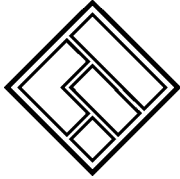


lodging party or agent name Diamond Ventures NL
 office, level, building name or PO Box no. Suite 701
 street number & name 220 Pacific Highway
 suburb/city Crows Nest state/territory NSW postcode 2065
 telephone (02) 9929 6633
 facsimile (02) 9929 9366
 DX number _____ suburb/city _____

	ASS. <input type="checkbox"/>	REQ-A <input type="checkbox"/>
	CASH. <input type="checkbox"/>	REQ-P <input type="checkbox"/>
	PROC. <input type="checkbox"/>	



Australian Securities & Investments Commission

copy of financial statements and reports

form **388**

Corporations Law
 294, 295, 298-300, 307, 308, 319, 321, 322

Name DIAMOND VENTURES NL
 ACN / ARBN / ARSN/PIN 062 091 909

Reason for lodgement of statements and reports

- tick the appropriate box A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
 A registered scheme* (B)
 Amendment of financial statements or directors' report (company) (C)
 Amendment of financial statements or directors' report (registered scheme)* (D)
 A large proprietary company that is not a disclosing entity (H)
 A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
 A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
 A prescribed interest undertaking that is a disclosing entity (K)

Financial year ended (d/m/y) 31 /Dec/ 2004

Date of Annual General Meeting (if applicable)

27/May 2005

Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

- A What is the consolidated gross operating revenue of the large proprietary company and the entities that it controls?
- B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
- C How many employees are employed by the large proprietary company and the entities that it controls?
- D How many members does the large proprietary company have?.....

Details of current auditor*

name (family & given names) _____
 Auditor Registration no: _____
 or
 if a firm, name of firm KPMG
 office level _____ building name The KPMG Centre
 street number & name 10 Shelley Street
 suburb / city Sydney state / territory NSW postcode 2000
 Business Registration number (if applicable) R2862638 State / Territory registered in NSW
 date of appointment (d/m/y) 15/ 12/ 1993

* NOTE: Where a new auditor has been appointed to a Registered Scheme, **Form 5137 - Appointment of Scheme Auditor** must be lodged

Auditor report

Were the financial statements audited? Yes No

If yes: Does the auditor's report (section 308) for the financial year contain a statement of:

* reasons for the auditor not being satisfied as to the matters referred to in section 307? Yes No

* details of the deficiency, failure or shortcoming concerning any matter referred to in section 307? Yes No

If no: Is there a class order exemption current for audit relief? Yes No

Statements and reports to be attached to this form

Financial statements for the year (as per ss295(2))

profit and loss statement for the year

balance sheet as at the end of the year

statement of cash flows for the year

if required by accounting standards - consolidated profit & loss statement, balance sheet and statement of cash flows

Notes to financial statements (as per ss295(3))

disclosures required by the regulations

notes required by the accounting standards

any other information necessary to give a true and fair view (see s297)

The directors' declaration about the statements and notes (as per ss 295(4))

The directors' report for the year (as per s 298 to 300)

Auditor's report required under sections 308 and 314

Certification

I certify that the attached documents marked (**A**) are a true copy of the annual reports required under Section 319.

print name	Walter Ralph Bucknell	capacity	Director
sign here		date	31 March 2005

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

Include

- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs mins

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2004

CONTENTS

Directors' report	2
Statements of financial performance	6
Statements of financial position	7
Statements of cashflows	8
Notes to the financial statements	9
Declaration by Directors	24
Independent Auditors' report	25

DIRECTORS' REPORT

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 2004, 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 40 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 36 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 precious minerals exploration, primarily 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 income tax amounted to \$821,513 (2003 loss \$1,655,641).

A comprehensive review of operations which forms part of this report is set out on pages 3 to 16.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared during the year. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2004.

STATE OF AFFAIRS

The Company made the following issue of shares and call on partly paid shares during the year to provide additional working capital:

- Issue of 1,301,115 ordinary shares at 12 cents per share on exercise of options raising \$156,134.
- Call of 2 cents per share in respect of 30,296,342 ordinary shares at 20 cents per share partly paid previously to 3 cents per share and now paid to 5 cents per share raising \$605,927.

EVENTS SUBSEQUENT TO BALANCE DATE

The Company announced that following receipt of offers from interested parties it plans to raise \$2.5 million by means of placements of fully paid ordinary shares at a price of 9 cents per share. The Company intends to seek shareholder approval for the raising. Shareholders will have an opportunity to participate in this raising by means of a Share Purchase Plan and all shares issued will be at the same price as the placement of 9 cents per share.

Funds raised will be used to further advance the bankable feasibility study for the Touquoy Gold Project Nova Scotia Canada and to undertake regional exploration.

For reporting periods starting on or after 1 January 2005, the Consolidated Entity must comply with International Financial Standards (IFRS) as issued by the Australian Accounting Standards Board. At balance date, the effect of the convergence to IFRS has not been quantified. Refer to note 27 for further details.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly 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 the further advancement of the Touquoy Gold Project and gold exploration.

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

No options were granted during or since the end of the financial year.

UNISSUED SHARES UNDER OPTION

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

EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES
Listed		
30 June 2006	\$0.10	23,615,931
2,058,122 listed options issued to Directors expired during the year ended 31 December 2004.		
Unlisted		
31 December 2008	\$0.20	2,200,000

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

	NUMBER OF SHARES	AMOUNT PAID ON EACH SHARE
Shares issued on exercise of options	1,301,115	\$0.12

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 and retaining appropriately qualified and experienced directors and executives.

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

The emoluments of each Director and executive officer are as follows:

DIRECTORS	SALARY	DIRECTORS' FEES	SUPERANNUATION	CONSULTING	
				FEES	TOTAL
R J Hawkes	–	60,000	11,880	72,000 ¹	143,880
W R Bucknell	96,000	–	8,640	–	104,640
D L Cooper	–	30,000	2,700	–	32,700
	96,000	90,000	23,220	72,000	281,220
EXECUTIVE OFFICER					
B H Bolton	83,250	–	7,493	–	90,743
	83,250	–	7,493	–	90,743

Note 1: Fees attributable to consulting services for the Tonquoy project during 2002 and 2003 as approved by resolution of directors on 22 March 2004.

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	PARTLY PAID SHARES	OPTIONS
R J Hawkes	20,000,000	5,750,000	7,061,540
W R Bucknell	4,147,436	1,036,860	2,824,360
D L Cooper	1,238,974	400,000	509,744
	25,386,410	7,186,860	10,395,644

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 Secretaries, Mr Grahame Clegg and Ms Julie Fidler 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 2004 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

18 March 2005

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 31 December 2004

	NOTES	CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenues from ordinary activities	2	53,269	135,164	384,248	220,511
Borrowing costs		(72)	(23)	(65)	(1)
Exploration expenditure written off		(488,695)	(1,298,275)	–	–
Write-down of loan to Controlled Entity		–	–	(544,577)	(1,284,909)
General and administrative expenses		(386,015)	(492,507)	(661,119)	(591,242)
Loss from ordinary activities	3	(821,513)	(1,655,641)	(821,513)	(1,655,641)
Income tax expense relating to ordinary activities	4	–	–	–	–
NET LOSS		(821,513)	(1,655,641)	(821,513)	(1,655,641)
Basic earnings per share (cents per share)	7	(0.62)	(1.83)		
Diluted earnings per share (cents per share)	7	(0.62)	(1.83)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 27 to 41.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2004

	NOTES	CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets	8	478,287	1,787,128	471,758	1,645,205
Receivables	9	85,154	86,730	2,149	4,759
Other	10	14,807	10,845	13,581	9,727
Total current assets		578,248	1,884,703	487,488	1,659,691
Non-current assets					
Receivables	9	–	–	2,838,164	1,726,342
Other financial assets	11	–	–	103	144
Plant and equipment	12	13,106	13,575	–	–
Exploration and evaluation expenditure	13	2,770,798	1,625,644	–	–
Total non-current assets		2,783,904	1,639,219	2,838,267	1,726,486
TOTAL ASSETS		3,362,152	3,523,922	3,325,755	3,386,177
Current liabilities					
Payables	14	71,341	174,532	34,944	36,746
Provisions	15	15,100	10,500	15,100	10,500
Total current liabilities		86,441	185,032	50,044	47,246
Non-current liabilities					
Payables	14	–	–	–	41
Total non-current liabilities		–	–	–	41
TOTAL LIABILITIES		86,441	185,032	50,044	47,287
NET ASSETS		3,275,711	3,338,890	3,275,711	3,338,890
Equity					
Contributed equity	16	18,496,253	17,737,919	18,496,253	17,737,919
Accumulated losses	18	(15,220,542)	(14,399,029)	(15,220,542)	(14,399,029)
TOTAL EQUITY		3,275,711	3,338,890	3,275,711	3,338,890

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 27 to 41.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2004

	NOTES	CONSOLIDATED		THE COMPANY	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		5,455	100,000	–	–
Payments to suppliers and employees		(482,553)	(442,081)	(322,666)	(330,364)
Interest received		47,814	35,164	47,349	34,190
Borrowing costs		(72)	(23)	(65)	(1)
Net cash (used in) operating activities	24B	(429,356)	(306,940)	(275,382)	(296,175)
Cash flows from investing activities					
Purchase of plant and equipment		(3,970)	(2,144)	–	–
Payments for exploration expenditure		(1,633,849)	(1,077,719)	–	–
Loan to Controlled Entity		–	–	(1,656,399)	(1,215,809)
Net cash (used in) investing activities		(1,637,819)	(1,079,863)	(1,656,399)	(1,215,809)
Cash flows from financing activities					
Proceeds from issue of shares		762,061	2,149,667	762,061	2,149,667
Share issue costs		(3,727)	(49,753)	(3,727)	(49,753)
Net cash provided by financing activities		758,334	2,099,914	758,334	2,099,914
Net increase (decrease) in cash held		(1,308,841)	713,111	(1,173,447)	587,930
Cash at 1 January 2004		1,787,128	1,074,017	1,645,205	1,057,275
CASH AT 31 DECEMBER 2004	24A	478,287	1,787,128	471,758	1,645,205

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 27 to 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

NOTE I: 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 raisings and the joint venturing or sale of interests 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 operation

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 estimated useful lives. Assets are depreciated from the date of acquisition.

The depreciation rates used for each class of depreciable assets for the current and prior year 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 sale or successful development and exploitation 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 are provided at the time such disturbance occurs and amortised over the life of the resource.

K EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year end, represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on current remuneration and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Superannuation

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.

O EARNINGS PER SHARE

Basic Earnings per share

Basic earnings per share is calculated by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares outstanding during the financial year.

The partly paid shares are classified as 'ordinary shares' for the purpose of calculating earnings per share.

Diluted Earnings per share

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

P FOREIGN CURRENCY TRANSLATION

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current on that date. Resulting exchange differences are recognised in determining the profit and loss for the year.

Hedging

The Consolidated Entity has not entered into any specific, general or speculative hedging arrangements.

Foreign controlled entities

As the foreign controlled entities are integrated, their assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while its revenues and expenses are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

Q RECEIVABLES

The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful amounts.

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 2: REVENUE				
From other operating activities				
Mining revenue	–	100,000	–	–
Interest received from non-related entities	47,814	35,164	47,349	34,190
Consulting fees	–	–	336,899	186,321
Option receipts	5,455	–	–	–
Total revenue from ordinary activities	53,269	135,164	384,248	220,511

NOTE 3: LOSS FROM ORDINARY ACTIVITIES

Individually significant items included in loss from ordinary activities before income tax expense

Write-down of loan to Controlled Entity	–	–	544,577	1,284,909
Exploration expenditure written off	488,695	1,298,275	–	–

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

Interest paid to non-related entities	72	23	65	1
Depreciation of plant and equipment	2,691	4,276	–	–
Amortisation of leasehold improvements	679	678	–	–
Rental expense on operating leases	35,334	39,958	–	–
Amounts set aside to provision for employee benefits	4,600	2,000	4,600	2,000
Foreign exchange (gain)/loss	(32,417)	5,675	(14,348)	–

Net loss on disposal of non-current assets:

Plant and equipment	1,069	–	–	–
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NOTE 4: TAXATION

Income tax benefit

Prima facie income tax benefit calculated at 30%

(2003: 30%) on the loss from ordinary activities	(246,454)	(496,692)	(246,454)	(496,692)
--	-----------	-----------	-----------	-----------

Increase in income tax expense due to:

Write-down of loan to Controlled Entity	–	–	163,373	385,473
Other non-allowable items	1,631	314	110	86

Future income tax benefit not brought to account	244,823	496,378	82,971	111,133
--	---------	---------	--------	---------

Income tax expense attributable to loss

from ordinary activities	–	–	–	–
--------------------------	---	---	---	---

CONSOLIDATED		THE COMPANY	
2004	2003	2004	2003
\$	\$	\$	\$

Note 4: Taxation continued

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	5,260,148	4,693,743	1,040,025	958,434
Timing differences	(810,412)	(488,830)	5,430	3,150
	4,449,736	4,204,913	1,044,555	961,584

The potential future income tax benefit will only be obtained if:

- the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the Consolidated Entity in accordance with Division 170 of the Income Tax Assessment Act 1997
- the relevant company and/or the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law, and
- no changes in tax legislation adversely affect the relevant company and/or the Consolidated Entity in realising the benefit.

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION

Remuneration of specified directors and specified executives by the consolidated entity

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 and retaining appropriately qualified and experienced executives.

No part of the remuneration package is performance related.

The emolument of each Director and Executive Officer are as follows:

DIRECTORS	SALARY	DIRECTORS' FEES	SUPERANNUATION	CONSULTING	TOTAL
				FEES	
R J Hawkes	–	60,000	11,880	72,000 ¹	143,880
W R Bucknell	96,000	–	8,640	–	104,640
D L Cooper	–	30,000	2,700	–	32,700
	96,000	90,000	23,220	72,000	281,220
EXECUTIVE OFFICER					
B H Bolton	83,250	–	7,493	–	90,743
	83,250	–	7,493	–	90,743

Note 1: Fees attributable to consulting services for the Tonquoy project during 2002 and 2003 as approved by resolution of directors on 22 March 2004.

There have been no issues of options to directors and the executive officer during the reporting period.

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 6: AUDITORS' REMUNERATION				
Audit services – KPMG	23,000	21,000	23,000	21,000

NOTE 7: EARNINGS/(LOSS) PER SHARE

Classification of securities as ordinary shares

Ordinary shares and partly paid shares have been included in basic earnings per share.

Earnings reconciliation

Net loss, basic and diluted earnings (821,513) (1,655,641)

Weighted average number of shares

used as the denominator

	No.	No.
Number for basic and diluted earnings per share	132,141,742	90,310,332
Basic and dilutive ordinary earnings per share	(0.62 cents)	(1.83 cents)

	\$	\$	\$	\$
NOTE 8: CASH ASSETS				
Cash at bank	24,497	150,618	17,968	8,695
Bank short term deposits	453,790	1,636,510	453,790	1,636,510
	478,287	1,787,128	471,758	1,645,205

NOTE 9: RECEIVABLES

Current

Other debtors	32,789	64,462	2,149	4,759
Security deposits	52,365	22,268	–	–
	85,154	86,730	2,149	4,759

Non-current

Loans to Controlled Entity	–	–	3,382,741	3,011,251
Provision for diminution	–	–	(544,577)	(1,284,909)
	–	–	2,838,164	1,726,342

NOTE 10: OTHER CURRENT ASSETS

Prepayments	14,807	10,845	13,581	9,727
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NOTE 11: OTHER FINANCIAL ASSETS

Investments in Controlled Entities

Unlisted shares at cost	–	–	1,577,105	1,577,146
Provision for diminution	–	–	(1,577,002)	(1,577,002)
	–	–	103	144

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 12: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	62,868	61,415	–	–
Accumulated depreciation	(52,718)	(51,475)	–	–
	10,150	9,940	–	–
Leasehold improvements				
At cost	6,784	6,784	–	–
Accumulated amortisation	(3,828)	(3,149)	–	–
	2,956	3,635	–	–
Total property, plant and equipment	13,106	13,575	–	–

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	9,940	12,072	–	–
Additions	3,970	2,144	–	–
Disposals	(1,069)	–	–	–
Depreciation	(2,691)	(4,276)	–	–
Carrying amount at end of year	10,150	9,940	–	–
Leasehold improvements				
Carrying amount at beginning of year	3,635	4,313	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	(679)	(678)	–	–
Carrying amount at end of year	2,956	3,635	–	–

NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in:

Exploration and evaluation phases	2,770,798	1,625,644	–	–
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Reconciliations

Carrying amount at the beginning of year	1,625,644	1,846,200	–	–
Additions	1,633,849	1,077,719	–	–
Less write offs	(488,695)	(1,298,275)	–	–
Carrying amount at the end of year	2,770,798	1,625,644	–	–

	CONSOLIDATED		THE COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 14: PAYABLES				
Current				
Trade creditors and accruals	53,877	159,090	17,479	21,304
Other creditors	17,464	15,442	17,465	15,442
	71,341	174,532	34,944	36,746
Non-current				
Amount due to Controlled Entity	–	–	–	41

NOTE 15: PROVISIONS

Employee benefits	15,100	10,500	15,100	10,500
	No.	No.	No.	No.
Number of employees at year end	3	3	3	3

NOTE 16: CONTRIBUTED EQUITY

	\$	\$	\$	\$
102,969,418 (2003: 101,668,303) fully paid ordinary shares	16,981,426	16,829,019	16,981,426	16,829,019
30,296,342 (2003: 30,296,342) partly paid ordinary shares	1,514,827	908,900	1,514,827	908,900
	18,496,253	17,737,919	18,496,253	17,737,919

Movements in ordinary share capital

Balance at beginning of year	17,737,919	15,566,405	17,737,919	15,566,405
Shares issued:				
1,301,115 shares at 12 cents per share on exercise of options	156,134	–	156,134	–
Call of 2 cents per share in respect of 30,296,342 shares at 20 cents per share now partly paid to 5 cents per share	605,927	–	605,927	–
30,296,342 shares at 20 cents per share partly paid to 3 cents per share	–	908,900	–	908,900
11,300,000 shares at 5 cents per share	–	565,000	–	565,000
5,515,000 shares at 12 cents per share	–	661,800	–	661,800
139,669 shares at 10 cents per share on exercise of options	–	13,967	–	13,967
1,350,000 shares issued in lieu of services	–	71,600	–	71,600
Less cost of issue	(3,727)	(49,753)	(3,727)	(49,753)
	18,496,253	17,737,919	18,496,253	17,737,919

Holders of ordinary shares are entitled to receive dividends as declared from time to time irrespective of the amounts paid or credited as paid on the shares. Holders of fully paid ordinary shares are entitled on a show of hands to one vote for each fully paid share held. Holders of partly paid ordinary shares are entitled on a show of hands to one vote, and on a poll to such number of votes as results from applying the ratio of the amount of the issue price of shares paid to the total issue price, to the number of those partly paid shares held.

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 16: Contributed equity continued

Uncalled capital

As of the reporting date there were 30,296,342 partly paid shares paid to 5 cents and uncalled capital of \$4,544,451.

NOTE 17: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2003	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2004
Listed						
31 Oct 2004	\$0.12	10,098,851	–	(1,301,115)	(8,797,736)	–
30 June 2006	\$0.10	23,615,931	–	–	–	23,615,931
Unlisted						
31 Dec 2008	\$0.20	2,200,000	–	–	–	2,200,000
		35,914,782	–	(1,301,115)	(8,797,736)	25,815,931

CONSOLIDATED		THE COMPANY	
2004	2003	2004	2003
\$	\$	\$	\$

NOTE 18: ACCUMULATED LOSSES

Accumulated losses at beginning of the year	14,399,029	12,743,388	14,399,029	12,743,388
Net loss	821,513	1,655,641	821,513	1,665,641
Accumulated losses at end of the year	15,220,542	14,399,029	15,220,542	14,399,029

NOTE 19: COMMITMENTS

Operating Lease Commitments

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

Within 1 year	26,213	28,985	–	–
Later than 1 year but not later than 5 years	–	24,154	–	–
	26,213	53,139	–	–

The Consolidated Entity leases property and equipment. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are re-negotiated.

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 2005 an amount of approximately \$1,171,500 (2003 \$546,033) in respect of exploration expenditure.

NOTE 20: 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.

Tenement litigation

Plaints have been lodged against tenements in respect of Ellendale and Kookynie Projects. All administrative requirements relating to the security of the tenement licences have been complied with and the complaints are regarded as opportunistic, without substance, and will be vigorously defended.

NOTE 21: SEGMENT INFORMATION

During the year the Consolidated Entity operated predominantly in one business segment being precious mineral exploration in two geographical segments being Australia and Canada.

	AUSTRALIA		CANADA		ELIMINATIONS		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	53,172	135,164	97	–	–	–	53,269	135,164
Segment result								
Loss before tax	(811,732)	(1,652,533)	(9,781)	(3,108)	–	–	(821,513)	(1,655,641)
Income tax	–	–	–	–	–	–	–	–
Net Loss	(811,732)	(1,652,533)	(9,781)	(3,108)	–	–	(821,513)	(1,655,641)
Depreciation	3,052	4,954	318	–	–	–	3,370	4,954
Exploration expenditure								
written off	488,695	1,298,275	–	–	–	–	488,695	1,298,275
Segment assets	5,209,686	3,436,634	990,774	362,012	(2,838,308)	(274,724)	3,362,152	3,523,922
Segment liabilities	1,921,195	94,739	1,003,554	365,017	(2,838,308)	(274,724)	86,441	185,032

NOTE 22: CONTROLLED ENTITIES

Particulars in relation to Controlled Entities		COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
			2004	2003
			%	%
Parent Entity	Diamond Ventures NL	Australia		
Controlled Entities	Diamond Ventures Exploration Pty Ltd	Australia	100	100
	Diamond Ventures (Botswana) (Pty) Ltd	Botswana	–	100
	DDV Gold Limited	Canada	100	100

Diamond Ventures (Botswana) (Pty) Ltd was wound up and struck off the register on 26 November 2004.

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	%	%	%	%
NOTE 23: INTEREST IN JOINT VENTURE OPERATIONS				
As at 31 December 2004 the Company and Consolidated Entity had interests in the following exploration joint ventures:				
Ellendale	53	53	—	—
Kookynie Development Area	50	50	—	—
Touquoy – Moose River	Earning up to 75	75	—	—
Touquoy – Banks	Earning 75	—	—	—

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	1,759,913	806,164	—	—

NOTE 24: 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:

Cash at bank	24,497	150,618	17,968	8,695
Bank short term deposits	453,790	1,636,510	453,790	1,636,510
	478,287	1,787,128	471,758	1,645,205

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
B RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES				
Loss from ordinary activities after income tax	(821,513)	(1,655,641)	(821,513)	(1,655,641)
Add/(less) non-cash items:				
Amortisation	679	678	–	–
Depreciation	2,691	4,276	–	–
Amounts set aside to provisions	4,600	2,000	4,600	2,000
Write-off of exploration expenditure	488,695	1,298,275	–	–
Write-down of loan to Controlled Entity	–	–	544,577	1,284,909
Loss on sale of non-current assets	1,069	–	–	–
Shares issued in lieu of salaries	–	71,600	–	71,600
Changes in assets and liabilities:				
(Increase)/decrease in receivables	1,576	(65,255)	2,610	(712)
(Increase)/decrease in prepayments	(3,962)	(3,942)	(3,854)	(3,887)
Increase/(decrease) in payables	(103,191)	41,069	(1,802)	5,556
Net cash used in operating activities	(429,356)	(306,940)	(275,382)	(296,175)

NOTE 25: 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 and Donald L Cooper. Details of Directors' remuneration are set out in Note 5.

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' and Executive Officer's holdings of shares and share options

The aggregate interests of Directors and the Executive Officer of the reporting entity in shares and share options of the Company at the end of the reporting period are set out below.

	ORDINARY SHARES		OPTIONS	
	FULLY PAID	PARTLY PAID	OPTIONS	LAPSED
R J Hawkes	20,000,000	5,750,000	7,061,540	1,666,668
W R Bucknell	4,147,436	1,036,860	2,824,360	258,120
D L Cooper	1,238,974	400,000	509,744	134,334
B H Bolton	1,890,000	755,600	830,000	218,534
Total	27,276,410	7,942,460	11,225,644	2,277,656

During the reporting period 2,277,656 share options lapsed without exercise. There were no other movements except for purchases by Mr Hawkes and Mr Bolton of 750,000 and 100,000 partly paid shares respectively.

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.

	CONSOLIDATED		COMPANY	
	2004	2003	2004	2003
	\$	\$	\$	\$
Note 25: Related parties continued				
Controlled Entities				
The Parent Company provided management and related services to Controlled Entities			336,899	186,231
Balance of loans to Controlled Entities outstanding at year end			2,838,164	1,726,342
Amount of loans written down during the period			544,577	1,284,909
All loans to Controlled Entities are unsecured, interest free and repayable on demand.				

NOTE 26: 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	FLOATING	FIXED INTEREST		TOTAL
		AVERAGE EFFECTIVE	INTEREST	MATURING	NON INTEREST	
		INTEREST RATE	RATE	WITHIN YEAR	BEARING	
2004		%	\$	\$	\$	\$
Financial assets:						
Cash	8	0.7	24,497	—	—	24,497
Term deposits	8	5.23	—	453,790	—	453,790
Security deposits	9	n/a	—	—	52,365	52,365
Other debtors	9	n/a	—	—	32,789	32,789
Total financial assets			24,497	453,790	85,154	563,441
Financial liabilities						
Payables	14	n/a	—	—	71,341	71,341
Provisions	15	n/a	—	—	15,100	15,100
Total financial liabilities			—	—	86,441	86,441
2003						
Financial assets:						
Cash	8	0.7	150,618	—	—	150,618
Term Deposits	8	5.23	908,900	727,610	—	1,636,510
Security deposits	9	n/a	—	—	22,268	22,268
Other debtors	9	n/a	—	—	64,462	64,462
Total Financial Assets			1,059,518	727,610	86,730	1,873,858
Financial Liabilities						
Payables	14	n/a	—	—	174,532	174,532
Provisions	15	n/a	—	—	10,500	10,500
Total Financial Liabilities			—	—	185,032	185,032

B NET FAIR VALUES

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

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

Fund Raising

The Company announced that following receipt of offers from interested parties it plans to raise \$2.5 million by means of placements of fully paid ordinary shares at a price of 9 cents per share. The Company intends to seek shareholder approval for the raising. Shareholders will have an opportunity to participate in this raising by means of a Share Purchase Plan and all shares issued will be at the same price as the placement of 9 cents per share. Funds raised will be used to further advance the bankable feasibility study for the Touquoy Gold Project Nova Scotia Canada and to undertake regional exploration.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Consolidated Entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for period ending on 31 December 2004. The differences between Australian GAAP and AIFRS identified to date as potentially having a significant impact on the consolidated entity's financial performance are summarised below. The summary should not be taken as an exhaustive list of all the differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions are presented.

The Consolidated Entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with AIFRS.

Regulatory bodies that promulgate Australian GAAP and AIFRS have significant ongoing projects that could affect the differences between Australian GAAP and AIFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of AIFRS, including system upgrades and other implementation costs which may be incurred have not been quantified as at the transition date of 1 January 2004 due to the short timeframe between finalisation of AIFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to AIFRS on the consolidated entity include:

- Each entity must select and maintain its accounting records in the currency of its primary economic environment, being the functional currency of the entity. This may differ to the presentation currency, being the currency in which it presents its financial statements. Exchange differences arising from functional currency translation to presentation currency will be taken to the foreign currency translation reserve.
- Accounting for exploration and evaluation expenditure on mineral resources is generally consistent with current AGAAP, however provision for restoration and rehabilitation obligations will need to be recognised based on discounted estimated future costs at the time of initial recognition of the asset for which remediation is required.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.

DECLARATION BY DIRECTORS

In the opinion of the Directors of Diamond Ventures NL:

- 1 the financial statements and notes set out on pages 24 to 41 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 2004 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 Accounting Standards in Australia 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 18th day of March 2005.

Signed in accordance with a resolution of the Directors.



Walter R Bucknell

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DIAMOND VENTURES NL

SCOPE

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Diamond Ventures NL (the "Company"), and Diamond Ventures NL and its controlled entities ("the Consolidated Entity"), for the year ended 31 December 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, 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 2004 and of their performance for the year ended on that date; and
 - b) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- 2 other mandatory financial reporting requirements in Australia.

Dated at Sydney this 18th day of March 2005.



KPMG



Trent van Veen, Partner