised in the Consolidated Balance Sheet net of any provisions for losses

(b) Liquidity Risk

As the Group currently has no material borrowings, the Group's current exposure to liquidity risk is minimal.

(c) Foreign currency risk

Loans due from the associate undertaking of the Group are denominated in US$ therefore the Group's balance sheet is exposed to movements in the US$/A$ exchange rates. The Group does not seek to hedge this exposure.

(d) Commodity risk

The Group currently has no material exposure to commodity risk

23 Financial instruments

(a) Fair values

There is no material difference between the fair value of the Group's financial instruments and the carrying amounts recognised in the financial statements.

(b) Interest rate risk
Interest rate risk exposures

The Economic Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below

2006	Note	Non - Interest Bearing $	Fixed Rate 1 Year or less $	Fixed Rate Over 1 to 5 Years $	Floating Interest Rate $	Total $	Weighted Average effective Interest Rate $
Consolidated							
Financial assets							
Cash assets	10	-	-	-	223,650	223,650	5.2%
Trade and other receivables	11	24,165	-	-	-	24,165	-
Receivables*	12	-	-	5,232,443	-	5,232,443	3.6%
	8	24,165	-	5,232,443	223,650	5,480,258	
Financial liabilities							
Trade and other payables	16	-	-	-	-	-	-
Interest bearing liabilities	17	-	-	-	-	-	-
		-	-	-	-	-	-

2005	Note	Non - Interest Bearing $	Fixed Rate 1 Year or less $	Fixed Rate Over 1 to 5 Years $	Floating Interest Rate $	Total $	Weighted Average effective Interest Rate $
Consolidated							
Financial assets							
Cash assets	10	-	-	-	1,603,794	1,603,794	5.5%
Trade and other receivables	11	17,714	-	-	-	17,714	-
Receivables++	11	-	-	5,140,336	-	5,140,336	3.0%
		17,714	-	5,140,336	1,603,794	6,761,844	
Financial liabilities							
Trade and other payables	16	-	-	-	-	-	-
Amount due to related party	16	1,821,243	-	-	-	1,821,243	-
Interest bearing liabilities	17	-	-	-	560,000	560,000	6.57%
		1,821,243	-	-	560,000	2,381,243	-

2006	Note	Non - Interest Bearing $	Fixed Rate 1 Year or less $	Fixed Rate Over 1 to 5 Years $	Floating Interest Rate $	Total $	Weighted Average effective Interest Rate $
Parent							
Financial assets							
Cash assets	10	-	-	-	223,266	223,666	5.2%
Trade and other receivables	11	65,387	-	-	-	65,387	-
Receivables+	11	-	-	5,232,443	-	5,232,443	3.6%
Investments in subsidiaries	12	913,906	-	-	-	913,906	-
		979,293	-	5,232,443	223,666	6,435,002	
Financial liabilities							
Trade and other payables	16	-	-	-	-	-	-
Interest bearing liabilities	17	-	-	-	-	-	-
		-	-	-	-	-	-

2005	Note	Non - Interest Bearing $	Fixed Rate 1 Year or less $	Fixed Rate Over 1 to 5 Years $	Floating Interest Rate $	Total $	Weighted Average effective Interest Rate $
Parent							
Financial assets							
Cash assets	10	-	-	-	1,603,238	1,603,238	5.5%
Trade and other receivables	11	519,416	-	-	-	519,416	-
Receivables+	11	-	-	5,140,336	-	5,140,336	5.5%
Investments in subsidiaries	12	467,623	-	-	-	467,623	-
		987,039	-	5,140,336	1,603,238	7,730,613	
Financial liabilities							
Trade and other payables	16	1,821,243	-	-	-	1,821,243	-
Interest bearing liabilities	17	-	-	-	560,000	560,000	6.57%
		1,821,243	-	-	560,000	2,381,243	-

+Effective interest on receivables has been charged at 3.6%. The nominal interest charged on these receivables is 3% as per note 11.

++Interest on receivables has been charged at 3.0% representing the nominal interest receivable. The company has taken the election available under AASB 1 not to restate comparative financial assets and liabilities in accordance with AASB 132 and AASB 139.r

24 Dividends

No dividends were paid or proposed in the year.

The Economic Entity does not have any available franking credits

25 Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Economic Entity is required to perform exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the accounts and are payable:

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
Within one year	233,133	350,015	233,133	350,015
One year or later and no later than five years	745,421	860,648	745,421	860,648
Later than 5 years	104,467	197,224	104,467	197,224
	1,083,021	1,407,887	1,083,021	1,407,887

Operating lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
Within one year	68,010	46,432	68,010	46,432
One year or later and no later than five years	59,803	101,952	59,803	101,952
	127,813	148,384	127,813	148,384

The Economic Entity rents offices at 201/ 80 William Street, Sydney. The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments be increased by reference to the CPI. An option exists at the end of the three-year term for an additional term of three years.

The lease is secured by way of a bank guarantee in favour of National Australia Bank in the amount of $28,805 with an offset provision against deposits held by the Company which are included in Note 10.

26 Controlled entities

Particulars in relation to controlled entities	Percentage Owned 2006 % owned	2005 % owned	Country of Incorporation
Parent Entity			
Diamond Rose NL		-	Australia
Controlled entities			
Australian Diamond Mining Pty Limited	-	100	Australia
Golden Rose Pty Limited	100	100	Australia
Golden Rose International Limited	73	73	Australia

Australian Diamond Mining Pty Ltd, a controlled entity of the Company applied for voluntary deregistration on 23 August 2005. Application was approved by ASIC on 2 September 2005 and was subsequently deregistered on 6 November 2005.

During 2005 the Company acquired 25,500,000 ordinary shares of Golden Rose International Limited. By the end of 2005, Diamond Rose holds 73.01% of the ordinary shares of Golden Rose International Pty Limited Details of the acquisitions are as follows:

	Economic Entity 2006 $	2005 $	Company 2006 $	2003 $
Consideration (cash)	-	467,619	-	-
Fair value of net assets of entity acquired	-	-	-	-
Goodwill	-	467,619	-	-

27 Investments accounted for using the equity method

Details of the investment in associates is as follows:

Name (Principal Activities)	**Ownership Interest** 2006 %	2005 %	**Investment carrying amount Consolidated** 2006 $	2005 $
Opalco Pty Limited (Mining)	-	25	-	-
Guanaco Mining Company Limited (Mining)	35.78	35.78	-	-

Guanaco Mining Company Limited is incorporated in the British Virgin Islands.

	Economic Entity 2006 $	2005 $
Movements in carrying value of investments		
Investment in associate	411,573	411,573
Share of losses of the associate	(411,573)	(411,573)
	-	-
Movements in carrying value of investments		
Carrying amount of investment in associate at the beginning of the financial year	-	-
Acquisition	-	411,573
Share of loss	-	(411,573)
Provision for diminution	-	-
Carrying amount of investment in associate at end of year	-	-
Share of the associate's balance sheet		
Current assets	106,430	174,421
Non-current assets	4,721,508	2,784,248
	4,827,938	2,958,669
Current liabilities	255,543	1,577,148
Non-current liabilities	6,264,372	2,476,610
	6,519,915	4,053,758
Net Liabilities	(1,691,977)	(1,095,089)
Share of the associate's loss		
Loss before income tax	463,802	562,123

	Economic Entity 2006 $	Economic Entity 2005 $
Reconciliation of the Company's share of associate's accumulated losses		
Losses brought to account in the financial statements of Diamond Rose NL	411,573	411,573
Losses not brought to account	1,518,974	1,055,172
	1,930,547	1,466,745
Equity items not brought to account	(238,570)	(371,656)
Share of associates net liabilities	1,691,977	1,095,089

28 Cash flow information

	Economic Entity		Company	
	2006 $	2005 $	2006 $	2005 $
Reconciliation of cash flow from operations with profit (loss) after income tax				
Profit (loss) after income tax	912,343	(3,269,927)	918,553	(2,827,770)
Non-cash flows in profit				
Interest received	(31,497)	(4,054)	(31,497)	(4,054)
Interest paid	294,158	-	294,158	-
Exploration and evaluation expenditure written off	230,940	1,831,041	163,986	61,228
Depreciation	4,185	30,257	4,185	30,257
Net gain on disposal of plant and equipment	(90,785)	-	(90,785)	-
Provision for impairment of financial assets	-	-	66,957	-
Share of associated companies net profit after income tax	-	411,573	-	-
Net cash used in operating activities before change in assets and liabilities	1,319,344	(1,001,110)	1,325,557	(2,740,339)
Changes in assets and liabilities:				
(Increase)/Decrease in trade and other receivables	(373,131)	316,030	(373,129)	399,390
(Decrease)/Increase in trade and other payables	(2,391,904)	53,318	(2,394,373)	1,702,806
Cashflow from operations	(1,445,691)	(631,762)	(1,441,945)	(638,143)

There were no unused loan or credit facilities at year-end.

29 Related parties

Directors

The name of each person holding the position of Director during the year are the Hon Marcus Einfeld, Terence Willsteed, Pablo Kohen (resigned), Laura Rovner (resigned), Mark Schabas (resigned) and Pablo Vergara del Carril. Amounts paid to Directors are set out in the Directors Report

Directors' holdings of shares and share options

The parent company of Diamond Rose NL is Global Gold (formerly Nileman Zone SA) which is a private company controlled by Guanaco Capital Holdings Corp. Global Gold holds 257,893,301 (2004: 257,893,301) ordinary shares and 90,560,038 unlisted options exercisable at between 10 and 20 cents over the next four years in the Company.

Mr Pablo Vergara del Carril is a Director of Diamond Rose NL, Guanaco Capital Holdings Corp and of Global Gold; he has no direct holding in either shares or options in any of these companies.

Mr Einfeld and Mr Willsteed do not hold any shares or options in the Company either directly or indirectly.

Ultimate Parent Entity

On 18 May 2005, Guanaco Capital Holdings Corp advanced $1,000,000 to the Company for its exclusive use, in consideration of a later issue of 23,255,814 securities. In accordance with an announcement made to the ASX on 18 August 2006, the advance will be converted to ordinary share capital of the Company following shareholder approval, which will be sought at the Company's next Annual General Meeting.

Wholly owned and partly owned controlled entities

Aggregate amounts receivable from Golden Rose Pty Limited as at 30 June 2006 were $85,947 (2005: $58,993). Impairment losses of $99,957 were provided against this loan in the year ended 30 June 2006.

Aggregate amounts receivable from Golden Rose International Limited as at 30 June 2006 were $446,283 (2005: $442,709).

Associated entities

Aggregate amounts receivable from Guanaco Mining Company Limited as at 30 June 2006 were $5,232,443 (2005: $5,140,336) including interest and foreign exchange adjustments. Interest is charged on the loan at 3%. Total interest accrued in the year was $147,456 (2005: $117,798)

Subsequent events

In August 2006 the Company 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 is 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.

Other than as disclosed there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations, or the state of affairs of the Economic Entity, in future financial years.

Ultimate parent entity

The Parent Entity is ultimately controlled by Guanaco Capital Holdings Corp. which is incorporated in the British Virgin Islands.

Company Details

The registered office of the Company is:

Terrace Tower
Suite 201, 80 William Street, Sydney NSW 2011

DIAMOND ROSE NL
DIRECTORS' DECLARATION

In the opinion of the directors of Diamond Rose NL:

a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the accounting standards and give a true and fair view of the Company's and the Economic Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date.

b) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) the directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A.

Signed in accordance with a resolution of the directors.

Terence Willsteed
Vice-Chairman

Sydney, 29 September 2006

PKF

Chartered Accountants
& Business Advisers

Independent Audit Report to the Members of Diamond Rose NL

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' Declaration for both Diamond Rose NL (the company) and Diamond Rose NL (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The company has disclosed information about the remuneration of Directors and key management personnel ("remuneration disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures, under, the heading "Remuneration Report" in pages 12 to 13 of the Directors' Report, as permitted by the Corporations Regulations 2001.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the preparation and presentation of the remuneration disclosures contained in the Directors' Report in accordance with the Corporations Regulations 2001.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' Report comply with Accounting Standard AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been identified.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the economic entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures in the Directors' Report comply with Accounting Standard AASB 124.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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Independent Audit Report to the Members of Diamond Rose NL (cont'd)

We formed our audit opinion on the basis of these procedures, which included:

a. examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
b. assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion:

1. the financial report of Diamond Rose NL is in accordance with:

   (a) The Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

   (b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained in pages 12 to 13 of the Directors' Report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

Independent Audit Report to the Members of Diamond Rose NL (cont'd)

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 2, the ongoing viability of the consolidated entity and the recoverability of its non-current assets is dependent on the success of the Guanaco Mining project. The Directors believe that the project will be ultimately successful and that the non-current assets are included in the financial report at their recoverable amount.

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure, exploration, commitments, and to repay liabilities. The Directors believe that the consolidated entity will be able to fund these commitments through equity raising, and the sale or joint venturing of interests held in mineral tenements and projects.

If additional funds are not raised there is significant uncertainty as to whether Diamond Rose NL will be able to continue as a going concern. If Diamond Rose NL is unable to continue as a going concern, it may be required to realise its assets, and extinguish its liabilities other than in the normal course of business and at amounts different from those currently stated in the financial report.

PKF

PKF

Bruce Gordon

Bruce Gordon
Partner

Sydney
Dated 29 September 2006

ADDITIONAL INFORMATION REQUIRED BY AUSTRALIAN STOCK EXCHANGE LIMITED

Additional information included in accordance with the Listing Rules of the Australian Stock Exchange Limited.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors and its Committees

Your board is responsible for the overall Corporate Governance of the Economic Entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

To assist in the execution of its responsibilities, your board has established an Audit Committee. The Audit Committee has a written mandate and operating procedures, which are reviewed on a regular basis. The effectiveness of the Audit Committee is also constantly monitored. Your board has also established a framework for the management of the Company including a system of internal control.

Composition of Board

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report on pages 8 to 14 of the annual report.

Audit Committee

The Audit Committee has a documented Charter, approved by the Board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Economic Entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

- Mr Terence Willsteed (Non-Executive Director - Chairman Audit Committee)
- The Hon Marcus Einfeld (Non-Executive Director)

Audit Committee Meetings are also attended by the external auditors and management representatives as required.

The responsibility of the audit committee includes:

- Reviewing the financial report and other financial information distributed externally;
- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- Considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditors' independence;
- Liaising with the external auditors and ensuring that the annual and half year statutory audits are conducted in an effective manner;
- Reviewing the Company's policies and procedures for convergence with International Financial Reporting Standards for reporting periods beginning on 1 July 2006; and
- Monitoring the procedure in place to ensure compliance with the Corporation Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the following:

Audit planning:

- To discuss the external audit plan

- To discuss any significant issues that may be foreseen
- To discuss the impact of any proposed changes in accounting policies on the financial statements
- To review the fees proposed for the audit work to be performed

Prior to announcements of results:

- To review the half yearly and preliminary final report prior to lodgement of these documents with ASX, and any significant adjustments required as a result of the audit; and
- To make the necessary recommendations to the Board for the approval of these documents.

Annual reporting:

- To review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- To review the draft financial report and audit report and to make the necessary recommendations to the Board for the approval of the financial report.

Remuneration Committee

The Company has established a Remuneration and Nomination Committee ("the Committee") to oversee the processes of director and senior management remuneration, and nomination to the Board. The role of the Remuneration and Nomination Committee is documented in a Charter which is approved by the Board of Directors.

The members of the Remuneration Committee during the year were:

- Mr Terence Willsteed (Non-Executive Director – Chairman Audit Committee)
- The Hon Marcus Einfeld (Non-Executive Director)
- Mr Pablo Kohen (Executive Director)
- Ms Laura Rovner (Executive Director)

The functions of the Committee are to review and make recommendations concerning remuneration (including amount, structure and policies) of directors and senior management.

The objectives of the Committee concerning remuneration are:

- to appropriately reward and thereby encourage excellent performance by management and directors, as measured by growth of the Company;
- to devise and/or approve appropriate incentives to facilitate growth, focussing not just on salary but on a range of remuneration methods;
- to take into account the requirements and expectations of all stakeholders, including shareholders, so that remuneration is balanced by expectations concerning profitability of the Company.

The functions of the Committee are to review:

- policies for the annual remuneration of directors and senior management;
- the basis of calculation of remuneration of those persons to ensure the appearance of reasonableness;
- current industry practice in the remuneration of directors and senior executives of similar size and industry entities;
- different methods of remuneration, including:
- bonus schemes;
- employee Share Option Scheme;
- fringe benefits;
- superannuation;
- retirement and termination packages.

The Committee also reviews:

- professional indemnity policies;
- related party disclosures in the financial statements;
- communication with major stakeholders to gauge their views on remuneration packages.

The Committee's objectives concerning remuneration are to devise appropriate criteria for Board membership, and identify specific individuals for Board membership.

The Committee takes into account:

- the skill sets of current Board members;
- the current and future requirements of the Company for skills in particular areas which it lacks;
- the value to stakeholders of a Board comprising individuals with high levels of independence and stature.

The Committee fosters open and confidential communications at its meetings and with the entire Board on potential nominees.

The Committee also initiates an annual review of Board and individual director performance, including a review of Board size, committee structures, and effectiveness of Board meetings.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

- Financial reporting - an annual budget is prepared by management and approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Company reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements.
- Investment appraisal - the Economic Entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entities state of affairs. Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Economic Entity during the year, changes in the sate of affairs of the Economic Entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the quarterly report contains summarised financial information and a review of the operations of the Economic Entity during the period.

These reports are posted on the Company's website at www.diamondrose.com.au; as are announcements made to the ASX.

The shareholders are responsible for voting on the appointment of directors.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entities strategy and goals. Important issues are presented to the shareholders as single resolutions.

Securities Trading Policy

The Economic Entity's share trading policy restricts the times and circumstances in which directors, employees and parties legally related to them, may trade in shares of the Company or its listed controlled entity. Trading is not permitted when directors or employees possess price sensitive information which has not yet been disclosed to the market.

Principles of Good Corporate Governance and Best Practice Recommendations

In March 2003, the ASX Corporate Governance Council (**Council**) released its "Principles of Good Corporate Governance and Best Practice Recommendations" (**Recommendations**).

Listing Rule 14.10.3 requires a company to disclose the extent to which the entity has followed the best practice recommendations set by the Council during the reporting period. If the entity has not followed all of the recommendations it must identify those recommendations that have not been followed and give reasons for not following them. If a recommendation had been followed for only part of the period, the entity must state the period during which it had been followed.

In accordance with Listing Rule 14.10.3 the Company states that it has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice recommendations as published by the ASX Corporate Governance Council ("ASX Principals and recommendations"), other than in relation to the matters specified below.

Principal No	Best Practice Recommendation		Compliance or Explanation for Non-compliance
1	1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	A formal policy document outlining board and management functions has not been established as yet. The directors have determined that given the size and direction of the Company, hands on day-to-day management and supervision by directors is currently in its best interests.
2	2.1	A majority of the Board should be independent directors.	Given the nature and size of the Company, its business interests and the stage of development, the board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of shareholders.
2	2.3	The same individual should not exercise the roles of chairperson and chief executive officer.	The Company has not appointed a chief executive officer because the directors have determined that the appointment and cost of a chief executive officer is not necessary or justified at this time. For the present the directors are carrying out the responsibilities of chief executive officer with the daily assistance of the company secretary and such outside expert assistance and advice as is necessary.
2	2.4	The Board should establish a nomination committee.	The Board does not have a nomination committee because in the directors' view, a Company of this size and stage of development can best operate with the functions of a nomination committee undertaken by the full Board.
3	3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: the practices necessary to maintain confidence in the Company's integrity the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company has not established a code of conduct because it did not inherit a code from the previous Board. The Company will formulate a code appropriate for the Company which will be posted on the Company's website when adopted.

Principal No	Best Practice Recommendation		Compliance or Explanation for Non-compliance
4	4.3	Structure the audit committee so that it consists of: • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the board • at least three members	The Audit Committee comprises Terrence Willsteed as Chairman and the Company Chairman, with the Company Secretary as secretary. The committee thus has fewer than the minimum 3 non-executive member composition and lacks a majority of independent directors as recommended. The Board is keeping the Audit Committee's Charter under constant review in order to meet the guidelines as appropriate to the current size, structure, and stage of development of the Company. The members of the Audit Committee possess the requisite financial expertise and industry experience necessary to effectively carry out the Committee's mandate.
5	5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	No written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for the compliance were inherited from the previous Board. Formal policies will be drafted and will be posted on the Company's website when adopted. The Company is in regular contact with its solicitors to ensure ASX compliance.
6	6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The new Board is committed to the objective of proper communication with shareholders and will actively promote shareholder involvement in the Company including regular information on the Company's website. A formal policy will be drafted to express these goals and will be posted on the Company's website when adopted.
7	7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Informal procedures were in place prior to the new Board being appointed. The board is formulating its policies on these matters which will be posted on the Company's website when adopted.
10	10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	The Board considers that its practices are the equivalent to the guidelines. A draft code will be prepared and will be made available on the Company's website when adopted.

The Board aspires to the highest standards of corporate governance and is fully supportive of and committed to the aims, spirit and letter of the Recommendations and to their implementation as appropriate for a company of this size.

Statement of issued capital at 27 September 2006

a) Distribution of fully paid ordinary shareholders

Size of Holding	Shareholders	Number of Shares Held
1 - 1,000	208	104,189
1,001 - 5,000	280	926,150
5,001 - 10,000	266	2,281,321
10,001 - 100,000	536	22,066,112
100,001 and over	139	379,040,433
Total	**1429**	**404,418,205**

b) There are no restrictions on the voting rights attached to the fully paid ordinary shares. On a show of hands, every member present in person shall have one vote and upon a poll, every member present in person or by proxy shall have one vote for every share held.

c) At the date of this statement there existed 795 ordinary fully paid shareholders holding less than a marketable parcel of shares.

Options on Issue at 27 September 2006

There are 114,873,337 unlisted options on issue as detailed below:

No of Options	Exercise price	Expiry date	No of Holders
8,773,337	4 cents	14/10/2009	1
23,000,000	12 cents	30/11/2007	4
11,122,850	20 cents	20/06/2007	3
44,245,110	20 cents	30/11/2007	6
27,732,040	20 cents	14/10/2009	4

Global Gold SA holds 90,560,038 of these options.

Securities approved for the purposes of Item 7 of section 611 of the Corporations Act:

Shareholders approved the issue of shares upon conversion of these options pursuant to Item 7 of section 611 of the Corporations Act. 90,560,038 of these options are yet to be exercised by Global Gold SA.

Substantial Shareholders

At 27 September 2006 the Company's register of substantial shareholdings shows the following:

Name	Shares Held
Westpac Custodian Nominees Limited *	257,893,301

* 257,893,301 beneficially held by Global Gold SA

Top Twenty Shareholders as at 27 September 2006

Rank	Holder	Number of Shares	% Issued Capital
1	Westpac Custodian Nominees Limited	259,955,098	64.28%
2	ANZ Nominees Limited	15,129,132	3.74%
3	FCSC Limited	10,518,456	2.60%
4	Citicorp Nominees Pty Limited	9,188,761	2.27%
5	Shefarav Pty Limited	17,866,305	2.23%
6	Niako Investments Pty Ltd	3,960,050	0.98%

Rank	Holder	Number of Shares	% Issued Capital
7	Mr Daniel Goberman	3,854,865	0.95%
8	Moshe Ambarchi	3,500,000	0.87%
9	Hazlaha Investments Limited	3,368,647	0.83%
10	D & D Nominees Pty Ltd	2,584,740	0.64%
11	Birchall Projects Ltd	2,300,000	0.57%
12	Greenford Investments Limited	2,000,000	0.49%
13	Mountain Side Holdings Ltd	1,948,000	0.48%
14	Mr Peter Allan Learmont	1,500,000	0.37%
15	Gordon Holdings (Qld) Pty Ltd	1,371,320	0.34%
16	A G Irvine Pty Ltd	1,261,500	0.31%
17	Davoon Pty Limited	1,112,590	0.28%
18	Dana Duneier	1,087,500	0.27%
19	Mr Marc Duneier	1,087,500	0.27%
20	Mr Wayne Brian Laughton	1,048,000	0.26%
		344,642,464	85.22%

Schedule of Mineral Tenements as at 28 September 2006

Tenement	Project Name	Interest
P 15/4514	Bullabulling	95%
P 15/4515	Bullabulling	95%
P 15/4516	Bullabulling	95%
P 15/4518	Bullabulling	95%
P 15/4519	Bullabulling	95%
P 15/4520	Bullabulling	95%
P 15/4521	Bullabulling	95%
P 15/4522	Bullabulling	95%
M 77/869	Broadbents	90%
E 40/197	Kookynie	95%
E 40/198	Kookynie	95%
E 40/1112	Kookynie	95%
E 40/1116	Kookynie	95%
E 40/1117*	Kookynie	95%
E 40/1118*	Kookynie	95%
E 37/728	Leonora	75%
E37/729	Leonora	75%
E 37/736*	Raeside	70%
E 47/952*	Rocklea	100%

* Application Pending