CONSOLIDATED FINANCIAL STATEMENTS 31 December 2002

CONTENTS

The Directors present their report together with the financial report of Diamond Ventures NL ("the Company") and the Consolidated Entity, being the Company and its Controlled Entities, for the year ended 31 December 2002, and the Auditors' Report thereon.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year are:

MR RONALD J HAWKES *BSc, FAusIMM, FGAC*
NON EXECUTIVE CHAIRMAN

Qualifications and Experience

Board member since 18 January 1999

Mr Hawkes has 38 years' experience in the mining industry and was formerly the Managing Director of Plutonic Resources Limited.

He is a member of the Audit Committee and the Remuneration Committee.

MR WALLY R BUCKNELL *BSc (Hons), FAusIMM, FGAC, MSEG*
EXECUTIVE DIRECTOR

Qualifications and Experience

Board member since 18 January 1999

Mr Bucknell has 34 years' experience in the mining industry and was formerly the General Manager – Exploration of Plutonic Resources Limited.

He is a member of the Audit Committee and the Remuneration Committee.

MR DON L COOPER *LLB*
NON EXECUTIVE DIRECTOR

Qualifications and Experience

Board member since 18 January 1999

Mr Cooper was formerly the senior partner in the law firm Deacons Graham and James in Melbourne and was a director of Plutonic Resources Limited for 12 years. Mr Cooper is a director of various proprietary companies and is now a solicitor in private practice.

He is a member of the Audit Committee and the Remuneration Committee.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIRECTORS' MEETINGS

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

Directors meetings held		**4**
Directors meetings attended:	R J Hawkes	4
	W R Bucknell	4
	D L Cooper	4

All matters relating to Audit and Remuneration Committees were discussed at main board meetings and as a result no separate Audit and Remuneration Committee meetings were held.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were exploration for gold and diamonds. There were no changes in the nature of the Consolidated Entity's principal activities during the financial year.

OPERATING RESULTS

The consolidated loss of the Consolidated Entity after providing for income tax amounted to $606,575 (2001 loss $1,928,831).

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared for payment during the year. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2002.

STATE OF AFFAIRS

On 3 July 2002 the Company raised $1,107,780 to provide additional working capital through a non-renounceable rights issue to existing shareholders. The Company issued 22,155,600 ordinary shares at 5 cents per share, each with a free attaching option at an exercise price of 10 cents per share expiring 30 June 2006.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances which have arisen since the end of the financial year which significantly affected or may significant affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue to focus on gold exploration, particularly in the identification of possible acquisitions of viable projects. Exploration activities will centre on the Kookynie Gold Project and the Beaconsfield Gold Project.

ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors are not aware of any breaches of the legislation during the financial year which are material in nature.

SHARE OPTIONS

On 17 July 2002**,** 250,000 ordinary shares each with an attaching free option expiring 30 June 2006 were issued to W R Bucknell as part of his remuneration as Executive Director.

The following options are held by the Directors and associates of the Directors to subscribe for fully paid ordinary shares. There are time restrictions on when the Directors may exercise the options.

DIRECTOR	EXERCISE PRICE	EXERCISE DATE	EXPIRY DATE	NUMBER OF OPTIONS
W R Bucknell	0.10	17 July 2002	30 Jun 2006	250,000

DIRECTORS' ASSOCIATES	EXERCISE PRICE	EXERCISABLE FROM	EXPIRY DATE	NUMBER OF OPTIONS
Associates of R J Hawkes	0.25	18 Jan 1999	31 Dec 2003	333,335
	0.30	18 Jan 2000	31 Dec 2003	333,335
	0.35	18 Jan 2001	31 Dec 2003	333,330
	0.10[1]	3 July 2002	30 Jun 2006	6,061,540
			7,061,540	
Associates of W R Bucknell	0.25	18 Jan 1999	31 Dec 2003	333,335
	0.30	18 Jan 2000	31 Dec 2003	333,335
	0.35	18 Jan 2001	31 Dec 2003	333,330
	0.10[1]	3 July 2002	30 Jun 2006	774,360
				1,774,360
Associate of D L Cooper	0.25	18 Jan 1999	31 Dec 2003	66,665
	0.30	18 Jan 2000	31 Dec 2003	66,665
	0.35	18 Jan 2001	31 Dec 2003	66,670
	0.10[1]	3 July 2002	30 Jun 2006	309,744
				509,744

Note 1: Options acquired by subscription to a non-renounceable rights issue.

There were 22,405,600 listed options on issue at 31 December 2002.

No options were exercised during the year.

30,751,607 options expired during the year ended 31 December 2002.

At the date of this report, unissued ordinary shares of the Company under option are:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES
31 December 2003	$0.25	733,335
31 December 2003	$0.30	733,335
31 December 2003	$0.35	733,330
30 June 2006	$0.10	22,405,600

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No part of the remuneration of Directors or senior executives is performance related.

The emoluments of each Director are as follows:

Directors

PARENT ENTITY AND CONSOLIDATED ENTITY	SALARY	DIRECTORS' FEES	SUPERANNUATION	SHARES/ OPTIONS	TOTAL
R J Hawkes	–	30,000	2,550	–	32,550
W R Bucknell	72,000	–	7,358	13,750	93,108
D L Cooper	–	20,000	1,700	–	21,700
	72,000	50,000	11,608	13,750	147,358

CONSOLIDATED ENTITY

The executive officer of the Consolidated Entity (W R Bucknell) is also a Director of the Company. Remuneration details are provided above.

DIRECTORS INTERESTS

The relevant interest of each Director in the share capital of the companies within the Consolidated Entity as notified by the Directors to the Australian Stock Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	FULLY PAID SHARES	OPTIONS
R J Hawkes	20,000,000	7,061,540
W R Bucknell	3,347,436	1,774,360
D L Cooper	1,238,974	509,744

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has entered into an agreement to indemnify the following current Directors of the Company, Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Donald L Cooper and the Company Secretary, Mr Grahame Clegg against any liability, including costs and expenses incurred in defending such actions, incurred by that person that may arise from their position as Directors or officers of the Company and its Controlled Entities, except where the liability arises out of conduct involving a lack of good faith.

During the year to 31 December 2002 the Company has paid insurance premiums in respect of the Directors and officers liability and legal expenses insurance contracts for current Directors and officers of the Company and its Controlled Entities. The insurance policy prohibits disclosure of the amount of the premium and of the nature of the liabilities covered.

Signed in accordance with a resolution of the Board of Directors.

W R Bucknell
Director
24 March 2003

For the year ended 31 December 2002

	NOTES	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Revenues from ordinary activities	3	248,033	576,973	310,974	928,697
Borrowing costs expense		–	(168)	–	(152)
Exploration expenditure written off		(448,997)	(1,609,042)	–	–
Write-down of loan to Controlled Entity		–	–	(332,733)	(1,707,996)
General and administrative expenses		(405,611)	(896,594)	(584,816)	(1,149,380)
Loss from ordinary activities before income tax expense	4	(606,575)	(1,928,831)	(606,575)	(1,928,831)
Income tax expense relating to ordinary activities	5	–	–	–	–
Loss from ordinary activities after related income tax expense		(606,575)	(1,928,831)	(606,575)	(1,928,831)
Basic earnings per share (cents per share)	8	(0.8)	(3.2)		
Diluted earnings per share (cents per share)	8	(0.8)	(3.2)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 9 to 22.

As at 31 December 2002

		CONSOLIDATED		THE COMPANY	
	NOTES	2002	2001	2002	2001
		$	$	$	$
Current assets					
Cash assets	9	1,074,017	791,155	1,057,275	776,835
Receivables	10	21,475	83,624	4,047	5,773
Other	11	6,903	9,205	5,840	8,427
Total current assets		1,102,395	883,984	1,067,162	791,035
Non-current assets					
Receivables	10	–	–	1,795,545	1,544,079
Other financial assets	12	–	–	41	41
Property, plant and equipment	13	16,385	19,423	–	–
Exploration expenditure	14	1,846,200	1,449,761	–	–
Total non-current assets		1,862,585	1,469,184	1,795,586	1,544,120
TOTAL ASSETS		**2,964,980**	**2,353,168**	**2,862,748**	**2,335,155**
Current liabilities					
Payables	15	133,463	50,934	31,190	32,880
Provisions	16	8,500	13,930	8,500	13,930
Total current liabilities		141,963	64,864	39,690	46,810
Non-current liabilities					
Payables	15	–	–	41	41
Total non-current liabilities		–	–	41	41
TOTAL LIABILITIES		**141,963**	**64,864**	**39,731**	**46,851**
NET ASSETS		**2,823,017**	**2,288,304**	**2,823,017**	**2,288,304**
Equity					
Contributed equity	17	15,566,405	14,425,117	15,566,405	14,425,117
Accumulated losses	19	(12,743,388)	(12,136,813)	(12,743,388)	(12,136,813)
TOTAL EQUITY		**2,823,017**	**2,288,304**	**2,823,017**	**2,288,304**

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 9 to 22.

For the year ended 31 December 2002

	NOTES	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Cash flows from operating activities					
Receipts from customers		201,090	14,564	1,090	368,363
Payments to suppliers and employees		(1,103,193)	(1,930,894)	(324,292)	(676,354)
Interest received		46,943	61,492	46,553	60,480
Borrowing costs		–	(168)	–	(152)
Net cash (used in) operating activities	25B	(855,160)	(1,855,006)	(276,649)	(247,663)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		–	1,063	–	–
Proceeds from sale of investments		–	499,854	–	499,854
Purchase of plant and equipment		(3,267)	(4,339)	–	–
Loan to Controlled Entity		–	–	(584,200)	(1,583,905)
Net cash provided by (used in) investing activities		(3,267)	496,578	(584,200)	(1,084,051)
Cash flows from financing activities					
Proceeds from issue of shares		1,179,077	–	1,179,077	–
Share issue costs		(37,788)	–	(37,788)	–
Net cash provided by (used in) financing activities		1,141,289	–	1,141,289	–
Net increase/(decrease) in cash held		282,862	(1,358,428)	280,440	(1,331,714)
Cash at 1 January 2002		791,155	2,149,583	776,835	2,108,549
CASH AT 31 DECEMBER 2002	25A	1,074,017	791,155	1,057,275	776,835

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 9 to 22.

For the year ended 31 December 2002

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

A BASIS OF PREPARATION

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

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report has been prepared on the basis of a going concern. This basis assumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Company will be able to fund future operations through equity raising and the joint venturing or sale of interest held in mineral tenements and projects.

B PRINCIPLES OF CONSOLIDATION

Controlled Entities

The financial statements of Controlled Entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint ventures

A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

Joint venture entities

In the consolidated financial statements, investments in joint venture entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the joint venture entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly on consolidated reserves.

Joint venture operations

The Consolidated Entity's interest in unincorporated joint ventures is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the Consolidated Entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between Controlled Entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

C REVENUE RECOGNITION

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

The gross proceeds from asset sales are included as revenue of the Consolidated Entity. The profit or loss on disposal is brought to account at the date an unconditional contract of sale is signed.

D TAXATION

The Consolidated Entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

E ACQUISITION OF ASSETS

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

F RECOVERABLE AMOUNT OF NON-CURRENT ASSETS VALUED ON COST BASIS

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (refer Note 1J), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

G DEPRECIATION

All assets have limited useful lives and are depreciated using the straight line method over their useful lives. Assets are depreciated from the date of acquisition.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and equipment	20 – 40%
Leasehold improvements	10%

H LEASED ASSETS

Lease payments made under operating leases, where substantially all the risks and benefits remain with the lessor, are expensed on a straight line basis over the term of the lease.

I INVESTMENTS

Controlled Entities

Investments in Controlled Entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

J EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

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

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

Costs of site restoration will be provided over the life of the facility from when production commences.

K EMPLOYEE ENTITLEMENTS

Wages, salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on current wage and salary rates including related on-costs.

Contributions are made by the Consolidated Entity to employee superannuation funds and are charged as expenses when incurred.

L DERIVATIVES

The Consolidated Entity is exposed to changes in interest rates from its activities. The Consolidated Entity does not use derivative financial instruments to hedge this risk.

M GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

N PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity.

NOTE 2: CHANGE IN ACCOUNTING POLICY

A EARNINGS PER SHARE

The Consolidated Entity has applied the revised AASB 1027 Earnings Per Share (issued June 2001) for the first time from 1 January 2002.

Basic and diluted earnings per share ('EPS') for the comparative period ended 31 December 2001 have been adjusted so that the basis of calculation used is consistent with that of the current period.

Basic Earnings per share

Basic EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items.

The converting preference shares are classified as 'ordinary shares' for the purpose of calculating EPS and accordingly, as there is more than one category of ordinary share, basic EPS is presented for each category. Diluted EPS is not presented for converting preference shares as there are no potential ordinary shares relating to this category.

Diluted Earnings per share

Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been used at the average market price.

The identification of dilutive potential ordinary shares is now based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

B SEGMENT REPORTING

The Consolidated Entity has applied the revised AASB 1005 Segment Reporting (issued in August 2000) for the first time from 1 January 2002.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The new business segment reported is precious mineral exploration.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$	$	$	$

NOTE 3: REVENUE

From other operating activities				
Mining revenue	200,000	–	–	–
Option fees	–	14,564	–	–
Interest received from non-related entities	46,943	61,492	46,553	60,480
Consulting fees	–	–	263,331	368,363
Sundry revenue	1,090	–	1,090	–
From outside operating activities				
Gross proceeds on disposal of plant and equipment	–	1,063	–	–
Gross proceeds on disposal of investments	–	499,854	–	499,854
Total Revenue from ordinary activities	248,033	576,973	310,974	928,697

NOTE 4: LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:

Interest paid to non-related entities	–	168	–	152
Depreciation of plant and equipment	5,627	9,374	–	–
Amortisation of leasehold improvements	678	679	–	–
Rental expense on operating leases	39,881	39,331	–	–
Amounts set aside to (written back from) provision for employee benefits	(5,430)	4,700	(5,430)	4,700
Cost base of non-current assets disposed	–	469,542	–	468,405
Net (gain)/loss on disposal of non-current assets:				
Plant and equipment	–	74	–	–
Investments	–	(31,449)	–	(31,449)
Individually significant items included in loss from ordinary activities before income tax expense				
Write-down of loan to Controlled Entity	–	–	332,733	1,707,996
Exploration expenditure written off	448,997	1,609,042	–	–

NOTE 5: INCOME TAX

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$	$	$	$
Prima facie income tax benefit calculated at 30% (2001: 30%) on the loss from ordinary activities	(181,973)	(578,649)	(181,973)	(578,649)
Increase in income tax expense due to:				
Write-down of loan to Controlled Entity	–	–	99,820	512,399
Other non-allowable items	200	569	–	77
Decrease in income tax expense due to:				
Capital profits not subject to income tax	–	(1,889)	–	(1,889)
Future income tax benefit not brought to account	181,773	579,969	82,153	68,062
Income tax expense attributable to loss from ordinary activities	–	–	–	–

Future income tax benefit not taken to account

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt

Tax losses carried forward:				
Revenue losses	4,223,634	4,041,591	889,205	807,052
Timing differences	(551,310)	(433,202)	2,550	1,726
	3,672,324	3,608,389	891,755	808,778

NOTE 6: DIRECTORS' REMUNERATION

Directors' Income

Number of Parent Entity directors whose income from the Parent Entity and any related parties was within the following bands:				
$20,000 – $29,999			1	1
$30,000 – $39,999			1	1
$90,000 – $99,999			1	–
$150,000 – $159,999			–	1
Total income paid or payable, or otherwise made available, to all Directors of the Company and Controlled Entities from the Company or any related parties including amounts paid to a superannuation fund for the provision of retirement benefits to Directors and termination payments	147,358	205,100	147,358	205,100

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$	$	$	$
Executives' income				
Total income received or receivable, directly or indirectly, to executives of the Company and Controlled Entities from the Company or any related party	94,928	151,200	94,928	151,200
The number of executives whose income was within the following bands:	No.	No.	No.	No.
$90,000 – $99,999	1	–	1	–
$150,000 – $159,999	–	1	–	1

NOTE 7: AUDITORS' REMUNERATION

	$	$	$	$
Audit services – KPMG	21,000	21,000	21,000	21,000
Other services – KPMG	–	–	–	–
	21,000	21,000	21,000	21,000

NOTE 8: EARNINGS/(LOSS) PER SHARE

Classification of securities as ordinary shares

Ordinary shares have been included in basic earnings per share.

Classification of securities as potential ordinary shares

The following options outstanding have been classified as potential ordinary shares:

22,405,600 options at an exercise price of $0.10 that expire 30 June 2006
733,335 options at an exercise price of $0.25 that expire 31 December 2003
733,335 options at an exercise price of $0.30 that expire 31 December 2003
733,330 options at an exercise price of $0.35 that expire on 31 December 2003

Earnings reconciliation		
Net loss, basic and diluted earnings	(606,575)	(1,928,831)
Weighted average number of shares used as the denominator	No.	No.
Number for basic and diluted earnings per share	73,696,192	59,801,607
Basic and dilutive ordinary earnings per share	(0.8 cents)	(3.2 cents)

Basic and dilutive ordinary EPS

The following options have not been included in the calculation of diluted EPS as they are not dilutive:

22,405,600 options at an exercise price of $0.10 that expire 30 June 2006
733,335 options at an exercise price of $0.25 that expire 31 December 2003
733,335 options at an exercise price of $0.30 that expire 31 December 2003
733,330 options at an exercise price of $0.35 that expire on 31 December 2003

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$	$	$	$

NOTE 9: CASH

Cash at bank	18,563	27,411	1,821	13,090
Bank short term deposits	1,055,454	763,744	1,055,454	763,745
	1,074,017	791,155	1,057,275	776,835

NOTE 10: RECEIVABLES

Current				
Other debtors	15,207	77,356	4,047	5,773
Security deposits	6,268	6,268	–	–
	21,475	83,624	4,047	5,773
Non-current				
Loans to Controlled Entity	–	–	1,795,545	1,544,079

NOTE 11: OTHER CURRENT ASSETS

Prepayments	6,903	9,205	5,840	8,427

NOTE 12: OTHER FINANCIAL ASSETS

Investments in Controlled Entities				
Unlisted shares at cost	–	–	1,577,002	1,577,002
Provision for diminution	–	–	(1,577,002)	(1,577,002)
Unlisted shares at deemed cost	–	–	41	41
	–	–	41	41

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment				
At cost	59,271	64,924	–	–
Accumulated depreciation	(47,199)	(50,492)	–	–
	12,072	14,432	–	–
Leasehold improvements				
At cost	6,784	6,784	–	–
Accumulated amortisation	(2,471)	(1,793)	–	–
	4,313	4,991	–	–
Total property, plant and equipment	16,385	19,423	–	–

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	$	$	$	$
Reconciliations				
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:				
Plant and equipment				
Carrying amount at beginning of year	14,432	20,604	–	–
Additions	3,267	4,339	–	–
Disposals	–	(1,137)	–	–
Depreciation	(5,627)	(9,374)	–	–
Carrying amount at end of year	12,072	14,432	–	–
Leasehold improvements				
Carrying amount at beginning of year	4,991	5,670	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	(678)	(679)	–	–
Carrying amount at end of year	4,313	4,991	–	–

NOTE 14: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs carried forward in respect of areas of interest in:				
Exploration and evaluation phases	1,846,200	1,449,761	–	–
Reconciliations				
Carrying amount at the beginning of year	1,449,761	1,635,951	–	
Additions	845,436	1,422,852	–	–
Less write offs	(448,997)	(1,609,042)	–	–
Carrying amount at the end of year	1,846,200	1,449,761	–	–

NOTE 15: PAYABLES

Current				
Trade creditors and accruals	124,450	38,941	22,177	20,887
Other creditors	9,013	11,993	9,013	11,993
	133,463	50,934	31,190	32,880
Non-current				
Amount due to Controlled Entity	–	–	41	41

NOTE 16: PROVISIONS

Employee entitlements	8,500	13,930	8,500	13,930
	No.	No.	No.	No.
Number of employees at year end	2	2	2	2

NOTE 17: CONTRIBUTED EQUITY

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
83,363,634 (2001: 59,801,607) fully paid ordinary shares	15,566,405	14,425,117	15,566,405	14,425,117
	No.	No.	No.	No.
Movements in ordinary share capital				
Balance at beginning of year	14,425,117	14,425,117	14,425,117	14,425,117
Shares issued:				
22,155,600 shares at 5 cents per share	1,107,780	–	1,107,780	–
Less cost of issue	(37,788)	–	(37,788)	–
1,406,427 shares issued in lieu of services	71,296	–	71,296	–
	15,566,405	14,425,117	15,566,405	14,425,117

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

NOTE 18: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2001	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2002
Listed						
30 Jun 2002	$0.20	30,751,607	–	–	(30,751,607)	–
30 Jun 2006	$0.10	–	22,405,600	–	–	22,405,600
Unlisted						
31 Dec 2003	$0.25	733,335	–	–	–	733,335
31 Dec 2003	$0.30	733,335	–	–	–	733,335
31 Dec 2003	$0.35	733,330	–	–	–	733,330
		32,951,607	22,405,600	–	(30,751,607)	24,605,600

No options were exercised during the year.

NOTE 19: ACCUMULATED LOSSES

	$	$	$	$
Accumulated losses at the beginning of the year	12,136,813	10,207,982	12,136,813	10,207,982
Net loss	606,575	1,928,831	606,575	1,928,831
Accumulated losses at the end of the year	12,743,388	12,136,813	12,743,388	12,136,813

NOTE 20: COMMITMENTS

Operating Lease Commitments

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

Within 1 year	29,206	41,106	–	–
Later than 1 year but not later than 5 years	–	30,405	–	–
	29,206	71,511	–	–

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $

Exploration tenement commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay in the year ending 31 December 2003 an amount of approximately $264,000 (2002 $72,000) in respect of exploration expenditure.

NOTE 21: CONTINGENT LIABILITIES

Native title

The value of the mining tenements is dependent on the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements. The Consolidated Entity's exploration properties may at some future time be subject to claims under native title or contain sacred sites or sites of significance to Aboriginal people. In the event of any such claim being made and the National Native Title Tribunal ratifying such claim, the Consolidated Entity's exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions or compensation.

NOTE 22: SEGMENT INFORMATION

During the year the Consolidated Entity operated predominantly in one business segment being precious mineral exploration in Australia.

NOTE 23: CONTROLLED ENTITIES

Particulars in relation to Controlled Entities		COUNTRY OF INCORPORATION	PERCENTAGE OWNED 2002 %	PERCENTAGE OWNED 2001 %
Parent Entity	Diamond Ventures NL	Australia		
Controlled Entities	Diamond Ventures Exploration Pty Ltd	Australia	100	100
	Diamond Ventures (Botswana) (Pty) Ltd	Botswana	100	100

NOTE 24: INTEREST IN JOINT VENTURE OPERATIONS

ELLENDALE

As at 31 December 2002 a Controlled Entity Diamond Ventures Exploration Pty Ltd (DVE) had earned an interest of 53% in Auridiam Consolidated NL tenement E04/813 in the Ellendale region of Western Australia.

Included in the assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint venture.

Non-Current Assets	$	$	$	$
Exploration expenditure	298,601	261,041	–	–

MMASHORO (Botswana)

On 5 December 2002 the Company announced that it had withdrawn from the Mmashoro Joint Venture.

Included in the assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint venture.

Non-Current Assets				
Exploration expenditure	–	42,003	–	–

NOTE 25: NOTES TO THE STATEMENTS OF CASH FLOWS

A RECONCILIATION OF CASH

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

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, and
- investments in short term money market instruments.

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the statements of financial position as follows:

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Cash at bank	18,563	27,411	1,821	13,090
Bank short term deposits	1,055,454	763,744	1,055,454	763,745
	1,074,017	791,155	1,057,275	776,835

B RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	CONSOLIDATED 2002 $	CONSOLIDATED 2001 $	THE COMPANY 2002 $	THE COMPANY 2001 $
Loss from ordinary activities after income tax	(606,575)	(1,928,831)	(606,575)	(1,928,831)
Add/(less) non-cash items:				
Amortisation	678	679	–	–
Depreciation	5,627	9,374	–	–
Write-off of exploration expenditure	448,997	1,609,042	–	–
Write-down of loan to Controlled Entity	–	–	332,733	1,707,996
Net loss on disposal of plant and equipment	–	74	–	–
Net gain on disposal of investments	–	(31,449)	–	(31,449)
Changes in assets and liabilities, net of the effects of purchase and disposal of Controlled Entities during the financial year:				
(Increase)/decrease in receivables	62,149	(36,788)	1,726	(816)
(Increase)/decrease in prepayments	2,302	1,399	2,587	(2,679)
Increase/(decrease) in payables	82,528	(60,354)	(1,690)	3,416
Increase/(decrease) in provisions	(5,430)	4,700	(5,430)	4,700
Increase in exploration expenditure	(845,436)	(1,422,852)	–	–
Net cash used in operating activities	(855,160)	(1,855,006)	(276,649)	(247,663)

NOTE 26: RELATED PARTIES

Directors

The names of each person holding the position of Director of Diamond Ventures NL during the financial year are:

Ronald J Hawkes
Walter R Bucknell
Donald L Cooper

Details of Directors' remuneration are set out in Note 6.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Directors' holdings of shares and share options

The aggregate interests of Directors of the reporting entity and their Director-related entities in shares and share options of entities within the Consolidated Entity at year end are set out below.

	2002	2001
Diamond Ventures NL	No.	No.
Ordinary shares	24,586,410	17,190,766
Options over ordinary shares	9,345,644	16,629,997

Non-Director related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Controlled Entities

The Parent Company provided management and related services amounting to $263,331 to a Controlled Entity.

All loans to Controlled Entities are unsecured, interest free and repayable on demand.

The balance of the loan outstanding at year end amounted to $1,795,545. During the period the loan was written down by $332,733.

NOTE 27: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

A INTEREST RATE RISK

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	NOTE	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	FLOATING INTEREST RATE $	FIXED INTEREST MATURING WITHIN YEAR $	NON INTEREST BEARING $	TOTAL $
2002						
Financial assets						
Cash	9	0.7	18,563	–	–	18,563
Term deposits	9	4.7	–	1,055,454	–	1,055,454
Security deposits	10	n/a	–	–	6,268	6,268
Other debtors	10	n/a	–	–	15,207	15,207
Total financial assets			18,565	1,055,454	21,475	1,095,492
Financial liabilities						
Payables		n/a	–	–	133,463	133,463
Total financial liabilities			–	–	133,463	133,463
2001						
Financial assets						
Cash	9	1.6	27,411	–	–	27,411
Term deposits	9	4.3	–	763,744	–	763,744
Security deposits	10	n/a	–	–	6,268	6,268
Total financial assets			27,411	763,744	6,268	797,423
Financial liabilities						
Payables		n/a	–	–	50,934	50,934
Total financial liabilities			–	–	50,934	50,934

B NET FAIR VALUES

For all assets and liabilities the net fair value approximates their carrying value.

NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE

No events have occurred subsequent to balance date which have affected or which may materially affect these financial statements.

DECLARATION BY DIRECTORS

In the opinion of the Directors of Diamond Ventures NL:

1 the financial statements and notes set out on pages 18 to 34 are in accordance with the Corporations Act 2001, including:
   - a) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 31 December 2002 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
   - b) comply with Australian Accounting Standards and the Corporations Regulations 2001; and

2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 24th day of March 2003.

Signed in accordance with a resolution of the Directors.

Walter R Bucknell
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAMOND VENTURES NL

SCOPE

We have audited the financial report of Diamond Ventures NL ('the Company') and Controlled Entities for the financial year ended 31 December 2002 consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying Notes 1 to 28, and the Directors' Declaration (set out on pages 18 to 35).

The financial report includes the consolidated financial statements of the Consolidated Entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Diamond Ventures NL is in accordance with:

1 the Corporations Act 2001, including:
   a) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2002 and of their performance for the year ended on that date; and
   b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

2 other mandatory professional reporting requirements in Australia.

GOING CONCERN CONCEPT

Without qualification of the opinion expressed above, attention is drawn to the following significant matter.

The financial report has been prepared on a going concern basis as discussed in Note 1A which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity's ability to pay its debts as and when they fall due is dependent upon the achievement of future profits, equity raisings and the joint venturing or sale of interest held in mineral tenements and projects.

Dated at Sydney this 24th day of March 2003.

KPMG

KPMG

Trent van Veen, Partner