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Diamond Rose NL

ABN 30 075 860 472

NOTICE OF
GENERAL MEETING
AND
EXPLANATORY STATEMENT

AND

PROXY FORM

For a General Meeting to be held on
6 September 2004 at 11.00am (EST) at
the Theatrette, Waverley Municipal Library,
Denison Street, Bondi Junction

This is an important document that should be read in its entirety.
If you do not understand it you should consult your professional advisers without delay.

Diamond Rose NL
ABN 30 075 860 472

Corporate Directory

Directors:	Pnina Feldman - Chairperson and Executive Director Richard Sheslow - Non Executive Director James Jennings - Non Executive Director
Company Secretary:	Henry Kinstlinger
Management:	Pnina Feldman – Chief Executive Officer Sholom Feldman - General Manager Astrid Purcell- Office Manager
Registered Principal Office:	69 Penkivil Street Bondi NSW 2026 Telephone: (02) 9386 1282 Facsimile: (02) 9386 1631 Email: info@diamondrose.com.au Website: www.diamondrose.com.au
Postal address:	POB 114 Bondi NSW 2026 Australia
Auditors:	KPMG
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:	Macquarie Bank Limited
Solicitors:	Steinepreis Paganin, Perth McCabes Lawyers, Sydney
Stock Exchange:	The Australian Stock Exchange Ltd Exchange Plaza 2 The Esplanade Perth WA 6000
Place of Incorporation:	Western Australia

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IMPORTANT NOTICE

This is an important document. Please read it carefully and in its entirety. If you do not understand it you should consult your professional advisers without delay.

If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions.

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

This General Meeting of the Shareholders of Diamond Rose NL will be held at:

the Theatrette, Waverley Municipal Library, Denison Street, Bondi Junction commencing 11.00am (EST) on 6 September, 2004.

Registration will commence at 10.30am.

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 11.00 am (EST).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- return the proxy form by post to Diamond Rose PO Box 114 Bondi NSW 2026; or
- deliver the proxy form to Diamond Rose 69 Penkivil Street Bondi; or
- send the proxy by facsimile to facsimile number (02) 9386 1631 (International: + 61 2 9386 1631),

so that it is received not later than 5.00pm (EST) on 3 September 2004.

Your proxy form is enclosed at the rear of this Notice.

SECTION 1

NOTICE OF GENERAL MEETING

DIAMOND ROSE NL

ABN 30 075 860 472

Notice is hereby given that a general meeting (Meeting) of Shareholders of Diamond Rose NL (ABN 30 075 860 472) (Company) will be held at the Theatrette, Waverley Municipal Library, Denison Street, Bondi Junction commencing 11.00am (EST) on 6 September, 2004.

AGENDA

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered at the Meeting. The Explanatory Statement has been prepared to assist Shareholders in making an informed decision when considering the Resolutions set out in this Notice. Shareholders should read the Explanatory Statement in its entirety before making a decision as to how to vote.

1. Change of Scale of Activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 11.1.2 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, Shareholders ratify a change in the scale of the Company's activities as a result of the acquisition of an interest in the Guanaco Project, being a significant change in the scale of its existing exploration activities, as described in the Explanatory Statement accompanying this Notice."*

Short Explanation: The Listing Rules require the Company to seek Shareholder approval in circumstances in which it proposes to make a significant change to the nature or scale of its activities. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associate of those persons

2. Acquisition of Shares by Global Gold

To consider and, if thought fit to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"Subject to the passing of Resolution 1, that, for the purposes of Item 7 of Section 611 of the Corporations Act and for all other purposes, Shareholders approve:*
>
> *(a) the acquisition of up to 103,766,980 Shares by Global Gold from Vageta;*
>
> *(b) the issue of up to 76,500,000 Shares to Global Gold at an issue price of $0.04 per Share; and*

> (c) *the issue of up to 235,298,421 Shares to Global Gold upon conversion of the Convertible Securities to be held by Global Gold,*
>
> *on the terms and conditions set out in the Explanatory Statement accompanying this Notice."*

Short Explanation: If Resolution 2 is passed, the following will result: Global Gold will acquire a greater than 20% relevant interest in the Company's Shares.

Under Chapter 6 of the Corporations Act a person must not acquire a relevant interest in issued voting shares of 20% or more of the total issued voting shares of a public company unless the acquisition falls within the exceptions in Part 6.2 of the Corporations Act, which exceptions include obtaining prior Shareholder approval.

Voting Exclusion: The Company must disregard any votes cast on this resolution by or on behalf of Global Gold, Vageta and any of their respective associates.

DATED THIS 30TH DAY OF JULY 2004
BY ORDER OF THE BOARD

Henry Kinstlinger
Company Secretary

NOTES:

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy may, but need not be a Shareholder of the Company.

2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person excluded from voting as proxy for a person who is entitled to vote in accordance with the directions on the proxy form, or where it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. This date is close of business on Thursday, 2nd September 2004.

SECTION 2

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders in making an informed decision when considering the Resolutions set out in the Notice. This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your financial adviser, stockbroker or solicitor.

1. GENERAL INFORMATION

This section sets out general information about the matters set out in the Notice. The other sections provide specific information relating to particular resolutions.

1.1 The Guanaco Acquisition

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.

After shareholder approval was obtained, PrimeGlobal (the entity that was intending to fund the acquisition), citing an imminent war and market downturn, advised the Company that it was unable to provide funds to complete the purchase of the Guanaco Project.

Subsequently, an Argentinean investment group, through a new company Guanaco Capital Holding Corporation (**GCH**) (an entity that is under the effective control of Mr 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 Compania Venturera Kinam Guanaco and Kinam de Chile Limited (wholly owned subsidiaries of Kinross Gold Corporation) by Robolistic Limitada (formerley known as Golden Rose International Chile Limitada), a company that is currently wholly owned by Guanaco Mining Company Ltd (**Guanaco Mining**).

On the 26 May 2003, a binding international arbitration was held in New York to settle the question of equitable distribution. On 16 July 2003, the international arbitration determined that GCH should hold 51% of the equity in the Guanaco Project in return for its initial investment plus an additional USD$900,000 expenditure on the Guanaco Project. Currently Guanaco Mining is owned 51% by GCH and 49% by GRIL. The Company has a 73.01% interest in GRIL and, accordingly, the Company's effective interest in the Guanaco Project is approximately 35.77% DRN is currently negotiating the acquisition of additional shares in GRIL in order to increase its effective interest in the Guanaco Project to 40%.

On 28 November 2003, Vageta, the controlling Shareholder of the Company, informed the Company that it had secured funding, subject to certain terms and conditions, in the amount of $7.8 million for the Company's exploration projects. This funding was to be arranged through a partnership between Vageta and GCH. The agreement reached with GCH contemplated the transfer by Vageta of all of its securities in Diamond Rose to a new company that will be held 50% by Vageta and 50% by GCH. Vageta thereby will be diluting its interest in the Company by half as a result of this transaction. In return for receiving half of Vageta's interest in Diamond Rose, GCH agreed to provide the $7.8 million in funding to the new company to enable it to invest that amount of money into Diamond Rose through the completion of this transaction as detailed in this Notice. The new company has now been incorporated in Uruguay and is called "Nileman Zone SA" and subject to legal compliance it is intended to change the name of this company to Global Gold Limited (**Global Gold**). The effective change in control of Diamond Rose is the subject of Resolution 2 of this Meeting.

Impementation Deed

Following completion of the negotiations in relation to the transactions set out above, the Company entered into an implementation deed with Vageta and GCH (**Implementation Deed**). The Implementation Deed detailed the manner in which the transactions referred to above were to be implemented as well as other required agreements that needed to be executed by the parties.

It is proposed that the Implementation Deed will be superseded by the various agreements set out below.

Loan Agreement

The Directors approved the execution of a loan agreement between GCH and Diamond Rose (**Loan Agreement**) pursuant to which GCH agreed to provide interim funding for the Guanaco Project and certain other working capital purposes of the Company of up to $1.5 million (subsequently increased to $3.2 million) until completion of the above transactions. The funds advanced by GCH to the Company are secured by an equitable mortgage over the Company's interest in Guanaco Mining.

Up to 30 December 2003, the Company provided $371,690.43 to GRIL, a subsidiary of the Company, by way of an unsecured loan in connection with costs associated with the acquisition of the rights to and development of the Guanaco Project.

As at 30 July 2004, GCH had provided some $1.8 million to the Company under the Loan Agreement of which some $650,000 has been loaned to Guanaco Mining by the Company on the same terms as the Loan Agreement. The funds loaned by GCH to the Company shall be repaid to GCH from the funds to be provided to the Company through the conversion of the Initial Tranche of the Convertible Securities and the subscription of 76,500,000 Shares by Global Gold as described below.

Share Sale and Subscription Agreement

Global Gold will enter into a share sale and subscription agreement with Vageta and the Company (**Share Sale and Subscription Agreement**) pursuant to which:

(a) Vageta has agreed to sell and Global Gold has agreed to acquire:

   (i) up to 103,766,980 Shares held by Vageta;

   (ii) all of the Convertible Securities held by Vageta; and

(b) the Company has agreed to issue and Global Gold has agreed to subscribe for 76,500,000 Shares.

The consideration payable by Global Gold for the acquisition of the securities referred to above is the issue of shares equal to 50% of Global Gold's issued share capital. The consideration payable by Global Gold to the Company for the subscription of the 76,500,000 Shares is $3,060,000. These funds will be provided to Global Gold by GCH under the Global Gold Loan Agreement described below.

Completion under the terms of the Share Sale and Subscription Agreement is subject to a number of conditions precedent including:

(a) **FIRB Approval:** if considered necessary by the legal advisers to GCH, the unconditional approval pursuant to the Foreign Acquisitions & Takeovers Act of the Treasurer to the transactions contemplated by the Share Sale and Subscription Agreement, or the approval of the Treasurer subject to conditions that are acceptable to GCH;

(b) **Shareholders' resolution:** the Shareholders of the Company approving the terms of the transactions contemplated by the Share Sale and Subscription Agreement in accordance with the Corporations Act and the ASX Listing Rules, including, without limitation approval in accordance with Item 7 of Section 611 of the Corporations Act;

(c) **outstanding director fees, consulting fees, loans etc:** Vageta, Australian Gemstone Mining Pty Ltd and the directors of the Company having either assigned to Global Gold or agreed to cancel any fees, consulting fees, loans, or any other amounts outstanding or owed to them, in any capacity, from the Company or any of its subsidiaries, provided, however, that the $600,000 owed to Vageta in accordance with the Diamond Rose 2003 Annual Report will be paid during five years by the Company with the Bankwest mortgage interest rate accruing on them; and

(d) **execution:** execution of the Shareholders Agreement, the Share Mortgage and the Global Gold Loan Agreement by each of the parties to those agreements on terms satisfactory to GCH and Vageta. The relevant terms of each of those agreements are referred to below

Global Gold Loan Agreement

Global Gold has agreed to convert the Initial Tranche of Convertible Securities once they are acquired under the Share Sale and Subscription Agreement.

In order to fund the conversion by Global Gold of these Convertible Securities and the subscription of the Shares pursuant to the Share Sale and Subscription Agreement, GCH has entered into into a loan agreement with Global Gold (**Global Gold Loan Agreement**) pursuant to which GCH will lend $7,809,282 (plus an additional amount to cover stamp duty and expenses) to Global Gold (**Loan**). Global Gold will use the Loan to fund the conversion of the Initial Tranche of the Convertible Securities and to subscribe for the Shares pursuant to the Share Sale and Subscription Agreement.

It is a condition precedent to the advance of the Loan that Global Gold and Vageta provide the following security to GCH:

(a) **Share Mortgage:** a share mortgage over 60,000,000 of the Shares (**Loan Shares**) that will be transferred by Vageta to Global Gold under the Share Sale and Subscription Agreement (**Share Mortgage**);

(b) **Assignment of Dividends:** Unless otherwise agreed between the parties Vageta will irrevocably and unconditionally assign to GCH, until the Loan is repaid in full, Vageta's right to receive any dividend or other proceeds from Global Gold, the Company or its subsidiaries (**Dividend Right**); and

(c) **Trust:** Vageta will assign the shares owned by Vageta in Global Gold to a trustee to be selected by GCH, until the Loan is repaid in full. This assignment is not to be construed as collateral and therefore GCH will undertake not to foreclose the Vageta shares placed in trust. The trust will be constituted so that Vageta cannot sell, pledge, assign or transfer or in any other way dispose of any of the Vageta shares so long as the Loan remains outstanding, and by granting to GCH the right to receive dividends or other proceeds from Global Gold until the Loan is repaid in full the trustee shall keep the shares owned by Vageta in Global Gold placed in trust until the Loan has been repaid in full to GCH. The trustee will be entitled to vote the Vageta trust shares in the manner instructed by GCH until the full amount of the Loan is paid to GCH.

The other terms of the Global Gold Loan Agreement that may be material to shareholders are set out below:

(a) interest will accrue on the Loan at a rate of 3% per annum;

(b) the Loan must be repaid in full within 3 years from the date of the first advance of funds; and

(c) other standard terms and conditions in relation to events of default and warranties that are customary in a loan agreement.

Shareholders Agreement

Vageta and GCH will enter into a shareholders agreement in respect of their shareholding in Global Gold (**Shareholders Agreement**). The material terms of the Shareholders Agreement which are relevant to Shareholders are set out below:

(a) **Board:** both Vageta and GCH are entitled to appoint one nominee to the board of directors of Global Gold. Subject to compliance with any relevant legal requirements, the initial nominee of GCH will be Eduardo Elsztain and the initial nominee of Vageta will be Pnina Feldman;

(b) **Casting vote:** until the Global Gold Loan Agreement has been repaid in full to GCH, the nominee of GCH will have a casting vote on all matters at any Board or shareholders' meeting of Global Gold;

(c) **Pre-emptive rights:** each of Vageta and GCH have a first right of refusal in respect of new issues of securities by Global Gold (on a pro rata basis) and the sale of securities in Global Gold by the other party;

(d) **Unanimity:** the directors of Global Gold will need to obtain the unanimous approval of all members of the Board prior to implementing the following non-exhaustive list of transactions:

  (i) issuing any securities;

  (ii) incurring any material liability;

  (iii) selling any assets of Global Gold, except for the Loan Shares;

  (iv) making any determination in relation to the provision of funding to Global Gold by its shareholder; and

  (v) selling any of Global Gold's Shares to any related party of either Vageta and GCH, except for the sale of the Loan Shares at $0.20 each or above on arm's length terms;

(e) until the Loan under the Global Gold Loan Agreement is repaid in full, Vageta´s share in Global Gold will not be transferred, assigned, disposed or encumbered in any way without the previous approval by GCH in writing;

(f) subject to the other provisions of the Shareholders Agreement, as applicable, and in compliance with applicable law, until the Loan is repaid in full to GCH: (i) GCH will have the right to designate the majority of the Company's board of directors and fix the number of its members; (ii) no directors fees shall be approved or paid in the Company, except with the previous consent in writing by GCH through Global Gold; (iii) unless previously approved by Global Gold in the budget or the business plan, no management decision shall be taken in the Company without the decision or the previous authorization in writing by GCH, through Global Gold; (iv) unless previously approved by Global Gold in the budget or the business plan, the Company shall not pay any amount owed to Vageta or its related parties reflected in Diamond Rose 2003 Annual Report; (v) 35.77% of Guanaco Mining shall be owned by the Company, which shall not transfer, assign, encumber, pledge or dispose, in any way, such interest;

(g) GCH and the Company each have a right of first offer with respect to the other party's interest in Guanaco Mining;

(h) all disputes between the parties will be resolved as follows:

(i) any dispute, controversy or claim arising out of or in connection with the validity, intent, breach, interpretation, performance, enforcement or arbitrability on rules as presently in force and shall be finally settled by arbitration pursuant to the then existing UNCITRAL Arbitration Rules in accordance with the laws of New York; and

(ii) in relation to any matter of a commercial nature, both Vageta and GCH (**Offeror**) will have the option to put forward a buy/sell offer (**Buy/Sell Offer**) to the other party (the **Recipient**) specifying a price at which either:

(A) Recipient may compel the Offeror to acquire Recipient's share(s) in Global Gold; or

(B) Recipient may compel the Offeror to sell the Offeror's share(s) in Global Gold to Recipient.

For the purposes of the Buy/Sell Offer, if a party is compelled to acquire the other party's share(s) in Global Gold, a three month period will be afforded to the purchaser to organise finance and close the acquisition;

(i) **employment agreements:** it is proposed that the Company will enter into new employment agreements with Pnina Feldman and Sholom Feldman, in accordance with the Implementation Deed, it being understood that the Company would not be able to dismiss each person except in case of violation of law or breach of the Company's by-laws, gross negligence, wilful misconduct or abuse of powers; and

(j) other standard terms and conditions which are customary in a shareholders agreement for a private unlisted company.

Completion of Transactions

Upon completion of the above transactions, the Company will lend US$2,500,000 of the funds received from Global Gold exercising and/or converting the Initial Tranche of the Convertible Securities to Guanaco Mining on arm's length terms for the purposes of developing the Guanaco Project.

As stated above, Vageta and GCH will initially hold 50% of Global Gold each. Upon completion of the above transactions, Global Gold will hold up to approximately 72.36% of the issued capital of the Company together with up to 3,000,000 Options convertible at 10 cents each, 23,000,000 Options convertible at 12 cents each and 90,566,381 Options convertible at 20 cents each, assuming that all Options convertible at 4 cents each have been converted by all other non-associated parties. The Company currently holds 35.77% of Guanaco Mining, which is the effective 100% holding entity of the Guanaco Project. The other equity holders are GCH (51%) and various non-associated interests holding 13.22%.

On the basis of the injection of fresh capital resulting from the transactions set out above and the Company's interests in the Guanaco Project and its other Australian gold and diamond projects, the Company is seeking re-quotation of its Shares on ASX.

1.2 Conditions of re-quotation

ASX has advised that it will consider reinstating the Company's securities to the Official List of ASX upon satisfaction of the following conditions:

(a) the Company obtaining Shareholder approval for the change of scale of activities in accordance with ASX Listing Rule 11.1.2 (refer to Resolution 1);

(b) completion of the exercise/conversion of the Initial Tranche of the Convertible Securities held by Vageta;

(c) completion of the transactions referred to in this Notice; and

(d) the Company making full and adequate disclosure to the market of the following:

  (i) the transactions referred to in this Notice;

  (ii) the capital structure of the Company;

  (iii) the current financial position of the Company;

  (iv) confirmation of the completion of the exercise/conversion of the Initial Tranche of the Convertible Securities that will be held by Global Gold as contemplated by Resolution 2;

  (v) a distribution schedule for all quoted securities of the Company;

  (vi) a listing of the 20 largest security holders for all quoted securities of the Company;

  (vii) a detailed exploration budget;

  (viii) a detailed update on the projects being acquired;

  (ix) any outstanding Appendix 3B's required to be lodged by the Company;

  (x) confirmation of the completion of the transactions referred to in this Notice; and

  (xi) any other information required by ASX, the ASX Listing Rules and the Corporations Act.

1.3 Capital Structure

The following table shows the capital structure of the Company as at February 2004 and following completion of the transactions referred to in this Notice:

Shares	Number
Shares at date of this Notice	208,959,507
Shares to be issued on conversion of the Convertible Note	27,732,040
Shares to be issued on conversion of Options ($0.04) *	100,000,000
Shares issued under the Share Sale and Subscription Agreement	76,500,000
TOTAL POST COMPLETION OF TRANSACTION	**413,191,547**

Options as at date of this Notice	
$0.04 Options	72,267,960
$0.10 Options	3,000,000
$0.12 Options	23,000,000
$0.20 Options	77,317,960
$0.30 Options	3,650,000
TOTAL	**179,235,920**

Options post Completion of the Transaction*	
$0.04 Options	-
$0.10 Options	3,000,000
$0.12 Options	23,000,000
$0.20 Options	105,050,000
$0.30 Options	3,650,000
TOTAL	**134,700,000**

*Assuming all 4 cents Options are exercised.

2 RESOLUTIONS

2.1 Resolution 1 – Change of Scale of Activities

The Company proposes to undertake a change in the scale of its activities and for this reason the Company seeks to obtain Shareholder approval under ASX Listing Rule 11.1.2.

The Company's acquisition of an interest in the Guanaco Project will result in a change in the scale of the Company's activities as the size of this operation is potentially larger and more advanced than any of the Company's previous operations.

ASX has advised the Company that it will not need to recomply with Chapters 1 and 2 of the ASX Listing Rules in order for its securities to be reinstated to trading.

The Company is seeking Shareholder approval pursuant to ASX Listing Rule 11.1.2 to ratify its acquisition of an interest in the Guanaco Project and to approve the increase in the scale of the Company's activities.

Details of the current status of the Guanaco project is found in Section 3 of this Explanatory Statement.

2.2 Resolution 2 – Acquisition of Shares and Options by Global Gold

2.2.1 General

Resolution 2 seeks Shareholder approval for:

(a) the acquisition of up to 103,766,980 Shares by Global Gold from Vageta;

(b) the issue of up to 76,500,000 Shares to Global Gold at an issue price of $0.04 per Share; and

(c) the issue of up to 235,298,421 Shares to Global Gold upon conversion of the Convertible Securities held by Global Gold.

Although the approval sought pursuant to this Resolution is intended to cover all conversions by Global Gold up to 235,298,421 Shares, only the Initial Tranche will initially be converted into Shares.

2.2.2 Section 195 of the Corporations Act

Section 195 of the Corporations Act provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a material personal interest are being considered.

Pnina Feldman, a director of the Company is associated with Vageta and accordingly, was not present and did not vote on this Resolution when it was being considered by the Directors.

2.2.3 Chapter 6 of the Corporations Act

Section 611 of the Corporations Act set out various regulatory requirements which must be satisfied in relation to the acquisition of Shares by Global Gold. These are summarized below.

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point above 20% and below 90%.

For the purposes of Section 606(1) of the Corporations Act, the voting power of a person in a company is determined in accordance with Section 610 of the

Corporations Act. The calculation of a person's voting power involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person:

(a) who has the capacity to control a company;

(b) a person who has the ability to control or influence the composition of a company's board or the conduct of a company's affairs; and

(c) who is acting in concert in relation to a company's affairs.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The voting power of Global Gold in the Company is currently nil. If Global Gold subscribes for and acquires up to 180,266,980 Shares under the Share Sale and Subscription Agreement its voting power in the Company will exceed 20%.

Item 7 of Section 611 of the Corporations Act

Resolution 2 seeks Shareholder approval under Item 7 of Section 611 of the Corporations Act in order for the voting power of Global Gold in the Company to increase to greater than 20%.

Information is required to be provided to Shareholders under ASIC Policy Statement 74 and the Corporations Act. Shareholders are also referred to the Independent Expert's Report set out in Annexure "A" to this Memorandum.

For the purposes of the Corporations Act, the following information is disclosed:

Identity of persons who will hold a relevant interest in the Shares on completion of the acquisitions.

The identity of the persons that will hold a relevant interest in the Shares on completion of the acquisitions are Global Gold and its associates, being GCH and Vageta.

GCH is under the effective control of Eduardo Elsztain, an Argentinean fund manager.

Vageta Pty Ltd is the trustee of the Vageta Trust being a discretionary trust, the beneficiaries of which are Pinchus Feldman and Pnina Feldman (**Feldmans**), any child of the Feldmans, any company in which either of the Feldmans are a director or Shareholder and any public charitable purpose or purposes as the Trustees may select.

The current directors of Vageta Pty Ltd are Pinchus, Yosef and Pnina Feldman. The current Shareholders of Vageta Pty Ltd are Pinchus and Pnina Feldman.

For the purposes of the Corporations Act, each of the parties referred to above are considered to be "associates" of Global Gold.

History of Global Gold

"Nileman Zone SA", a company incorporated and domiciled in Uruguay was acquired by GCH in accordance with the terms of the Implementation Deed. Subject to legal compliance, it is intended to change the name of this company to Global Gold Limited.

Vageta will acquire a 50% interest in Global Gold upon transfer of the Shares and Convertible Securities to Global Gold (as contemplated by Resolution 2).

The Global Gold board

Global Gold will operate under the direction of a Board of which Vageta and GCH will each appoint one member. The initial nominee of GCH will be Eduardo Elsztain (who will also be the Chairman) and the initial nominee of Vageta will be Pnina Feldman. The Chairman will have a casting vote on all matters at any Board or Shareholders' meeting of Global Gold (notwithstanding that the Chairman represents the interests of GCH) until the Loan under the Global Gold Loan Agreement is repaid in full to GCH.

Shares to which Global Gold will be entitled immediately before and after the acquisition

Other than as set out in this Notice, Global Gold and its associates are not entitled to any Shares in the Company and has no voting power in the Company.

The maximum number of Shares which may be held by Global Gold on completion of the acquisition and issue of Shares and the conversion of Convertible Securities that are proposed to be acquired by Global Gold under the Share Sale and Subscription Agreement is 415,565,401.

Set out below is a table that illustrates the maximum shareholding and voting power of Global Gold and its associates after the acquisition of Shares pursuant to the Share Sale and Subscription Agreement, and on exercise of the Options proposed to be transferred to Global Gold.

Table 1

	Global Gold's Shareholding	Total Shares on issue	Global Gold's Voting Power (%)
Current	Nil	208,959,507	Nil
Post subscription and acquisition of 180,266,980 Shares pursuant to the Share Sale and Subscription Agreement	180,266,980	285,459,507	63.15%
* Post conversion of Convertible Note and Initial Tranche of Options	298,999,020	413,191,547	72.36%
* Post conversion of the balance of the Convertible Securities	415,565,401	547,891,547	75.85%

* For the purpose of this comparison it is assumed that all other Options held by other option holders will be exercised concurrently with Global Gold.

Other Required Information

The following further information is disclosed:

(a) other than as disclosed elsewhere in this document (please refer to paragraph (i) under the heading "Shareholders Agreement" in Section 1.1), Global Gold does not propose to change the business or the current employment arrangements of the Company or redeploy any fixed assets of the Company;

(b) Global Gold does not have any present intention to inject further capital into the Company. However, if the Company wishes to raise further capital on some future date, Global Gold would, subject to the terms of the capital raising, consider supporting the Company's future capital raising initiative;

(c) Global Gold's current intention in respect of the Company's existing policies in relation to dividends is to maximize dividend payments to the Company's shareholders; and

(d) other than as disclosed elsewhere in this document, there is no proposal whereby any property will be transferred between the Company and any of Global Gold, GCH, Vageta or any of their respective associates.

2.2.4 Independent Expert's Report

The Independent Expert's Report contained in Annexure "A" sets out a detailed examination of the proposed transactions to enable Shareholders to assess the merits and decide whether to approve the proposal.

The Company commissioned KPMG Corporate Finance (Aust) Pty Limited to prepare the Independent Expert's Report for the purposes of Item 7 of Section 611 of the Corporations Act. The Independent Expert's Report contains information required to be provided to Shareholders under ASIC Policy Statement 74 and the Corporations Act.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the proposed transaction and concludes that ***it is fair and reasonable to the non-associated Shareholders in the Company***.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

2.2.5 Directors' Recommendations

The Directors (other than Ms Pnina Feldman who has a material personal interest in the outcome of the resolution) recommend that Shareholders approve the proposal for the following reasons:

(a) the subscription and acquisition by Global Gold under the terms of the Share Sale and Subscription Agreement and subsequent conversion of the Initial Tranche of the Convertible Securities will provide the Company with sufficient funds to develop the Guanaco Project and its other Australian assets; and

(b) the independent expert, KPMG, has concluded that the subscription and acquisition of Shares and conversion of Convertible Securities by Global Gold is fair and reasonable to the non-associated Shareholders in the Company.

Shareholders should read this Memorandum in full, including the Independent Expert's Report referred to above to form an opinion on the merits of the proposal.

2.2.6 Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting. Furthermore, an issue of Shares upon the conversion of Options, the issue of which has previously been approved in accordance with Listing Rule 7.1, are not taken into account in the calculation of the 15% threshold.

The Company is seeking approval under this Listing Rule for the proposed offer of up to 76,500,000 Shares to allow this number of securities not to be included in the calculation under ASX Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.1:

(a) the maximum number of securities to be issued under Resolution 2 is 76,500,000 Shares;

(b) the Shares will be issued at a price of $0.04 per Share;

(c) the Shares will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);

(d) the Shares issued will rank equally with the Company's current issued Shares;

(e) it is intended that allotment of the Shares will occur on one date;

(f) the Shares will be issued to Global Gold; and

(g) the Company intends to use the funds raised from the issue of the Shares for the following purposes:

    (i) general working capital; and

    (ii) to fund the Company's exploration program in Australia and Chile as further detailed in this Explanatory Statement.

3 EXPLORATION PROGRAMS

3.1 GOLD PROJECTS

CHILE

Guanaco Project

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 200km southeast of Antofagasta and about 50km east of the Pan American highway.

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

The Guanaco mine is 40km from Meridian Gold's El Penon gold mine which produces 320,000 ounces of gold annually at a cost of less than US$50 per ounce. Guanaco is also 80km from BHP Billiton's Escondida mine, which produces 1.2 million tonnes of copper annually and is one of the world's largest copper mine.

In 1991 Amax Gold Inc optioned the property and established a reserve of 11.5 million tonnes (Mt) at 1.77g/t gold. 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 between 3g/t and 4g/t. In 1999 Kinross Gold acquired Amax and the property was taken over by its local subsidiary Kinam Guanaco. Golden Rose International, a wholly owned subsidiary of Diamond Rose NL executed an option purchase agreement to acquire the property from Kinross in September 2002. The option was finally exercised in March 2003 by Golden Rose Chile Limitada (currently denominated Robolistic Chile Limitada), a company wholly owned by Guanaco Mining Company Ltd., in which Diamond Rose NL currently has a 35.77% interest. The controlling Shareholder of Guanaco Mining Company Ltd is Guanaco Capital Holding Corp., the company which, through a Global Gold -in partnership with Vageta- will control Diamond Rose.

The Guanaco Project covers 150km2 of concessions, which only exclude the Soledad claims, adjacent to the Guanaco mine, as well as a few other minor third-party properties.

In August 2003, the Sydney based mining consultancy Terence Willsteed and Associates (TWA) undertook a review of the project.

Current Status

The Guanaco mine is currently under care and maintenance. There are three open pits:

- Dumbo and Defensa open pits exploiting the Dumbo Defensa vein structure; and
- Perseverancia pit exploiting the Chilena vein structure.

Substantial infrastructure exists including:

- crushing plant;
- heap leach piles with 11Mt @ 0.7g/t gold;
- 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.

Potential

Over the 150km2 concession there are numerous untested gold and copper targets. Drilling, trenching, rock and soil sampling, remote sensing techniques and various geophysical methods have contributed a large amount of available information 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 3.5km mineralized strike of the Dumbo-Defensa vein system. The Dumbo-Defensa system is flanked by at least 10 other sub-parallel gold bearing structures with potential substantially greater than that of the Dumbo-Defensa system.

During late 1999 and early 2000 a wide spaced drilling program identified the Cachinalito deposit. On the eastern flank of the Cachinalito system a recently identified vein system could also have significant resource potential. Reconnaissance drilling of CSMAT geophysical anomalies between September and December 2000 led to the discovery of the Gaviota zone.

Drilling undertaken by Amax and Kinross has identified significant potential for high-grade underground ore 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 intersected significant lengths of enargite rich copper-gold mineralization. An Amax resource estimate suggests an inferred resource of 42Mt grading 0.84% copper and 0.6g/t gold to 150m depth below these two pits. This resource is open to expansion in both strike directions and to depth.

The heap leach piles contain in excess of 11Mt of 0.7g/t gold and testwork suggests that a substantial proportion of this gold may be economically recovered.

The estimated resources at Guanaco are:

Resource Area	**Category**	**Tonnes [t]**	**Gold Grade [g/t]**	**Contained Gold [oz]**
Cachinalito	Indicated	1,837,974	5.69	335,000
	Inferred	2,000,000	5.50	355,000
Dumbo	Indicated	1,772,850	2.20	125,000

Extension	Inferred	1,500,000	2.20	100,000
Leach Piles	Indicated	11,100,000	0.73	260,000
Chilena	Inferred	2,500,000	5.00	400,000
Total ounces:	Indicated:			720,000
	Inferred:			855,000
	Total:			**1,575,000**

Proposed Drilling and Geology Program

TWA has recommended a 13,500m drilling program to:

- test the heap leach piles,
- infill existing resource drilling,
- test extensions of known vein structures; and
- review the existing mine data for all relevant supplementary geological material.
- This program is estimated to cost US$1.5 million.

AUSTRALIA

Broadbents is located approximately 200 kilometres north of Southern Cross and 175 kilometres west of Menzies.

Diamond Rose purchased a 90% interest in this 64ha granted Mining Lease 77/869 at Johnston Range in the Yilgarn Goldfield of Western Australia through the issue of 700,000 fully paid Diamond Rose shares.

Previous work has defined an inferred resource of approximately 30,000 tonnes grading between 1.2 g/t and 2.75g/t gold within surface laterites over old mine workings. Past production dating back to 1939 totals 8384 grams from 347 tonnes @ 24g/t gold.

Recent exploration includes drilling by International Nickel Ltd in 1982, geological examinations by K H Morgan in 1986; P K Cunningham Dunlop in 1986; 36 RC drill holes totalling 518 metres by Mount Edon Gold Mines in 1986; metallurgical test work by Normet in February 1988; and a report prepared for Pathfinder Gold NL in July 1988.

The Broadbents workings are located between two ridges of interbedded iron formation and pelitic and psammitic metasedimentary rocks. Work to date has only concentrated on a strike length of approximately 120 metres surrounding the old workings. Black shale is exposed over approximately 700 metres and may be present beneath cover for up to 1,100 metres as it is positioned diagonally within the centre of the tenement.

A program of sampling was undertaken over the mineralised zone to confirm results of previous explorers. The results once again demonstrated the high-grade nature of gold in surface laterites over an area of approximately 50x40 meters.

In the high grade zone the average assay value from 32 samples was 5 g/t.

Some of the assays recorded were sufficiently significant to justify a more detailed program of pitting and bulk sampling to determine the potential tonnage of this higher-grade material at depth.

Proposed Work Program

Proposed program, following compilation of all previous work, is to carry out several lines of RAB sampling over the interval known to contain high grade gold in laterite and reconnaissance RAB sampling across the prospective horizon to the north and south of the known workings.

The purpose of the program is to confirm previous resource grade estimates in the laterite, extend the known resource to the north and south, obtain bedrock anomalies relating to distribution of primary mineralisation outside the area previously concentrated on, and to determine where the mineralised zone continues. Results of the program will be used to determine where potential exists to develop resources in the primary zone.

A budget of $128,000 is recommended to implement the proposed work program.

BULLABULLING

The Bullabulling Project under application by Golden Rose Pty Limited, a wholly owned subsidiary of Diamond Rose covers 1233 hectares. It is located in the gold mining area of Bullabulling, West Australia 70 kilometres west from Kalgoorlie within the Coolgardie Mineral Field, 25km west of Coolgardie.

Golden Rose applied for an additional five prospecting licences (15/4518, 4519, 4520, 4521, 4522) in the project area.

Reports on previous exploration activity and expenditure within the Company's project area are available on "Open File" on the Western Australian Mineral Exploration Index maintained by the Department of Mineral and Petroleum Resources, Western Australia. These reports indicate that Central Kalgoorlie Gold Mines Ltd, Resolute Ltd, Conquest Mining Ltd, Fimiston Resources and Technology Ltd, IPT Systems Ltd, Newcrest Mining Ltd and Royal Harry Gold Mines NL have spent some $350,000 on exploration activity in these areas.

Exploration by Central Kalgoorlie Gold Mines Ltd and Resolute Ltd on areas covered by PL15/4518 and PL15/4520 included geological mapping, soil and channel sampling, aero-magnetics and some RAB drilling. Gold in soil anomalies up to 0.6g/t Au were detected and channel sampling also returned assays of up to 24.25g/t Au for 0.58m.

Resolute Ltd previously undertook soil sampling, RAB and vacuum drilling, and geophysical interpretation over parts of the area covered by PL15/4522.

Gold mineralisation at Bullabulling has been shown to be associated with local mineralised shear zones. These zones are typified locally by biotite and carbonate alteration and zones of enhanced pyrrhotite mineralisation around the quartz veins. Past exploration and prospecting within the new applications have shown carbonate and biotite alteration associated with gold mineralised quartz veins around the old workings.

Diamond Rose applications lie along strike (approximately 5 km) to the north of the Phoenix, Dicksons, Bacchus and Griffen gold deposits and covers the same geological horizon. Immediately to the south (120m) of P15/4519 is the May Joy Gold Deposit and immediately north of PL15/4521-4522 lies extensive gold in laterite.

The Company's project area adjoins ground over which Jervois Mining NL recently executed a "deed of sale" which will lead to the acquisition of Resolute Ltd's Bullabulling gold project, which ceased operation in September 1997.

Jervois has finalised feasibility into recommencing mining at Bullabulling. The project contains resources, calculated by Resolute, of some 9 million tonnes containing 430,000 ounces of gold.

Proposed Work Program

The proposed program, following compilation of all previous work, is to complete soils coverage over all areas in which the sample type or analytical procedures are not considered to be adequate by modern standards, carry out RAB sampling lines adjacent to the southern boundary of the PL adjacent to the May Joy deposit, and adjacent to the northern boundary of PL's 15/4521-2 where extensions of the gold in laterite would be sought as well as assessing the bedrock for primary sources of gold dispersed into the laterite.

Diamond drilling of extensions to the May Joy deposit will be carried out to complement the RC program.

Aim of the program is to develop sufficient resources to allow mining and treatment of ore through the Jervois Mining NL plant at Bullabulling.

A budget of $195,000 will be used to implement the proposed work program .

Drysdale Tenements – E80/3048, E80/3049, E80/3050, E80/3051:

During the mid 1990's, Astro Mining Ltd recovered a trail of free gold grains from heavy mineral concentrates, collected from their diamond exploration. Landsat studies at the time also detected spectral anomalies across their tenements, which were used to assist in the generation of potential diamond source targets.

In recent years, the use of spectral targets by DeBeers in the northeast Kimberley led to the detection of a large region of alteration in an area held by their JV partner- Striker Resources. These alteration features were shedding large quantities of free gold, and subsequent drilling and mapping identified areas of large, low-grade gold mineralisation.

On the basis of similarity of free gold recovery and proximity of spectral targets, Diamond Rose applied for four tenements in the central Kimberley. There is a distinct probability of primary gold mineralisation in these tenements, as a number of the free gold trails appear to originate from areas containing a number of spectral anomalies, thought to be alteration features.

Proposed Work Program

The proposed work program, following compilation of previous data, is to carry out BLEG sampling at a rate of approximately 1 sample /2 km2 to allow identification of the highest priority areas for soil sampling, mapping and rock chip sampling.

A follow up drilling program is anticipated but has not been included in the current budget

A budget of $139,000 will be used to implement the proposed work program.

KOOKYNIE

The Kookynie project is located 45km southeast of Leonora, Western Australia and consists of an active mining licence M40/116 totalling 58.2 hectares, two exploration licences of one graticular block each and seven prospecting licenses totalling 280 hectares and contains the Britannia and Homeward Bound historic gold mines and numerous old gold workings.

Britannia gold mine has historic gold production of 13,839 ounces @ 27g/t Au and Homeward Bound Gold mine has historic gold production of 674 ounces @ 105 g/t Au.

The project lies within the Keith Kilkenny Tectonic Zone of the Archaean Norseman-Wiluna greenstone belt, and comprises a cyclically alternating sequence of basic and intermediate to acid volcanic rocks, pyroclastic rocks, and minor sediment that has been intruded by granitoids. Extensive transported Cainozoic laterite and clay cover obscure quartz-feldspar porphyry, felsic intrusive rocks, rhyolite tuff, dolerite, and granite.

Previous exploration on M40/116 has been in excess of $145,000 and consisted of soil sampling and follow up RAB drilling. In late 1998 detailed magnetics and a new interpretation delineated a number of additional targets and lineaments that will be followed up by the Company.

Proposed Work Program

The proposed work program on the newly interpreted targets will consist of RAB sampling over approximately 5 kilometres of strike, followed by an RC drilling program.

Aim of the program is to define potentially bulk mineable targets within this area where previously mined veins have been narrow and high grade.

A budget of $307,000 will be used to implement the proposed work program .

LEONORA

The Company has applied for two exploration licenses (E37/728 and E37/729) that straddle the Mt Margaret Mineral Field (Mt Malcom District) and the North Coolgardie Mineral Field (Menzies District) which is located from 7 to 23 km west-northwest of Leonora.

Geology

The licenses cover a portion of the western contact of the Archaean Leonora greenstone belt with bounding granitoid rock. Interpretation of aeromagnetic data suggests that faulted wedges of ultramafic rock occur along the eastern, northern and central portions of the tenement, which is principally underlain by granite.

The license areas are interpreted to cover a relatively unmapped greenstone belt west of Leonora. The existing mapping suggests that there is virtually no exposure of recognizable Archean basement lithologies in the vicinity of the project. Field visits by Geochemix, Endeavour Resources NL and local prospectors have identified granitic and greenstone material as float or perhaps sub-crop. Cainozoic lateritic and alluvial materials mask the region. Recent geophysical interpretation by an independent geologist has mapped a continuous magnetic anomaly throughout the licenses and they are interpreted to be of mafic origin.

The southern part of the two licences covers a prominent dipolar magnetic anomaly that was situated to the west of the St George Shear Zone. The shear zone forms the boundary between the Melita-Kookynie greenstone belt and the granitoid terrain to the west. Exploration in 1994 to 1995 comprised of airborne and ground reconnaissance including sampling and metal detecting.

Exploration on the southern portion of the leases near Mary Bore in 1995 to 1996 comprised a data review and interpretation of the aeromagnetic data. The aeromagnetic interpretation outlined 6 magnetic/structural targets for follow up and it was proposed that geological mapping and geochemical orientation be undertaken to determine if any mafic gneiss, that may be remnant greenstone, exists in the project area.

Proposed Work Program

The proposed work program on the newly interpreted targets will consist of RAB sampling over approximately 9 kilometres of strike, followed by an RC drilling program.

Aim of the program is to determine whether the magnetic anomaly is due to unmapped greenstones, whether the target zones interpreted are gold mineralised and whether there is bulk mineable potential in gold mineralised zones.

It is anticipated that RC drilling programs will be justified by the RAB program. This follow up program has not been included in the current budget.

A budget of $449,000 will be used to implement the proposed work program.

Lake Raeside Gold Project (E37/736)

The application covers 70 blocks and is located approximately 45km north west of Leonora straddling the Mt Margaret Mineral field of the Malcolm District and the North Coolgardie Mineral field of the Menzies District.

The Exploration Licence Application covers seventy graticular grids covering over 25km in a north south direction and over 10km east west.

This is an under explored region covering over 20km of masked archaean greenstone belts and the associated Wildara Shear, which is a splay off the Keith Kilkenny Lineament.

Previous exploration has been limited due to the Cainozoic (recent) cover masking the underlying archean geology. Several companies during the 1970's explored for ultramafics in the vicinity of Schmidt's Well (northern part of licence) for Cu/Ni sulphides but no economic mineralisation was reported. Also during the 1970's Western Mining Corporation conducted regional uranium exploration in the recent sediments.

Dominion Mining in the 1990's undertook exploration using regolith mapping and RAB drilling in the north east part of our application, they noted that Quarternary sediments obscure the underlying Archaean stratigraphy, which comprise greenstone enclaves within granite. Greenstone lithologies, as indicated by drilling include tholeiitic and komatiitic basalt and minor low magnesia ultramafic rocks. RAB drilling along a greenstone granite contact returned low to moderate gold anomalies up to 62 ppb Au.

Between 1992 and 1997 Stockdale Prospecting Ltd undertook exploration for diamonds in the southern part of the licence application. They interpreted aerial photographs, landsat and geophysical data which was followed up by stream sediment sampling. The tenement was determined not to be prospective for diamonds because the spinel grains recovered were derived from greenstone rocks.

Proposed Work Program

The proposed work program will consist of detailed interpretation of the magnetic data to interpret combined structural and stratigraphic targets on the greenstones present. Initial testing will consist of RAB sampling, followed by an RC drilling program on any significant anomalies. This follow up program has not been included in the current budget.

A budget of $165,000 will be used to implement the proposed work program .

ROCKLEA

The tenements cover a portion of the northern margin of the Rockley Dome, an Archaean inlier 6o kilometres northwest of Paraburdoo in the Pilbara area of Western Australia.

The dome consists of an Archaean granite core with greenstone remnants overlain by an Archaean bimodal volcanic and sediment suite that contains alteration zones, some with recognised gold mineralisation. Overlying the Archaean sequences is the the Archaean to lowest Proterozoic Fortescue Group, that includes gold bearing conglomerates where they overlie stockworked and altered sediments and possible altered volcanics.

Previous workings have included bulldozing up the top 0.5 metres of weathered rock and soil over both the source sequence and the overlying conglomerates. Gold tends to be coarse and abundant in small gullies on the access road to the previous mining area. At least two drill holes were drilled along strike from the mining area at a silicified and quartz veined shear zone, however results are unknown. Diamond Rose previously drilled part of the alteration zone and found gold responses associated with the base of weathering. No intersections of primary mineralisation were made.

Previous geochemical sampling indicated widespread anomalous Au, As, Pb and Zn. Evaluation of the silicified outcrops, the geochemical responses and regional geology inmdicates that there is at least one major alteration zone present with a strike of at least 10 km. The previous mining is associated with a central part of this alteration zone.

Proposed Work Program

The proposed work program will consist of detailed drainage geochemical sampling, grid soil sampling over the entire strike length of alteration zone within the tenements, followed by an RC drilling program.

A budget of $84,000 will be used to implement the proposed work program .

3.2 DIAMOND PROJECTS

NEW SOUTH WALES

Mount Jerusalem, NSW – EL 5902 – 100% interest

Review Of Progress to March 2004

The Mt Jerusalem Project is located in northeastern NSW near Mullumbimby and consists of EL 5902. The tenement area covers the site of the discovery of a large diamond in Coopers Creek by James Booth, a local prospector, in the 1970's. Adjoining drainages are also covered by the tenement.

Additional diamonds were reported from the region by Professor Liversidge in 1888, who reported the occurrence of diamonds near the mouth of the Richmond River at Ballina. Coopers Creek lies within the catchment of the Richmond River, together with a considerable proportion of the Mt Warning Volcanic Complex. Diamond was also recovered from a bulk sample of a Tertiary age basaltic diatreme at Mt Brown, about 65 km to the south west of Coopers Creek.

Regional geology consists of a major basaltic volcanic complex of at least two ages overlying sediments of the Jurassic to Cretaceous age Clarence Morton Basin. A possible conglomerate horizon has been identified high in the volcanic sequence associated with the older southern eruptive centre.

Sampling programs by Diamond Rose have been carried out to evaluate the potential of the project with encouraging results.

Initial reconnaissance drainage sampling recovered concentrates with minerals considered to be particularly significant for the most likely diamond models applicable to Eastern Australia. Traditional diamond models such as the kimberlite model are now known to not be applicable and their use in the past has resulted in failure to recognize the sources of the locally derived macrodiamonds in NSW.

Minerals of particular significance recovered initially by Diamond Rose were the association of kyanite, staurolite, gahnite and corundum, a high pressure mineral assemblage out of context in the basalt. Chromite, picro ilmenite and chrome spinels reported are unlikely to be significant for diamond but related to the volcanics. Almandine and grossular garnet were also reported but are of currently unknown significance.

Concentrates from recent mini bulk sampling recovered substantial volumes of concentrates that contain a broad range of garnets as well as sapphirine or gahnite, possibly high pressure minerals of significance for diamond occurrence.

Analysis of the garnets is planned with grains currently being mounted. Sufficient grains of garnet were recovered to obtain statistically significant and definitive results on diamond potential of the area.

Outcomes expected from the analytical program are identification of of various origins, which may include diamond facies eclogitic or Ultra High Pressure garnets. If these are present they can be routinely used to find the source of the large diamond recovered by Booth. If no diamond facies garnets can be recovered then the tenement should be relinquished.

Major advances in recognition of diamond models applicable to NSW, recognition of the problems not addressed by previous explorers in NSW, advances in analytical techniques and in chemical classification schemes for garnets from the different models in the last six months allows for far more effective exploration now than in the past.

Successful exploration in the Mt Jerusalem area is expected to give the company expertise that can be applied in many other areas of Eastern Australia that have not so far been successfully explored for the sources of the alluvial macrodiamond concentrations present.

Proposed Work Program

Provided positive results are obtained for the samples now being assessed then the regional program of drainage sampling is proposed to be carried out together with evaluation of the reported conglomerate horizon.

Regional exploration will be completed with a series of heavy mineral samples that are proposed to be taken at 1-2 km intervals on minor and moderate sized drainages present in the area. A total of approximately 40 samples of up to 100 kg of in situ material each are likely to be required to give coverage of the reduced area of the tenement.

Budget for regional coverage of the tenement, including a comprehensive analytical program, which would lead to source areas would cost approximately $40,000.

WESTERN AUSTRALIA

Upper Beta Creek, Western Australia - Exploration Licences 80/1637, 1638 and 1676

The Upper Beta Project is a joint venture between the current manager Diamond Rose NL, Moonstone Diamond Corporation NL, Western Minerals NL and BHP. The project area lies within the North Kimberley Kimberlite Province near the northernmost tip of Western Australia. Past diamond exploration was carried out from 1976-1985 and 1993 onwards with participating companies being CRAE, BHP Minerals, Swan Resources, Freeport, New Standard Exploration, Moonstone and now Diamond Rose. Over 20 alluvial diamonds have been recovered within the tenements. Seven of these diamonds, the largest weighing 0.508 carat, were retrieved from a 22 tonne gravel bulk sample by BHP Minerals. These diamonds were described as clear to pale brown, flattened octahedra with minor superficial green/brown spotting.

Diamond Rose commissioned two airborne magnetic/EM surveys in 1997and 1998 that highlighted numerous discrete anomalies in the vicinity of previous diamond and indicator mineral anomalies. Follow-up exploration to establish the significance of these geophysical targets was subsequently undertaken and suspected kimberlite was found on the basis of rock geochemistry and petrology of drill cuttings. On the basis of these results, the company considered that there were 3 suspected kimberlite clusters based on mineral indicator distribution.

Exploration of 13 airborne EM targets was successful in providing indications of underlying kimberlite. Loam sampling (1.38 tonnes) returned few indicator minerals with a 38% success rate. On the basis of previous sampling results, suspected overburden and rapid chemical alteration of indicator minerals in this environment, these returns were not unexpected. Soil geochemical results from sampling at 25 metre intervals identified high order anomalies in ultramafic and kimberlite pathfinder elements at 12 sites. At least six kimberlites had been interpreted on the basis of the geochemical results, heavy mineral results and drill hole data on DIGHEM anomalies.

The Company subsequently entered a JV with BHP who flew their Falcon airborne gravity system over the tenements. Various anomalies were interpreted, some of which were coincident with previous DIGHEM anomalies. RC drilling was carried out by BHP on several anomalies within the area previously flown with DIGHEM by Diamond Rose.

The drill hole sampling was carried out by collection of samples for both geochemical and indicator mineral determination. Kimberlite such as at Ashmore would have been very difficult to recognise in the cuttings in hand specimen due to destruction of textures during drilling.

The Ashmore pipes are negative features that have an upper sandstone infill layer, which may be up to 10 metres thick on top of a rubble zone that may be 20-30 metres thick. Below the rubble zone is the brown siltstone zone. The brown "siltstone" zone is weathered primary kimberlite breccia, which does not have a particularly large number of clasts. The rubble zone may also be kimberlitic crater infill, however it does not retain primary textures.

BHP's work was not successful in locating additional kimberlites with Falcon and the Diamond Rose targets have not been progressed.

Proposed Work Program

The proposed work program is to carry out additional interpretation of the previously acquired DIGHEM data to allow accurate recovery of anomalies in the field. Following this work, geochemical soil sampling traverses are to be carried out over all anomalies to allow ranking of targets. Previous drilling on DIGHEM targets was not well located and despite intersecting what was interpreted as weathered kimberlite, it did not evaluate the targets well. Additional drilling on six targets is warranted immediately and further targets may be indicated from the revised DIGHEM interpretation.

Due to overburden being up to 10 metres thick over the Ashmore pipes, the program recommended is for RC drilling rather than excavator samples at this stage. The aim of the program is to test size and shape of kimberlite targets present, sample drill cuttings for heavy minerals and assess macro diamond content.

Samples for grade assessment would be included in future programs and are not included in this budget.

A budget of $242,000 will be used to implement the proposed work program.

Walgidee Hills E 04/832 & E 04/1158

The prospect is located on Noonkanbah station 160 km southeast of Derby.

The area lies in the Fitzroy Trough on the southern margin of the King Leopold mobile belt.

The prospect is a 490 hectare lamproite pipe that has significant microdiamonds present in one particular marginal tuff as well as some macrodiamonds. Some microdiamonds were also recovered from a geochemically anomalous central area within the pipe that may have macrodiamond potential.

The geology of the pipe appears to be moderately well known from previous work and appears to be a single large eruptive event created the pipe shape, with any subsequent eruptions being contained within the initial crater.

Testing carried out previously is incomplete and concentrates from bulk sampling remain to be treated for macrodiamonds.

As the pipe is very large and has been eroded to a significant degree there remains a large proportion of the pipe that has not been adequately tested. This includes both the central areas and much of the western half of the pipe. The pipe has a resistant margin of low hills along much of its western margin and most of the pipe has a slight slope to the south west. A broad drainage line leads away from the south west of the pipe.

Proposed Work Program

The proposed work program includes treatment of remaining bulk sample concentrates for +2mm diamonds and bulk sampling of the exit drainage to the pipe with a 200 cubic metre bulk sample of carefully selected channel alluvium. A second 50 cubic metre sample is to be taken from the geochemically anomalous central western part of the pipe. Location of the sample will be determined after assessment of the effect of surficial sediment transport on the anomaly source location.

The aim of the program is to assess whether there are any commercial sized macrodiamonds being eroded from the pipe.

A budget of $46,000 will be used to implement the proposed work program.The technical information on the various Australian exploration tenements contained in this report has been compiled from information supplied by Diamond Rose Consultant Geologists Mr Peter Temby, Ass DipGeol MAIG, Ms Maureen Muggeridge B.Sc. (Geology and Computer Science), Mr Jeremy Snaith BSc and Mr John Ceplecha, B.Sc. (Hons), M.Appl.Sc.

Mr Temby, Ms Muggeridge, Mr Snaith and Mr Ceplecha have the relevant experience as Competent Persons as defined in the "Australasian Code for reporting of Identified Mineral Resources and Ore Reserves".

The information contained in this report that relates to Mineral Resources or Ore Reserves associated with the Guanaco, Chile Gold Project and is based on information compiled by Terry Walker M Sc. P .Geo.

Mr Walker is an independent consultant to the Company and has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 1999 Edition of the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves".

The report was prepared by Heath Sandercock B.Eng MAusIMM who consents to the inclusion of the report in the form and context in which it appears.

Tenement Schedule – Diamond Rose Australian Projects

Ten No	Prospect	Status	Grant Date	Expiry Date	Area	Rent	Commit	Hldr	Mgr
NEW SOUTH WALES									
CAPERTEE/AIRLY									
EL 5902	Capertee / Airly	G	1/11/2001	31/10/2003	74.0 UNIT	$1,554.00	$57,000.00	DIA	DIA
						$1,554.00	**$57,000.00**	1 Tenement(s)	
WESTERN AUSTRALIA									
BROADBENTS									
M 77/869	Broadbents	G	14/02/2001	13/02/2022	64.0 HA	$829.40	$10,000.00	DIAMP	DIA
						$829.40	**$10,000.00**	1 Tenement(s)	
BULLABULLING									
P 15/4514	Bullabulling	A	12/06/2002	Appl'n	173.0 HA	$0.00	$0.00	GOL	DIA
P 15/4515	Bullabulling	A	12/06/2002	Appl'n	128.0 HA	$0.00	$0.00	GOL	DIA
P 15/4516	Bullabulling	A	12/06/2002	Appl'n	192.0 HA	$0.00	$0.00	GOL	DIA
P 15/4518	Bullabulling	A	26/07/2002	Appl'n	169.0 HA	$0.00	$0.00	GOL	DIA
P 15/4519	Bullabulling	A	26/07/2002	Appl'n	144.0 HA	$0.00	$0.00	GOL	DIA
P 15/4520	Bullabulling	A	26/07/2002	Appl'n	117.0 HA	$0.00	$0.00	GOL	DIA
P 15/4521	Bullabulling	A	26/07/2002	Appl'n	186.0 HA	$0.00	$0.00	GOL	DIA
P 15/4522	Bullabulling	A	26/07/2002	Appl'n	124.0 HA	$0.00	$0.00	GOL	DIA
						$0.00	**$0.00**	8 Tenement(s)	
DRYSDALE A									
E 80/3048	Drysdale "A"	A	9/05/2002	Appl'n	69.0 BLKS	$0.00	$0.00	DIA	DIA
E 80/3049	Drysdale "A"	A	9/05/2002	Appl'n	70.0 BLKS	$0.00	$0.00	DIA	DIA
E 80/3050	Drysdale "A"	A	9/05/2002	Appl'n	70.0 BLKS	$0.00	$0.00	DIA	DIA
E 80/3051	Drysdale "A"	A	9/05/2002	Appl'n	65.0 BLKS	$0.00	$0.00	DIA	DIA
						$0.00	**$0.00**	4 Tenement(s)	
KOOKYNIE									
E 40/197	Kookynie	A	23/12/2002	Appl'n	1.0 BLKS	$0.00	$0.00	GOL	DIA
E 40/198	Kookynie	A	23/12/2002	Appl'n	4.0 BLKS	$0.00	$0.00	GOL	DIA
M 40/116	Kookynie	G	10/11/1993	9/11/2014	58.2 HA	$752.84	$10,000.00	GOL	DIA
P 40/1112	Kookynie	A	23/12/2002	Appl'n	41.0 HA	$0.00	$0.00	GOL	DIA
P 40/1115	Kookynie	A	17/01/2003	Appl'n	10.0 HA	$0.00	$0.00	GOL	DIA

Tenement Schedule – Diamond Rose Australian Projects

Ten No	Prospect	Status	Grant Date	Expiry Date	Area	Rent	Commit	Hldr	Mgr
P 40/1116	Kookynie	A	17/01/2003	Appl'n	18.0 HA	$0.00	$0.00	GOL	DIA
P 40/1117	Kookynie	A	17/01/2003	Appl'n	58.0 HA	$0.00	$0.00	GOL	DIA
P 40/1118	Kookynie	A	17/01/2003	Appl'n	21.0 HA	$0.00	$0.00	GOL	DIA
						$752.84	**$10,000.00**	8 Tenement(s)	
LEONORA									
E 37/728	Leonora	A	31/05/2002	Appl'n	70.0 BLKS	$0.00	$0.00	GSE	DIA
E 37/729	Leonora	A	31/05/2002	Appl'n	68.0 BLKS	$0.00	$0.00	GSE	DIA
						$0.00	**$0.00**	2 Tenement(s)	
RAESIDE									
E 37/736	Raeside	A	8/08/2002	Appl'n	70.0 BLKS	$0.00	$0.00	GSE	DIA
						$0.00	**$0.00**	1 Tenement(s)	
ROCKLEA									
E 47/952	Rocklea	A	29/09/1998	Appl'n	69.0 BLKS	$0.00	$0.00	DIA	DIA
						$0.00	**$0.00**	1 Tenement(s)	
UPPER BETA CREEK									
E 80/1637	Upper Beta Creek	G	2/09/1993	1/09/2003	58.0 BLKS	$5,576.12	$76,100.00	BCD	DIA
E 80/1638	Upper Beta Creek	G	2/09/1993	1/09/2003	52.0 BLKS	$4,999.28	$73,400.00	BCD	DIA
E 80/1676	Upper Beta Creek	G	23/12/1993	22/12/2002	56.0 BLKS	$5,383.84	$100,000.00	BC1	DIA
E 80/2545	Upper Beta Creek	G	14/08/2000	13/08/2005	18.0 BLKS	$1,730.52	$32,400.00	DIA	DIA
E 80/2546	Upper Beta Creek	G	14/08/2000	13/08/2005	24.0 BLKS	$2,307.36	$42,300.00	DIA	DIA
						$19,997.12	**$324,200.00**	5 Tenement(s)	
WALGIDEE HILLS									
E 04/832.	Walgidee Hills	G	26/08/1993	25/08/2003	14.0 BLKS	$1,345.96	$60,000.00	DRL	DIA
E 04/1158	Walgidee Hills West	G	9/04/2003	8/04/2008	50.0 BLKS	$4,807.00	$45,000.00	DIA	DIA
						$6,152.96	**$105,000.00**	2 Tenement(s)	
						$29,286.32	**$506,200.00**		

Diamond Rose Summary Budgets – Australia													
Project													
	Broadbents	Bullabulling	Drysdale	Kookynie	Leonora	Lake Raeside	Rocklea	Mt Jerusalem	Upper Beta Creek	Walgidee Hills	Totals	Percent -ages	Item
Bulk Sampling	0	0	0	0	0	0	0	0	15000	32750	47750	**3**	**Bulk Sampling**
HM samples	0	0	0	0	0	0	0	26000	20700	1000	47700	**3**	**HM samples**
Soil	100200	5450	33500	60500	39000	112500	18000	0	3500	300	372950	**21**	**Soil**
Drilling	18994	164745	34310	219945	370295	40055	53475	7543	176070	8196.2	1093628	**61**	**Drilling**
Drainage Sampling	0	0	47000	0	0	0	1000	0	0	0	48000	**3**	**Drainage sampling**
Geology	9000	25000	25000	27500	40000	12500	12500	6750	27500	4000	189750	**11**	**Geology**
Totals	**128194**	**195195**	**139810**	**307945**	**449295**	**165055**	**84975**	**40293**	**242770**	**46246**	**1799778**	**100**	

SECTION 3

GLOSSARY

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the board of directors of the Company.

Business Day has the meaning given to that term in the ASX Listing Rules.

Company and **Diamond Rose** means Diamond Rose NL (ABN 30 075 860 472).

Convertible Note means the convertible note that was issued to Vageta by Diamond Rose pursuant to a Shareholder approval obtained in October 2000.

Convertible Securities means:

(a) 91 million Options with an exercise price of $0.04 per Option;

(b) 3 million Options with an exercise price of $0.10 per Option;

(c) 23 million Options with an exercise price of $0.12 per Option;

(d) 90,566,381 Options with an exercise price of $0.20 per Option,

each of which, on exercise, will entitle the holder to acquire one Share, and

(e) the Convertible Note, which on conversion will entitle the holder to 27,732,040 Shares.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

EST means Eastern Standard Time.

Explanatory Statement means the statement set out in Section 3 of this Memorandum.

GCH means the Guanaco Capital Holding Corporation.

Global Gold and Global Gold Limited means Nileman Zone SA, a company incorporated and domiciled in Uruguay, is incorporated under Republic of Uruguay laws, and registered at the National Commerce Register under nº 9720.

Guanaco Project means the gold exploration project located in Chile, further details of which are set out in Section 3 of this Memorandum.

Initial Tranche means the 91 million Options with an exercise price of $0.04 each and the Convertible Note.

Meeting means the meeting convened by the Notice.

Memorandum means this information memorandum.

Notice means the notice of meeting set out in Section 2 of this Memorandum.

Official List means the official list of ASX.

Option means an option to subscribe for a Share.

Resolution means a resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of the Company and **Shares** has a corresponding meaning.

Shareholder means a holder of Shares.

Vageta means Vageta Pty Ltd as trustee for the Vageta Trust.

KPMG

KPMG Corporate Finance (Aust) Pty Ltd
Australian Financial Services Licence No. 246901

ABN: 43 007 363 215

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Australia

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Australia

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Facsimile: +61 2 9335 8021
DX: 1056 Sydney
www.kpmg.com.au

FINANCIAL SERVICES GUIDE

Dated 6 July 2004

1 KPMG Corporate Finance

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215 ("KPMG Corporate Finance" or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2 Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 246901**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3 Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4 General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5 Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither KPMG Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6 Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7 Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8 Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is ultimately wholly owned by and operates as part of KPMG's Australian professional advisory and accounting practice. Our directors may be partners in KPMG's Australian partnership.

From time to time KPMG Corporate Finance or KPMG and/or KPMG related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9 Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, KPMG Corporate Finance, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007

Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291

10 Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

KPMG

ABN: 51 194 660 183

10 Shelley Street
Sydney NSW 2000
Australia

PO Box H67
Australia Square
Sydney NSW 1213
Australia

Telephone: +61 2 9335 7000
Facsimile: +61 2 9299 7077
DX: 1056 Sydney
www.kpmg.com.au

Private and confidential
The Directors
Diamond Rose NL
69 Penkivil Street
BONDI NSW 2026

30 July 2004

Dear Sirs/Madam

APPENDIX A - Independent Expert Report

1 Introduction

You have requested KPMG Corporate Finance (Aust) Pty Ltd ("KPMG Corporate Finance") to provide you with an independent expert report ("IER") in relation to the proposed transfer of Vageta Pty Ltd's ("Vageta") interest in Diamond Rose NL's ("DRN" or "the company") issued capital to Nileman Zone SA (hereafter referred to as "Global Gold"), a company to be jointly owned by Vageta and Guanaco Capital Holding Corporation ("GCH") and the subsequent placement of 76.5 million ordinary shares in DRN to Global Gold (the "Proposal"). The Proposal is dependent on the completion of a series of inter-related transactions (the "Transaction") which are formalised in an implementation deed.

The Board has requested KPMG Corporate Finance prepare an IER indicating whether, in our opinion, the Proposal is fair and reasonable to Minority Shareholders of DRN not associated with Vageta (the "Non-Associated Shareholders").

DRN is a public company whose shares are currently suspended from trading on the Australian Stock Exchange Limited ("ASX"), pending the outcome of proposed changes in the company's operations. DRN listed on the ASX in April 1997 with its operations being initially focused on diamond and gemstone exploration. During 2002, DRN established a gold division to develop gold interests both in Australia and internationally.

Our report is required pursuant to Section 611 (formerly Section 623) of the Corporations Act (the "Act") as Global Gold will acquire more than 20% of the voting rights in DRN without making a full takeover for all of the ordinary issued shares in DRN. In such circumstances, the approval of shareholders is required prior to the completion of the transaction.

We understand that our report will form part of the Explanatory Statement dated 30 July 2004 (the "Explanatory Statement"), prepared by the Board of DRN. Details of the Proposal and the Transaction, along with additional details of DRN's proposed operational strategy are set out more fully in the Explanatory Statement.

2 Summary of opinion

2.1 The Proposal is both fair and reasonable to the Non-Associated Shareholders

In our opinion, the Proposal is both fair and reasonable to the Non-Associated Shareholders.

In assessing the fairness of the Proposal, we have considered only the value implications of the Proposal on the Non-Associated Shareholders.

Due to the nature of the Proposal, the current financial position of DRN and the current status of its tenement holdings and projects, we have not undertaken an independent valuation of DRN as we do not believe a value could be determined with sufficient reliability.

Therefore the assessment of the fairness of the Proposal has been made on the basis of the following factors:

- *improvement in NA per share post completion of the Proposal* – as a result of an initial $8.2 million (which includes $0.4 million through the exercise of options by third parties) of equity being injected into DRN, net assets ("NA") per share will increase from 0.007 cents per share at 31 December 2003 to 1.957 cents per share;
- *strengthening of DRN's current financial position* - in order to realise the potential of its tenement holdings and the Guanaco project, DRN is required to fund a significant level of continuing exploration. DRN management have advised that if the Transaction is not completed or additional funding was not received from another source, DRN would not be in a position to meet its future obligations. DRN management consider it unlikely that satisfactory alternative funding would be available and therefore it is possible that DRN would enter into receivership. Approval of the Proposal will secure the immediate funding requirements of DRN and allow the continuing exploration of DRN's tenements and its obligations under the Guanaco Project;
- *existing terms for the transfer of securities* – the transfer of shares and other securities in DRN from Vageta to Global Gold will not result in the issue of shares on terms that were not in place before the announcement of the Proposal; and
- *placement at appropriate issue price* – the placement of 76.5 million ordinary shares in DRN to Global Gold will be made at an issue price of $0.04. This is at a 9% discount to the last traded price of DRN shares, which is considered appropriate for a placement of this nature.

In assessing the reasonableness of the Proposal, we have considered the other implications of the Proposal, as well as the implications of the broader Transaction. In doing so we have considered the following advantages of implementing the Proposal:

- *exercise price at approximately the last traded price* - the average exercise price of the convertible note and options under the First Tranche is 4.0 cents per share. We note that this price is at a slight discount to the the last traded price of DRN shares of 4.4 cents, although it should be recognised that DRN shares have been suspended since March 2003;
- *potential for DRN's shares to be relisted on the ASX* - if DRN is requoted on the ASX, Non-Associated Shareholders will have the opportunity to trade their shares on market and exit their investment if so desired; and

- *access to resident South American business experience through GCH relationship* - the completion of the Proposal will result in GCH having a 50% interest in Global Gold and an effective controlling interest of up to 37.93% in DRN. GCH's principals have extensive business experience in South America and therefore DRN will potentially benefit from this experience not only in the Guanaco Project but also with respect to DRN's other interests.

Countering the above:

- the risk profile of the non-associated shareholder's investment may increase in the longer term as the completion of the Proposal and Transaction will ultimately result in an effective controlling interest of up to 75.85% in DRN being split between Vageta and GCH in accordance with the terms of their shareholders agreement. This could potentially result in uncertainty for DRN should Vageta and GCH have differing views as to the best way forward for DRN in the future; and
- as part of the Proposal, Global Gold will receive a placement of 76.5 million shares in DRN at $0.04 per share. This consideration per share is above the NA backing per DRN share and is at an appropriate discount for a placement issue to the last traded price in DRN shares. However the placement will result in a dilution to the voting interest of the Non-Associated Shareholders.

Should the Proposal not be approved, the Transaction will not be completed, resulting in the following implications for the Non-Associated Shareholders:

- DRN would need to seek additional forms of financing to allow it to continue its exploration operations. DRN management consider satisfactory alternative financing is unlikely to be available and therefore management consider it possible that DRN would enter into receivership;
- DRN would be required to immediately repay all funds provided by GCH to DRN and secured by DRN's interest in the Guanaco Project, as part of the initial loan, under the Proposal. We understand that as at 31 December 2003 this amounted to $448,991 and with further draw downs, amounted to approximately $1.8 million at 30 July 2004; and
- DRN's re-listing on the ASX would be unlikely, as DRN could not demonstrate the financial capacity to undertake its proposed operations, removing the opportunity for Non-Associated Shareholders to exit their investment.

2.2 General advice

The advice provided in this report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account the personal objectives, financial situation or needs of the Non-Associated Shareholders.

The Non-Associated Shareholders should consider the appropriateness of this general advice having regard to their own objectives, financial situation and needs before acting on this advice.

The decision of the Non-Associated Shareholders as to whether or not to accept the Proposal is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. In particular, the taxation consequences may vary widely depending on individual circumstances.

2.3 *Other*

Unless otherwise stated, all financial amounts set out in this report are denominated in Australian dollars ("$").

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report.

This letter is a summary of KPMG Corporate Finance's opinion on the Proposal. The opinion should be read in conjunction with, and not independently of, the detailed report and the appendices as attached.

Yours faithfully

Ian Jedlin
Executive Director

Sean Collins
Associate Director

Contents

Page

3 The Proposal and the Transaction

Background

DRN is a public company whose shares are currently suspended from trading on the ASX, pending the outcome of proposed changes in the company's operations. DRN listed on the ASX in April 1997 with its operations being initially focused on diamond and gemstone mining. During 2002, DRN established a gold division to develop gold interests both in Australia and internationally. Vageta's shares were suspended on 13 March 2003.

Vageta is currently the largest shareholder in DRN with a beneficial interest in 103,766,980 ordinary issued shares of DRN at 31 December 2003.

We understand that Vageta also holds or is able to acquire:

- securities convertible into 27,732,040 ordinary DRN shares;
- 91,000,000 options with an exercise price of $0.04 to acquire one ordinary DRN share per option;
- 3,000,000 options with an exercise price of $0.10 to acquire one ordinary DRN share per option;
- 23,000,000 options with an exercise price of $0.12 to acquire one ordinary DRN share per option; and
- 90,566,381 options with an exercise price of $0.20 to acquire one ordinary DRN share per option.

Under the Proposal, Global Gold will:

- acquire up to 103,766,980 ordinary shares in DRN from Vageta;
- be entitled to receive up to 235,298,421 ordinary shares in DRN through the conversion of:
  - the convertible notes to receive 27,732,040 ordinary shares in DRN for $0.04 per share;
  - 91,000,000 $0.04 options to receive 91,000,000 ordinary shares in DRN;
  - 3,000,000 $0.10 options to receive 3,000,000 ordinary shares in DRN;
  - 23,000,000 $0.12 options to receive 23,000,000 ordinary shares in DRN;
  - 90,566,381 $0.20 options to receive 90,566,381 ordinary shares in DRN; and
- receive a placement of 76,500,000 ordinary shares in DRN for consideration of $0.04 per share.

The above transactions will be undertaken in a series of tranches, with the first tranche being the placement of 76,500,000 ordinary shares, the exercise of the convertible note and the exercise of 91,000,000 $0.04 options, resulting in a total consideration of $7,809,282 being paid by Global Gold (the "First Tranche"). The timing and structure of the subsequent tranches has not been finalised.

In addition to the Transaction, we understand that DRN have assumed that third parties will exercise 9,000,000 $0.04 options, and continue to hold;

- 14,483,619 $0.20 options to receive 14,483,619 ordinary shares in DRN; and
- 3,650,000 $0.30 options to receive 3,650,000 ordinary shares in DRN.

On completion of the First Tranche, DRN will have 134,700,000 options outstanding. However, on completion of the Transaction and the exercise of the options held by third parties, DRN will have no options outstanding.

The Implementation Deed

DRN currently holds a 35.77% interest in the Guanaco Project, primarily a gold and copper project located in Chile (refer Section 5.3 for further details). In order to secure funding to maintain its share in the Guanaco Project, DRN entered into the Implementation Deed on 1 December 2003.

Under the Implementation Deed the following interdependent transactions have been proposed:

- GCH will make an investment through Global Gold in DRN through the provision of a loan agreement described below;
- GCH will incorporate Global Gold and Vageta will transfer to Global Gold its shares and convertible securities in DRN in exchange of 50% of the shares of Global Gold. GCH will have full control over Global Gold until it is able to recoup its entire investment subject to the terms of the Global Gold loan agreement and Global Gold shareholder agreement;
- GCH will provide a loan to Global Gold for $7,809,282, with these funds being provided for the purposes of funding the exercise and/or conversion of the securities acquired from Vageta and the placement of 76.5 million shares in DRN, as set out above;
- DRN will enter into a US$2.5 million financing agreement, on arm's length terms, with Guanaco Mining Company for the purposes of developing the Guanaco mine; and
- GCH is providing interim financing to DRN, secured by DRN's interest in Guanaco Mining Company, for the purpose of funding the ongoing operations of DRN and Guanaco Mining Company until all conditions precedent to the Implementation Deed have been satisfied. The original agreement for up to $1.5 million in financing has been subsequently increased to $3.2 million,

Consequences of the Transaction

At the completion of the First Tranche, Global Gold will hold an interest of 72.36% in DRN and at the completion of the Transaction, this will increase to up to 75.85%. Therefore approval by special resolution of the Non-Associated Shareholders at a Special Meeting is required in accordance with Section 611 of the Corporations Act. The special resolution must be passed by at least 75% of the votes cast by shareholders who vote at the meeting either in person or by proxy. A General Meeting of all of DRN's shareholders must also be convened to vote on the special resolution, with at least 75% of the votes cast by shareholders being required for the special resolution to be passed.

Conditions of the Transaction

The Transaction is subject to a number of conditions precedent as set out more fully in the Explanatory Statement. The conditions include:

- the assignment to Global Gold or the cancellation at no cost or the resignation of certain fees outstanding to Vageta, the directors of DRN, with the exception of $600,000 owing to Vageta which will be paid over a five year period; and
- execution of the shareholders agreement between Global Gold and GCH.

4 Basis of assessment

This report has been prepared by KPMG Corporate Finance for inclusion in an Explanatory Statement to accompany a Notice of Meeting to convene a Special Meeting of DRN on 6 September 2004. The purpose of these meetings is to seek shareholder approval for the Proposal and the Transaction.

4.1 Technical requirements

The Act, by virtue of Section 606, expressly prohibits an individual (or corporation) obtaining more than 20% of the voting power of an Australian company (with more than 15 shareholders) unless a full takeover is made. An exemption to this rule is contained in Section 611 (formerly Section 623) of the Act, which allows the target company shareholders the opportunity to vote to forgo their right to a full takeover.

In passing the resolution, no votes may be cast by the potential acquirer or their associates or by the person from whom the acquisition is to be made or their associates.

In the case of a resolution pursuant to Section 611 of the Act, the Australian Securities and Investment Commission ("ASIC") requires that shareholders be supplied with sufficient information to enable them to assess the merits of the proposal. In such circumstances, the Directors of DRN are required to provide shareholders with a detailed analysis of whether the proposal is fair and reasonable. The Directors may undertake such an analysis or, as is more commonly the case, the Directors may engage an independent expert to report on the proposal.

Our report has been prepared in accordance with the guidance contained in ASIC Practice Note 74.

4.2 Basis of opinion

ASIC Policy Statement 74 indicates the principles and matters that it expects a person preparing an Independent Expert's Report under Section 611 of the Act to consider. Paragraph 21 of Policy Statement 74 states that *"what is fair and reasonable for Non-Associated Shareholders should be judged in all circumstances of the proposal. The report must compare the likely advantages and disadvantages for the Non-Associated Shareholders if the proposal is agreed to, with the advantages and disadvantages if it is not. Comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment."*

We have treated the concepts of fairness and reasonableness as a single opinion, that is, the Proposal either is or is not fair and reasonable. Accordingly, in our opinion, the fairness and reasonableness of the Proposal should be determined against the background of the specific and general implications of the Proposal on DRN. The Proposal will be fair and reasonable if the Non-Associated Shareholders are generally at a greater advantage if the Proposal is executed, than if it is not. They will receive an advantage if the expected benefits to DRN shareholders outweigh any disadvantages that might result from the Proposal.

Specific factors which we have considered in determining our opinion on the Proposal include:

- the general financial impact of the Proposal;
- any conditions associated with the Proposal; and
- the consequences of not approving the Proposal.

4.3 *Sources of information*

In preparing this report and arriving at our opinion, we have considered those sources of information detailed in Appendix 2 of this report.

We note that an important part of the information base used in forming an opinion of the kind detailed above, is comprised of the opinions and judgements of management. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

The statements and opinions expressed in this report are made in good faith and have been based on information available at date of this report and that information is believed to be reliable and accurate. We have relied upon the information set out in Appendix 2 and have no reason to believe that any material factors have been withheld from us. The preparation of this report does not imply that KPMG Corporate Finance or any of its affiliates have carried out any form of audit on the accounting or other records of DRN, its investments or projects. We note that any forecasts and projections as supplied to us by the management of DRN are based upon assumptions about events and circumstances that have not yet transpired. Accordingly, KPMG Corporate Finance cannot provide any assurance that the estimates will be representative of the results, which will actually be achieved during the forecast period.

5 Profile of DRN

5.1 *Background*

DRN is a public company whose operations at the time of its listing in April 1997 focused primarily on diamond and gemstone exploration in tenements located in Australia.

During 2002, DRN established a gold division, through its wholly owned subsidiary Golden Rose Pty Limited, to develop gold interests both in Australia and internationally. In January 2003, DRN held a 70.66% interest in Golden Rose International Limited ("GRIL"), which had an option to acquire 100% of the Guanaco Project in Chile from subsidiaries of Kinross Gold Corporation. Following subsequent fundraising by GRIL, DRN's interest in GRIL was diluted to 56%. In order to meet an option payment and further immediate financial obligations to Guanaco, 51% of the

Guanaco Project was acquired by GCH, effectively reducing DRN's interest in the Guanaco Project to 27.558%. The subsequent acquisition of 25.5 million shares from minority holders by DRN increased its interest in GRIL to 73.01% and its effective interest in the Guanaco Project to its current 35.77%. DRN is currently negotiating the acquisition of additional shares in GRIL in order to increase its effective interest in the Guanaco Project to 40%.

DRN shares were suspended from official quotation on the ASX on 13 March 2003, pending the outcome of a shareholder vote on the proposed change to the company's operations in relation to the Guanaco Project. A shareholder's resolution approving the change was passed but the shares remain suspended until suitable financing is put in place in order to retain its current equity position in the Guanaco Project and fund the ongoing operations of the Company.

5.2 Diamond exploration operations

DRN's diamond projects did not have any significant results during the year ended 30 June 2002. In order to preserve cash for use in DRN's gold operations, the diamond projects continue to be maintained on a subsistence level until further funds are available to carry out larger exploration programmes.

5.3 Gold operations

Gold exploration

The development of DRN's gold division can be largely attributed to the discovery of gold mineralisation by De Beers whilst exploring for diamonds in the Kimberly region of Western Australia. As a result of this discovery, DRN reviewed its own diamond tenements for gold potential during the year ended 30 June 2002 and subsequently applied for four additional maximum size exploration licences in the Central Kimberley region.

During the year ended 30 June 2002, DRN also applied for:

- 2 exploration licences that straddle the Mt. Margaret Mineral field and the North Coolgardie Mineral field to the north-west of Leonora, Western Australia; and
- 3 prospecting licences in the gold mining region of Bullabulling, Western Australia.

The Guanaco Project

The Guanaco Project covers an area of about 150 kilometres at a mean elevation of 2.6 kilometres above sea level in the Chilean Pre-Cordiera of Region II, 200 kilometres south-east of Antofagasta and about 50 kilometres east of the Pan American highway.

The Guanaco Project currently has an estimated gold resource in excess of 1.5 million ounces with further significant potential. The project is also thought to have large copper, gold and silver mineralisation below its existing pits and has a 6,000 tonne per day processing facility on site.

The former mine is currently under care and maintenance after mining operations were terminated in 1997.

On completion of the abovementioned transactions, which are subject to the satisfaction of certain conditions, including GCH's due diligence and confirmation of the relisting of DRN by the ASX, DRN will be the manager of the project, under the terms of a management agreement to be agreed by GCH. DRN expects to embark upon a major exploration effort to adequately define the current resources and further prove up additional resources in gold, silver, copper and other base metals on the project area.

5.4 *Historical financial performance*

DRN's audited statements of financial performance for 2 years ended 30 June 2003 and the 6 months ended 31 December 2003 are summarised in the table below.

Table 1: DRN statement of financial performance

Year ended	**30 June 2002 $**	**30 June 2003 $**	**6 months to 31 Dec 2003 $**
Operating Revenues			
Interest income	35,353	1,538	517
Other	78,300	-	451,618
Total revenue	**113,653**	**1,538**	**452,135**
General and administration expenses	(1,289,864)	(964,713)	(928,759)
Exploration and evaluation expenditure written off	(31,683)	-	(430,803)
Provision for write-down of exploration costs	(3,501,475)	(35,180)	-
Provision for diminution of loans to related parties	(60,704)	(962,224)	(52,650)
Depreciation of plant and equipment	(66,345)	(55,361)	-
Operating lease expense	(6,823)	(84,000)	-
Borrowing costs – related parties	(19,589)	(17,305)	(4,830)
Loss from operating activities before income tax	**(4,862,830)**	**(2,117,245)**	**(964,907)**
Income Tax (Expense) / Benefit	-	-	-
Operating Profit / (Loss) After Tax	**(4,862,830)**	**(2,117,245)**	**(964,907)**
Net loss attributable to outside equity interests	-	-	354,842
Net loss attributable to members of DRN	**(4,862,830)**	**(2,117,245)**	**(610,065)**

Source: DRN 2003 annual report and half-year report for the period ended 31 December 2003

In relation to the table above, we note:

- DRN's operating revenues include interest income received on the company's deposits. During the year ended 30 June 2002, DRN received approximately $78,000 in revenue through the sale of investments and the hire of equipment;
- other income includes a gain of $450,000 on the issue of shares in subsidiaries to existing minority interest holders;
- DRN's depreciation expenses, operating lease expenses and borrowing costs from related party expenses have been included in general and administration expenses for the 6 months ended 31 December 2003;

- following a review of revenue generating potential of the company's exploration licences and tenements, approximately $3.5 million in exploration costs were written-off during the year ended 30 June 2002;
- approximately $960,000 in loans to related parties were written off during the year ended 30 June 2003. The majority of this amount related to loans made to Kimberley Rose Australia Limited; and
- DRN's exploration expenditures have been constrained over the 6 months to 31 December 2003 due to DRN's limited cash reserves (refer Table 2).

5.5 *Historical financial position*

DRN's audited and consolidated statements of financial position as at 30 June 2002, 30 June 2003 and 31 December 2003 are summarised in the table below.

Table 2: DRN consolidated statement of financial position

As at	30 June 2002 $	30 June 2003 $	31 Dec 2003 $
Cash and deposits	7,203	21,375	370,495
Receivables	58,721	28,693	11,310
Total current assets	**65,924**	**50,068**	**381,805**
Receivables (loans to related parties)	393,118	64,686	548,052
Plant and equipment	116,398	69,744	54,171
Exploration and evaluation expenditure	1,804,526	2,194,582	1,878,928
Total assets	**2,379,966**	**2,379,080**	**2,862,956**
Payables	1,406,264	1,374,130	1,806,080
Provisions	10,000	-	-
Total current liabilities	**1,416,264**	**1,374,130**	**1,806,080**
Interest-bearing liabilities	-	404,688	1,041,679
Total liabilities	**1,416,264**	**1,778,818**	**2,847,759**
Net assets	**963,702**	**600,262**	**15,197**
Contributed equity	27,684,839	29,438,644	29,463,644
Accumulated losses	(26,721,137)	(28,838,382)	(29,448,447)
Total shareholders' equity	**963,702**	**600,262**	**15,197**
Shares outstanding at period end	165,139,397	208,334,507	208,959,507
Net asset ("NA") backing per share (cents)	*0.584*	*0.288*	*0.007*

Source: DRN 2003 annual report and half-year report for the period ended 31 December 2003

In relation to the above, we note:

- capitalised exploration and evaluation expenditure represents spending by DRN that has been carried forward. Such expenditure is carried forward where the right of tenure on an area is current and costs are expected to be recouped through the sale or successful development and exploitation of area. When such an area is abandoned or the directors decide that it is not commercial, any capitalised costs in respect of that area are written-off in the financial period the decision is made. DRN wrote-off approximately $3.5 million in the year ended 30 June 2002 (refer Table 1);

- DRN's non-current receivables are largely comprised of loans to related parties. We note that loans to related parties increased to approximately $550,000 as at 31 December 2003 as a result of transactions including the extension of a loan by Golden Rose International in respect of the Guanaco Project;
- interest-bearing liabilities are largely comprised of loans provided by parties related to DRN, including Vageta. As at 31 December 2003, DRN owed approximately $593,000 to Vageta. In addition approximately $449,000 is owed to GCH, which represents the initial instalment of pre-funding noted in Section 3;
- if DRN was not able to secure funding from related parties (as discussed above), DRN would have had a negative net asset balance as at 31 December 2003; and
- NA backing per share has been calculated by KPMG Corporate Finance and does not take into account the potential dilutionary impact of DRN's options or convertible securities (refer Section 5.6 for details on DRN's capital structure).

5.6 Shareholding structure

DRN's issued capital as at 31 December 2003 comprised:

- 208,959,507 fully paid ordinary shares; and
- 179,235,920 unlisted options with exercise prices between $0.04 and $0.30 per share.

We note that on 18 November 2003, 625,000 ordinary shares to the value of $25,000 were issued in satisfaction of a plaint over DRN exploration licence in Walgidee Hills.

Following completion of the Transaction, the issued capital of DRN will comprise 547,891,547 fully paid ordinary shares.

DRN's top 5 shareholders as at 30 September 2003 are set out in the table below. We note that this information remains current, as DRN shares have not been traded since that date.

Table 3: Top 5 shareholders

Name	Number of shares held	% of issued shares held
Vageta Pty Limited	94,345,063	45.29
Merrill Lynch (Australia) (Held on behalf of Vageta)	9,875,917	4.74
Shefarav Pty Limited	9,138,222	4.39
Niako Investments Pty Limited	3,960,050	1.90
Mr Peter Allan Learmont	2,515,000	1.21
Total number of shares held by the top 5 shareholders	**119,834,252**	**57.50**
Other shareholders	88,500,250	42.50
Total number of shares on issue	**208,334,502**	**100.00**

Source: DRN 2003 annual report

In relation to the above we note:

- Vageta is DRN's sole substantial shareholder;
- institutional interest in DRN has been extremely limited.

The spread of shareholders as at 30 September 2003 is set out below:

Table 4: Shareholdings as at 30 September 2003

Shares held	Number
1 to 1,000	206
1,001 to 5,000	298
5,001 to 10,000	304
10,001 to 100,000	643
100,001 and over	144
Total	**1,595**

Source: DRN 2003 annual report

5.7 *Share price performance*

As discussed in Section 5.1, we note that DRN's shares have been suspended from trading on the ASX since 13 March 2003. Given the passage of time between the last date of DRN's shares trading on the ASX and the date of this report we have not undertaken a share price or volume weighted average price analysis.

We note that DRN's ordinary shares last traded on the ASX at 4.4 cents on 13 March 2003, with approximately 2.8 million shares ($94,400) having been traded in the 5 previous trading days. As stated above, on 18 November 2003, 625,000 ordinary shares to the value of $25,000 were issued in satisfaction of a DRN exploration licence in Walgidee Hills.

5.8 *Implications of the Transaction*

As discussed in Section 3, the Proposal is one of a number of interdependent transactions within the Transaction. The impact of the Transaction on the financial position of DRN as at 31 December 2003 is illustrated in the table below.

Table 5: Statement of financial position as at 31 December 2003 – pre / post proposal

As at 31 December 2003	Pre-Proposal $	Post-Proposal $
Cash and deposits	370,495	4,749,085
Receivables	11,310	11,310
Total current assets	**381,805**	**4,760,395**
Receivables	548,052	3,789,753
Plant & equipment	54,171	54,171
Exploration and evaluation expenditure	1,878,928	1,878,928
Total assets	**2,862,956**	**10,483,247**
Payables	1,806,080	1,806,080
Provisions	-	-
Total current liabilities	**1,806,080**	**1,806,080**
Interest-bearing liabilities	1,041,679	592,688
Total liabilities	**2,847,759**	**2,398,768**
Net assets	**15,197**	**8,084,479**
Contributed equity	29,463,644	37,532,926
Accumulated losses	(29,448,447)	(29,448,447)
Total shareholders' equity	**15,197**	**8,084,479**
Shares outstanding at period end	208,959,507	413,191,547
NA backing per share (cents)	*0.007*	*1.957*

Source: DRN management

In relation to the above, we note:

- the approximate $4.4 million increase in DRN's cash balance is attributable to:
  - $7.8 million received through the draw down of the convertible note facility and exercise of options by Global Gold and $0.4 million received through the exercise of other options by a third party;
  - $100,000 in costs associated with DRN's proposed relisting on the ASX;
  - the repayment of GCH's $448,991 loan to DRN at 31 December 2003 (as discussed in Section 3). We note that the subsequent draw downs to 30 June 2004 are not included in the post transaction statement of financial position above;

- DRN providing a US$2.5 million loan to Guanaco Mining Company for the purposes of developing the Guanaco Project (at an exchange rate of A$1 = US$0.7712);

■ following the First Tranche of the Transaction and the assumed exercise of the 9 million $0.04 options by third parties, DRN's ordinary issued shares will increase by approximately 204.2 million to 413.2 million; and

■ the completion of the Transaction is expected to increase DRN's NA backing per share from 0.007 cents to 1.957 cents.

6 Assessment of the fairness and reasonableness of the Proposal to the Non-Associated Shareholders

6.1 General

In assessing whether the Proposal is fair and reasonable to the Non-Associated Shareholders, we have reviewed the various issues that Non-Associated Shareholders should consider in making their decision as to whether to accept the Proposal.

6.2 Fairness of the Proposal

In assessing the fairness of the Proposal, we have considered only the value implications of the Proposal on the Non-Associated Shareholders.

Due to the nature of the Proposal, the current financial position of DRN and the current status of its tenement holdings and projects, we have not undertaken an independent valuation of DRN as we do not believe a value could be determined with sufficient reliability.

Therefore the assessment of the fairness of the Proposal has been made on the basis of the following factors:

Improvement in NA per share post completion of the Proposal

At the completion of the Proposal and the assumed exercise of the 9 million $0.04 options by third parties, an additional $8.2 million of equity will be injected into DRN in return for the issue of an additional 204.2 million ordinary shares

Therefore the NA per share will increase from 0.007 cents per share at 31 December 2003 to 1.957 cents per share post the completion of the Proposal.

Strengthening of DRN's current financial position

In order to realise the potential of its tenement holdings and the Guanaco Project, DRN is required to fund a significant level of continuing exploration. As detailed in Table 2 above, the net asset position of DRN at 31 December 2003 would have been negative had the initial loan under the Transaction not been received.

DRN management have advised that if the Transaction is not completed or additional funding was not received from another source, DRN would not be in a position to meet its future obligations.

DRN management consider it unlikely that satisfactory alternative funding would be available and therefore it is possible that DRN would enter into receivership.

Therefore approval of the Proposal will secure the immediate funding requirements of DRN and allow the continuing exploration of DRN's tenements and its obligations under the Guanaco Project.

Existing terms for the transfer of securities

The transfer of shares and other securities in DRN from Vageta to Global Gold will not result in the issue of shares on terms that were not in place before the announcement of the Proposal; and

Placement at appropriate issue price

The placement of 76.5 million ordinary shares in DRN to Global Gold will be made at an issue price of $0.04. This is at a 9% discount to the last traded price of DRN shares, which is considered appropriate for a placement of this nature.

6.3 Reasonableness of the Proposal

In assessing the reasonableness of the Proposal, we have considered the other implications of the Proposal to the Non-Associated Shareholders, as well as the implications of the broader Transaction as a whole.

The principal advantages of the Proposal and Transaction for the Non-Associated Shareholders are:

Exercise price at approximately the last traded price

The average exercise price of the convertible notes and options under the First Tranche is 4.0 cents per share. We note that this price is at a slight discount to the last traded price of DRN shares of 4.4 cents. However, as previously noted, DRN shares have been suspended since March 2003 and due to the nature of the Proposal, we have not undertaken an independent valuation of DRN.

Potential for DRN's shares to be relisted on the ASX

At the completion of the Proposal, DRN will be able to demonstrate to the ASX its ability to fund its ongoing operations and therefore is likely to be requoted on the ASX.

If DRN is requoted on the ASX, Non-Associated Shareholders will have the opportunity to trade their shares on market and exit their investment if so desired.

Access to resident South American business experience through GCH relationship

The completion of the Proposal will result in GCH having a 50% interest in Global Gold and an effective interest of up to 37.93% in DRN. GCH's principals have extensive business experience in South America and therefore DRN will potentially benefit from this experience not only in the Guanaco Project but also with respect to DRN's other interests.

6.4 *Disadvantages of the Transaction to the Non-Associated Shareholders*

The principal disadvantages of the Transaction for the Non-Associated Shareholders are:

Change in control of the controlling interest

The completion of the Proposal and Transaction will ultimately result in control of Global Gold's effective 75.85% interest in DRN being split between Vageta and GCH in accordance with the terms of their shareholders agreement. This could potentially result in uncertainty for DRN should Vageta and GCH have differing views as to the best way forward for DRN in the future.

Dilution in interest due to placement of shares to Global Gold

As part of the Proposal, Global Gold will receive a placement of 76.5 million shares in DRN at $0.04 per share. This consideration per share is above the NA backing per DRN share and is at an appropriate discount for a placement issue to the last traded price in DRN shares. However the placement will result in a dilution to the voting interest of the Non-Associated Shareholders.

6.5 *Consequences if the Proposal is not approved*

In the event the Proposal is not approved, the Transaction will not be completed, resulting in the following implications:

- DRN would need to seek additional forms of financing to allow it to continue its exploration operations. As noted previously, DRN management consider satisfactory alternative financing is unlikely to be available and therefore management consider it possible that DRN would enter into receivership;
- DRN would be required to immediately repay all funds provided by GCH to DRN as part of the initial loan under the Transaction. We understand that as at 31 December 2003 this amounted to $448,991 and with further draw downs, amounted to approximately $1 million at 30 June 2004; and
- DRN's re-listing on the ASX would be unlikely, as DRN could not demonstrate the financial capacity to undertake its proposed operations, removing the opportunity for Non-Associated Shareholders to exit their investment.

6.6 *Conclusion*

Having considered the financial impacts of the Proposal and the implications of the broader Transaction on the interests of the Non-Associated Shareholders and our analysis set out in Section 6, in our opinion the Proposal is both fair and reasonable to the Non-Associated Shareholders.

Appendix 1 - Qualifications and declarations

Purpose of this Report

This report has been prepared for the benefit of the Directors together with those persons who are entitled to receive a copy of the Explanatory Statement to which this report is attached. This report is provided solely for the purpose of expressing our opinion as to whether the proposed transaction is fair and reasonable. This report is not provided for any other reason whatsoever and may not be relied upon by any person, other than the shareholders of DRN, for any purpose other than that stated above.

Qualifications

KPMG Corporate Finance (Aust) Pty Ltd is the holder of an Australian Financial Services Licence, No 246901 under the Corporations Act 2001 and is controlled by the partners of KPMG, Chartered Accountants ("KPMG").

KPMG is a long established firm of chartered accountants which provides a full range of professional services, including advising on valuations, company acquisitions, take overs, restructuring proposals, group reorganisations and related matters. The individual responsible for this report is Mr Ian Jedlin.

Ian Jedlin is a partner in the firm KPMG, a Director of KPMG Corporate Finance, an Associate of the Institute of Chartered Accountants in Australia, holds a Master of Commerce majoring in Finance from the University of New South Wales, an Associate of the Securities Institute of Australia and has had over 14 years experience in the preparation of independent reports on the valuation of shares and businesses.

Sean Collins is an Associate Director of KPMG Corporate Finance, an Associate of the Institute of Chartered Accountants in Australia, a Fellow of the Securities Institute, UK and holds a Bachelor of Commerce from the University of Queensland. He has had over 8 years experience in the preparation of independent reports on the valuation of shares and businesses.

Declarations

The statements contained in the report are given in good faith and have been derived from information believed to be reliable and accurate. We have examined this information and have no reason to believe that any material factors have been withheld from us.

During the course of this engagement, KPMG Corporate Finance provided draft copies of this report to DRN's directors and management for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of these reviews have not changed the opinions reached by KPMG Corporate Finance.

Interests

KPMG Corporate Finance is entitled to receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Offer. Except for this fee, KPMG Corporate Finance has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.

KPMG has provided audit and advisory services to DRN.

Consent

KPMG Corporate Finance consents to the issue of this report by DRN in the Explanatory Statement. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of KPMG Corporate Finance to the form and context in which it appears.

Responsibility

KPMG Corporate Finance has prepared this report on the basis of information available as at the date of this report. Nothing in this report should be taken to imply that KPMG Corporate Finance has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of DRN for the purposes of this report. We have considered and relied upon information provided by certain of the Directors and senior management of DRN, which we believe to be reliable, complete and not misleading. We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

Further, we note that any forecasts and projections as supplied to us by the management of DRN are based upon assumptions about events and circumstances that have not yet transpired. Accordingly, KPMG Corporate Finance cannot provide any assurance that the estimates will be representative of the results that will actually be achieved during the forecast period.

Indemnity

DRN has indemnified KPMG Corporate Finance, KPMG and its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with this report, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services by KPMG Corporate Finance and occasioned by reliance by KPMG Corporate Finance on information provided by DRN or its representatives which is subsequently found to be false or misleading or not complete. Complete information is deemed to be information that at the time of completing this report should have been available to KPMG Corporate Finance and would have reasonably been expected to be made available to KPMG Corporate Finance to enable us to form our opinion. DRN will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis.

Appendix 2 - Sources of information

In preparing this report we have been provided with and considered the following sources of information:

- DRN annual reports for the two years ended 30 June 2003;
- audit reviewed financial statements for the 6 months ended 31 December 2003;
- *Historical and proforma statement of financial position*, Diamond Rose N.L., March 2004;
- various ASX Company Announcements for DRN and other news articles;
- financial information from Bloomberg LLP and dfs Iress;
- *various letters from Steinepreis Paganin* to ASX in relation to the Proposal;
- *Vageta, DRN, Mrs. Pnina Feldman, Mr. Sholom Feldman*, and *GCH*, Implementation Deed, 1 December 2003;
- *Vageta, DRN, Mrs. Pnina Feldman, Mr. Sholom Feldman*, and *GCH*, Amendment to the Implementation Deed, 29 December 2003;
- *DRN and GCH*, Stock Purchase Agreement, 16 December 2003;
- *Golden Rose International Ltd*, Resumption of Operations at the Guanaco Gold Mine, Chile, January 2003

In addition, we have also had discussions with the Directors and management of DRN, in relation to the nature of the business operations, the specific risks and opportunities and the prospects for the foreseeable future.

PROXY FORM
APPOINTMENT OF PROXY
DIAMOND ROSE NL
ABN 20 009 221 630

GENERAL MEETING

Appointment of Proxy

I/We

being a Member of Diamond Rose NL entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairperson of the Meeting or the Chairperson's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at the Theatrette, Waverley Municipal Library, Denison Street, Bondi Junction commencing 11.00am (EST) on 6 September, 2004 and at any adjournment thereof. If no directions are given, the Chairperson will vote in favour of each resolution.

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Change of Scale of Activities	☐	☐	☐
Resolution 2	Acquisition of Shares by Global Gold	☐	☐	☐

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box ☐
By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairperson will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ___%
Signed this day of 2004.

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

DIAMOND ROSE NL
ABN 30 075 860 472
Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.

3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - 2 directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.

5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.